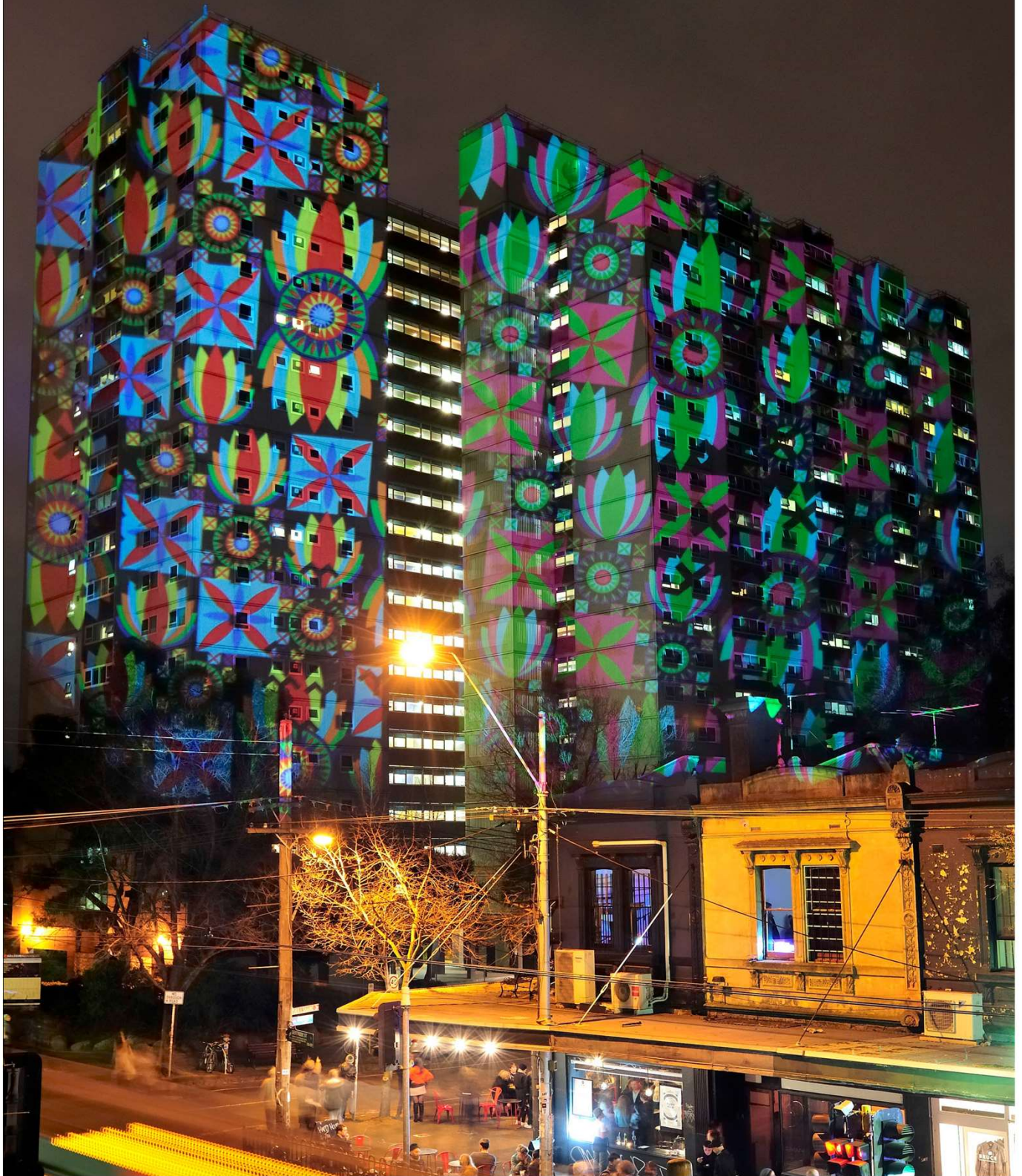
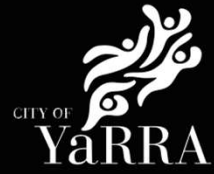


# Yarra City Council Annual Financial Report 2019/20



# Yarra City Council

## Financial Report

### Table of Contents

<b>FINANCIAL REPORT</b>	<b>Page</b>
Certification of the Financial Statements	1
Victorian Auditor-General's Office Report	2
<b>Financial Statements</b>	
Comprehensive Income Statement	4
Balance Sheet	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Statement of Capital Works	8
<b>Overview</b>	9
<b>Notes to Financial Statements</b>	
Note 1 Performance against budget	10
1.1. Income and expenditure	10
1.2. Capital works	13
Note 2 Analysis of Council results by program	15
Note 3 Funding for the delivery of our services	17
3.1. Rates and charges	17
3.2. Statutory fees and fines	17
3.3. User fees	18
3.4. Funding from other levels of government	19
3.5. Contributions	20
3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	20
3.7. Other income	21
Note 4 The cost of delivering services	21
4.1. Employee costs	21
4.2. Materials and services	22
4.3. Depreciation	22
4.4. Amortisation - Right of use assets	22
4.5. Bad and doubtful debts	23
4.6. Borrowing costs	23
4.7. Finance Costs - Leases	23
4.8. Other expenses	23
Note 5 Our financial position	24
5.1. Financial assets	24
5.2. Non-financial assets	26
5.3. Payables	26
5.4. Interest-bearing liabilities	27
5.5. Provisions	28
5.6. Financing arrangements	29
5.7. Commitments	30
5.8. Leases	31

**Yarra City Council  
Financial Report  
Table of Contents**

<b>FINANCIAL REPORT</b>		<b>Page</b>
Note 6	Assets we manage	33
	6.1. Non current assets classified as held for sale	33
	6.2. Property, infrastructure plant and equipment	34
	6.3. Investments in associates, joint arrangements and subsidiaries	40
Note 7	People and relationships	41
	7.1. Council and key management remuneration	41
	7.2. Related party disclosure	43
Note 8	Managing uncertainties	44
	8.1. Contingent assets and liabilities	44
	8.2. Change in accounting standards	45
	8.3. Financial instruments	45
	8.4. Fair value measurement	48
	8.5. Events occurring after balance date	49
Note 9	Other matters	50
	9.1. Reserves	50
	9.2. Reconciliation of cash flows from operating activities to surplus/(deficit)	52
	9.3. Superannuation	52
Note 10	Change in accounting policy	55

## Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, the Australian Accounting Standards and other mandatory professional reporting requirements.

**Mark Montague CA**

CFO and Principal Accounting Officer

15 September 2020

*Richmond*

In our opinion the accompanying financial statements present fairly the financial transactions of Yarra City Council for the year ended 30 June 2020 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

**Cr Misha Coleman**

Mayor

15 September 2020

*Richmond*

**Cr James Searle**

Councillor

15 September 2020

*Richmond*

**Vijaya Vaidyanath**

Chief Executive Officer

15 September 2020

*Richmond*

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## Comprehensive Income Statement For the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Rates and charges	3.1	112,172	108,491
Statutory fees and fines	3.2	28,052	31,420
User fees	3.3	27,047	30,346
Grants - operating	3.4 (a)	14,219	12,849
Grants - capital	3.4 (b)	5,831	21,622
Contributions - monetary	3.5	8,148	7,151
Contributions - non monetary	3.5	-	2,250
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	1,613	(10,996)
Share of net profits (or loss) of associates and joint ventures	6.3	(230)	-
Other income	3.7	3,052	4,221
<b>Total income</b>		<b>199,904</b>	<b>207,354</b>
<b>Expenses</b>			
Employee costs	4.1	90,001	83,810
Materials and services	4.2	66,957	66,908
Depreciation	4.3	22,563	22,309
Amortisation - right of use assets	4.4	965	-
Bad and doubtful debts	4.5	5,338	5,709
Borrowing costs	4.6	1,922	2,181
Finance costs - leases	4.7	165	-
Other expenses	4.8	590	515
<b>Total expenses</b>		<b>188,501</b>	<b>181,432</b>
<b>Surplus/(deficit) for the year</b>		<b>11,403</b>	<b>25,922</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	6.2	(59,223)	82,885
<b>Total comprehensive result</b>		<b>(47,820)</b>	<b>108,807</b>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

## Balance Sheet As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1 (a)	94,738	87,653
Trade and other receivables	5.1 (b)	21,621	14,797
Inventories	5.2 (a)	165	129
Other assets	5.2 (b)	1,095	620
<b>Total current assets</b>		<b>117,619</b>	<b>103,199</b>
<b>Non-current assets</b>			
Investments in associates, joint arrangements and subsidiaries	6.3	5	235
Property, infrastructure, plant and equipment	6.2	1,930,850	1,984,061
Right-of-use assets	5.8	2,307	-
<b>Total non-current assets</b>		<b>1,933,162</b>	<b>1,984,296</b>
<b>Total assets</b>		<b>2,050,781</b>	<b>2,087,495</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3 (a)	15,390	9,733
Trust funds and deposits	5.3 (b)	12,303	12,454
Unearned income	5.3 (c)	2,365	-
Provisions	5.5 (a)	15,520	13,158
Interest-bearing liabilities	5.4 (a)	1,270	1,218
Lease liabilities	5.8	851	-
<b>Total current liabilities</b>		<b>47,699</b>	<b>36,563</b>
<b>Non-current liabilities</b>			
Trade and other payables	5.3 (a)	2,645	2,955
Other Liabilities	5.3 (b)	374	237
Provisions	5.5 (a)	1,267	1,393
Interest-bearing liabilities	5.4 (b)	41,203	42,473
Lease liabilities	5.8	1,539	-
<b>Total non-current liabilities</b>		<b>47,028</b>	<b>47,058</b>
<b>Total liabilities</b>		<b>94,727</b>	<b>83,621</b>
<b>Net assets</b>		<b>1,956,054</b>	<b>2,003,874</b>
<b>Equity</b>			
Accumulated surplus		670,892	666,456
Reserves	9.1	1,285,162	1,337,418
<b>Total Equity</b>		<b>1,956,054</b>	<b>2,003,874</b>

The above balance sheet should be read in conjunction with the accompanying notes.



## Statement of Changes in Equity For the Year Ended 30 June 2020

2020	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,003,874	666,456	1,329,540	7,878
Surplus/(deficit) for the year		11,403	11,403	-	-
Net asset revaluation increment/(decrement)	6.2	(59,223)	-	(59,223)	-
Transfers to other reserves	9.1	-	(7,558)	-	7,558
Transfers from other reserves	9.1	-	591	-	(591)
		1,956,054	670,892	1,270,317	14,845
<b>Balance at end of the financial year</b>		<b>1,956,054</b>	<b>670,892</b>	<b>1,270,317</b>	<b>14,845</b>

2019		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,895,287	624,716	1,246,875	23,696
Surplus/(deficit) for the year		25,922	25,922	-	-
Net asset revaluation increment/(decrement)	6.2	82,885	-	82,885	-
Transfers to other reserves	9.1	(20,320)	(6,344)	(220)	(13,756)
Transfers from other reserves	9.1	20,100	22,162	-	(2,062)
		2,003,874	666,456	1,329,540	7,878
<b>Balance at end of the financial year</b>		<b>2,003,874</b>	<b>666,456</b>	<b>1,329,540</b>	<b>7,878</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows For the Year Ended 30 June 2020

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		107,906	108,315
Statutory fees and fines		27,170	32,264
User fees		27,465	33,670
Grants - operating		14,219	12,849
Grants - capital		6,414	23,373
Contributions - monetary		8,148	7,151
Interest received		1,127	1,504
Trust funds and deposits taken		3,169	3,799
Other receipts		4,644	2,993
Net GST refund/payment		3,054	3,843
Employee costs		(87,765)	(83,866)
Materials and services		(73,851)	(77,751)
Trust funds and deposits repaid		(3,478)	(2,454)
<b>Net cash provided by/(used in) operating activities</b>	9.2	<b><u>38,222</u></b>	<b><u>65,690</u></b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.2	(29,196)	(26,319)
Proceeds from sale of property, infrastructure, plant and equipment	3.6	2,246	553
<b>Net cash provided by/(used in) investing activities</b>		<b><u>(26,950)</u></b>	<b><u>(25,766)</u></b>
<b>Cash flows from financing activities</b>			
Finance costs		(1,922)	(2,181)
Repayment of borrowings		(1,217)	(1,176)
Interest paid - lease liability		(165)	-
Repayment of lease liabilities		(883)	-
<b>Net cash provided by/(used in) financing activities</b>		<b><u>(4,187)</u></b>	<b><u>(3,357)</u></b>
Net increase (decrease) in cash and cash equivalents		7,085	36,567
Cash and cash equivalents at the beginning of the financial year		87,653	51,086
<b>Cash and cash equivalents at the end of the financial year</b>	5.1	<b><u>94,738</u></b>	<b><u>87,653</u></b>

## Statement of Capital Works For the Year Ended 30 June 2020

	2020 \$'000	2019 \$'000
<b>Property</b>		
Buildings	8,088	6,263
<b>Total buildings</b>	<b>8,088</b>	<b>6,263</b>
<b>Total property</b>	<b>8,088</b>	<b>6,263</b>
<b>Plant and equipment</b>		
Plant, machinery and equipment	1,255	2,369
Computers and telecommunications	2,129	1,752
Library books	700	611
<b>Total plant and equipment</b>	<b>4,084</b>	<b>4,732</b>
<b>Infrastructure</b>		
Roads	5,831	5,547
Bridges	75	27
Footpaths and cycleways	3,077	2,225
Drainage	1,683	2,310
Recreational, leisure and community facilities	-	79
Waste management	70	67
Parks, open space and streetscapes	3,606	3,517
Other infrastructure	2,709	1,552
<b>Total infrastructure</b>	<b>17,051</b>	<b>15,324</b>
<b>Total capital works expenditure</b>	<b>29,223</b>	<b>26,319</b>
<b>Represented by:</b>		
New asset expenditure	1,999	1,556
Asset renewal expenditure	22,764	21,446
Asset upgrade expenditure	4,460	3,317
<b>Total capital works expenditure</b>	<b>29,223</b>	<b>26,319</b>

The above statement of capital works should be read in conjunction with the accompanying notes.

## Notes to the Financial Report for the Year Ended 30 June 2020

### OVERVIEW

#### Introduction

The City of Yarra was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate. The Council's main office is located at 333 Bridge Road Richmond.

#### Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

#### COVID-19 Impacts on Council

The COVID-19 pandemic has had a significant impact on our residents, businesses and organisations. In response to such impacts, Council has undertaken a number of measures to provide a heightened level of assistance and support for our local community. This has included the review and Council endorsement of a revised financial hardship policy, providing for greater levels of support through deferrals, on application, for rate payments and fees and charges that will enhance Council's support of our local community through the pandemic.

In line with State Government restrictions, Council was required to close its recreation and leisure facilities during the course of the year, and also other public facilities including libraries, halls and golf courses. Whilst Council did its best to reduce operating costs associated with these facilities during the closure period, such services are substantially funded from fee paying clients and as such Council's revenue and operating performance was significantly impacted compared to originally budgeted expectations. Council's financial performance was also impacted by reduced parking and infringement income, stemming from a reduction in traffic flow through the municipality, and the relaxation of parking restrictions to ensure our community had appropriate access to essential services. Such impacts are expected to continue through the recovery phase, and accordingly have been factored into our 2020/21 budget and beyond.

Despite these challenges, Council has been able to continue providing the majority of its integral services to the community, including waste and recycling and a range of community services that take on new importance during these challenging times.

Through the 2019/20 financial statements we have made reference to the financial implications of the COVID-19 pandemic with additional disclosure where appropriate (refer to Note 1, Note 3.2, Note 3.3, Note 5.1, Note 6.2 and Note 8.5).

#### Significant accounting policies

##### (a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10% or \$250K where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures are those adopted by Council on 25 June 2019. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

#### 1.1 Income and expenditure

	Budget 2019/20 \$'000	Actual 2019/20 \$'000	Variance \$'000 Fav/(Unfav)	Variance % Fav/(Unfav)	Ref
<b>Income</b>					
Rates and charges	112,465	112,172	(293)	(0.26%)	1.1
Statutory fees and fines	32,935	28,052	(4,883)	(14.83%)	1.2
User fees	32,330	27,047	(5,283)	(16.34%)	1.3
Grants - operating	12,541	14,219	1,678	13.38%	1.4
Grants - capital	2,432	5,831	3,399	139.77%	1.5
Contributions - monetary	4,300	8,148	3,848	89.48%	1.6
Contributions - non monetary	397	-	(397)	(100.00%)	1.7
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	180	1,613	1,433	795.88%	1.8
Share of net profits (or loss) of associates and joint ventures	-	(230)	(230)	100.00%	
Other income	3,091	3,052	(39)	(1.25%)	
<b>Total income</b>	<b>200,671</b>	<b>199,904</b>	<b>(767)</b>	<b>(0.38%)</b>	
<b>Expenses</b>					
Employee costs	87,115	90,001	(2,886)	(3.31%)	1.9
Materials and services	73,303	66,957	6,346	8.66%	1.10
Depreciation	22,800	22,563	237	1.04%	
Amortisation - Right of use assets	-	965	(965)	(100.00%)	1.11
Bad and doubtful debts	4,000	5,338	(1,338)	(33.44%)	1.12
Borrowing costs	2,035	1,922	113	5.57%	
Finance costs - Leases	-	165	(165)	(100.00%)	
Other expenses	-	590	(590)	(100.00%)	1.13
<b>Total expenses</b>	<b>189,253</b>	<b>188,501</b>	<b>752</b>	<b>0.40%</b>	
<b>Surplus/(deficit) for the year</b>	<b>11,418</b>	<b>11,403</b>	<b>(15)</b>	<b>(100.00%)</b>	

Notes to the Financial Report for the Year Ended 30 June 2020

Note 1 Performance against budget (Cont'd)

1.1 Income and expenditure (Cont'd)

(i) Explanation of material variations

Ref	Item	Explanation
1.1	Rates and charges	Rates and charges are unfavourable to budget by \$0.29M (0.26%), mainly due to pensioner rebates being higher than budgeted.
1.2	Statutory fees and fines	Parking Revenue was unfavourable to budget by \$4.88M (14.83%) due to a decline in parking activity as a result of the COVID-19 pandemic. There was lower income received for parking meters and a reduction in the number of infringements issued.
1.3	User fees	User Fees were unfavourable to budget by \$5.28M (16.34%) due to reduced fee income from recreation and leisure (including Burnley Golf Course and Collingwood Estate Gym), which is a result of facility closures in response to the COVID-19 pandemic. In addition to this there has been a decline in income for Construction Management occupation permits and in property due to the vacancy in the bottom level of 345 Bridge Rd. The unfavourable result also includes the refunds for business and street trading permits as part of the Yarra's COVID-19 community and economic stimulus package.
1.4	Grants - operating	Operating Grants were favourable to budget by \$1.67M (13.38%) mainly due to an unbudgeted grant received for waste minimisation and an earlier grant received for the Edinburgh Gardens stormwater harvesting project.
1.5	Grants - capital	Capital Grants were favourable to budget by \$3.39M mainly due to early receipt of grant income for Jack Dyer Pavilion - Citizens Park project. Unbudgeted grants were also received for Cambridge street and Otter/Smith street open space projects as well as grants received in traffic and civil engineering relating to Stage 2 of Wellington Street, which has been used to fund Wellington Street bike lanes capital works.
1.6	Contributions - monetary	Monetary contributions were favourable to budget by \$3.8M (89.4%) due to higher than expected open space contributions for development projects received during the year. These funds are committed to be spent on eligible open space projects.
1.7	Contributions - non monetary	Non Monetary contributions unfavourable to budget by \$0.39M as there were no non monetary contributions received in 2019/20.
1.8	Net gain (loss) on disposal of non current assets	Net gain on disposal of non current assets were \$1.43M favourable mainly due to unbudgeted sales proceeds from discontinued roads.
1.9	Employee costs	Employee costs were unfavourable to budget by \$2.88M (3.3%) due to an increase in provision for annual leave and long service leave.
1.10	Materials and services	Materials and services costs were favourable to budget by \$6.4M (8.7%) due to a reduction in consultancy and legal costs associated with the impact of the COVID-19 pandemic and an inability to progress a number of pieces of work due to restrictions in place. Part of this favourable variance relating to lease payments offsets against the unfavourable variance relating to amortisation of right of use assets.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 1 Performance against budget (Cont'd)

1.1 Income and expenditure (Cont'd)

Ref	Item	Explanation
1.11	Amortisation - Right of use assets	Amortisation- Right of use assets were unfavourable to budget by \$0.96M due to the introduction of a change in accounting treatment for Council's operating leases. The variance offsets against the materials and services line where operating lease costs are favourable to budget.
1.12	Bad and doubtful debts	Bad and doubtful debts were unfavourable to budget by \$1.34M (33.3%). A \$1M variance arises from a higher doubtful debts percentage being applied to parking infringements compared to budget arising as a result of ongoing systems issues at Fines Victoria. The remaining variance relates to an unbudgeted doubtful debts provision for other debtors.
1.13	Other expenses	Other expenses variance to budget offsets some of the favourable variance on the material and services line.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 1 Performance against budget (Cont'd)

1.2 Capital works

	Adjusted Budget*	Actual	Variance	Variance	Ref
	2019/20	2019/20	\$'000	%	
	\$'000	\$'000	Fav/(Unfav)	Fav/(Unfav)	
Buildings	12,485	8,088	(4,397)	(35.22%)	1
<b>Total buildings</b>	<b>12,485</b>	<b>8,088</b>	<b>(4,397)</b>	<b>(35.22%)</b>	
<b>Total property</b>	<b>12,485</b>	<b>8,088</b>	<b>(4,397)</b>	<b>(35.22%)</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	2,153	1,255	(898)	(41.71%)	2
Computers and telecommunications	2,704	2,129	(575)	(21.26%)	3
Library books	690	700	10	1.47%	
<b>Total plant and equipment</b>	<b>5,547</b>	<b>4,084</b>	<b>(1,463)</b>	<b>(26.37%)</b>	
<b>Infrastructure</b>					
Roads	7,000	5,831	(1,169)	(16.70%)	4
Bridges	93	75	(18)	(19.49%)	5
Footpaths and cycleways	3,440	3,077	(363)	(10.55%)	6
Drainage	1,637	1,683	46	2.83%	
Waste management	70	70	-	0.00%	
Parks, open space and streetscapes	4,000	3,606	(394)	(9.84%)	7
Other infrastructure	2,987	2,709	(278)	(9.30%)	8
<b>Total infrastructure</b>	<b>19,227</b>	<b>17,051</b>	<b>(2,176)</b>	<b>(11.32%)</b>	
<b>Total capital works expenditure</b>	<b>37,259</b>	<b>29,223</b>	<b>(8,036)</b>	<b>(21.57%)</b>	
<b>Represented by:</b>					
New asset expenditure	1,554	1,999	445	28.63%	
Asset renewal expenditure	26,821	22,764	(4,057)	(15.13%)	
Asset upgrade expenditure	8,884	4,460	(4,424)	(49.79%)	
<b>Total capital works expenditure</b>	<b>37,259</b>	<b>29,223</b>	<b>(8,036)</b>	<b>(21.57%)</b>	

\* the adjusted budget includes the carry forward from the previous year.



1.2 Capital works (Cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Buildings are \$4.3m (35.2%) below budget due to \$1.66m deferral of Ryan's Reserve Tennis/Pavilion project and number of other building projects (\$2.7m) being carried forward to 2020/21.
2	Plant, machinery and equipment	Plant, machinery and equipment is \$0.89m (41.7%) under budget mainly due to a carry forward amount for the purchase of trucks. Replacement trucks will be delivered in 2020/21.
3	Computers and telecommunications	Computers and telecommunications are \$0.57m (21.2%) below budget due to deferred expenditure for several information systems projects carried over to 2020/21.
4	Roads	Roads assets are \$1.16m (16.7%) below budget mainly due to a number of Traffic LAPM projects (\$0.88m) being carry forward to 2020/21 or deferred to subsequent years.
5	Bridges	Bridges are slightly under budget by \$18k (19.5%) due to project savings.
6	Footpaths and cycleways	Footpath/cycle assets are \$0.36m (10.5%) below budget mainly due to project carry overs as well as some savings on project costs.
7	Parks, open space and streetscapes	Parks, open space and streetscapes are \$0.39m (9.8%) under budget due to a number of playground projects at Gahans Reserve and Alphington park being carried forward to 2020/21.
8	Other infrastructure	Other Infrastructure is \$0.28m (9.3%) under budget due to works associated with Swan Street and Bridge Road Activity Centres being carried over to 2020/21.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

#### 2 (a) Corporate, Business and Finance

The Corporate, Business and Finance division provides efficient, effective and proactive support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes financial services, digital information and technology, property and procurement, strategy and program delivery and program integration and development.

#### Planning and Placemaking

The Planning and Placemaking division includes the assessment of city development, health and local laws, planning strategy and urban growth.

#### Community Wellbeing

The Community Wellbeing division provides high quality community focused programs, service delivery and communication to residents. Community Wellbeing is comprised of community care, connected communities, family services, health communities and social planning and investment.

#### City Works and Assets

The City Works and Assets Division is responsible for asset management, maintenance and provision of a range of assets that contribute to liveability, including buildings, civil infrastructure such as drains, roads and footpaths, sporting facilities, gardens and trees. It also support the local amenity through services such as waste collection, recycling service, and street cleansing. The Division ensures safety and amenity related to development within Yarra, and seeks to manage traffic and the impact of works from external authorities. The Division also support health and wellbeing through the management of Councils Recreation and Leisure services.

#### Chief Executive Division

The Chief Executive Officer Division supports the provision of a range of professional services to internal and external customers, with an emphasis on Governance related issues. It is also responsible for managing Council's property portfolio including leases, licenses and management agreements. The CEO's division also includes the People & Culture branch, responsible for people management and development across Council, as well as also managing health, safety and risk.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 2 Analysis of Council results by program (Cont'd)

2 (b) Summary of revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>					
Corporate Business and Finance	149,977	59,967	90,010	2,695	197,887
Planning and Placemaking	13,861	16,252	(2,391)	2,016	945
Community Wellbeing	14,717	37,677	(22,960)	10,610	2,552
City Works and Assets	20,166	62,455	(42,289)	4,681	1,841,045
Chief Executive Division	1,183	12,150	(10,967)	48	8,352
Unattributed	-	-	-	-	-
	<b>199,904</b>	<b>188,501</b>	<b>11,403</b>	<b>20,050</b>	<b>2,050,781</b>

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
Corporate Business and Finance	165,521	71,736	93,785	19,907	178,150
Planning and Placemaking	13,047	14,429	(1,382)	870	1,778
Community Wellbeing	14,771	34,182	(19,411)	10,147	133,751
City Works and Assets	23,987	58,476	(34,489)	3,547	1,596,416
Chief Executive Division	1,818	14,399	(12,581)	-	177,400
Unattributed	-	-	-	-	-
	<b>219,144</b>	<b>193,222</b>	<b>25,922</b>	<b>34,471</b>	<b>2,087,495</b>

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 3 Funding for the delivery of our services

#### 3.1 Rates and charges

Council uses Net Annual Value as the basis of valuation of all properties within the municipal district. The NAV of a property is its imputed rental value.

The valuation base used to calculate general rates for 2019/20 was \$2,783 million (2018/19 \$3,042 million) with the decrease in the rate base resulting the annual general revaluation of land for rating.

The 2019/20 rate in the NAV dollar was 3.9952436 cents. The 2018/19 rate in the NAV dollar was 3.5309992 cents.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
General rates	81,363	79,864
Commercial	22,419	20,203
Industrial	6,977	7,092
Supplementary rates and rate adjustments	929	824
Garbage bin charges	49	51
Interest on rates and charges	435	457
<b>Total rates and charges</b>	<b><u>112,172</u></b>	<b><u>108,491</u></b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020, and the valuation will be first applied in the rating year commencing 1 July 2020. Revaluations will be performed annually in accordance with updated Valuation legislation.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

#### 3.2 Statutory fees and fines

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Infringements and costs*	12,656	15,139
Court recoveries	3,525	3,328
Fees - parking meters/ticket machines*	9,992	11,121
Permits	1,879	1,832
<b>Total statutory fees and fines</b>	<b><u>28,052</u></b>	<b><u>31,420</u></b>

Some parking meter and ticket machine income has been reclassified in the comparative period.

\*Statutory fees and fines income declined during the year due to a reduction in parking and parking infringement income as a result of reduced traffic flow through the municipality and the relaxing of parking restrictions to ensure the community could appropriately access essential services throughout the COVID-19 pandemic.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 3 Funding for the delivery of our services (Cont'd)	2020 \$'000	2019 \$'000
<b>3.3 User fees</b>		
Leisure centres and golf course fees*	7,779	10,119
Child care/children's program fees	2,841	2,729
Town planning fees	4,022	3,275
Registration fees	1,533	1,478
Pre schools	179	176
Aged services fees	200	203
Road occupation permit fees	4,113	4,793
Library fees and fines	59	125
Footpath advertising & display	742	704
Building services fees	213	214
Valuation fees/supplementary charges	188	436
Kerb market fees	199	242
Land information certificates	125	166
Local laws fines	771	966
Rent	1,258	1,753
Permits - Bins and Skips	226	228
After School Program	156	176
Vacation Care Program	17	(51)
Report and Consent Fees	180	186
Road and Drainage Inspection Fees	900	844
Hall hire	185	437
Asset Protection Permits	238	206
Occupation area permit fees	267	320
Other fees and charges	656	621
<b>Total user fees</b>	<b>27,047</b>	<b>30,346</b>

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

\*Leisure centre and golf course fee income has declined during the year as a result of a number of Council run leisure and recreation facilities closing in accordance with State Government lockdown measures to address the COVID-19 pandemic.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 3 Funding for the delivery of our services (Cont'd)

3.4 Funding from other levels of government	2020	2019
Grants were received in respect of the following :	\$'000	\$'000
<b>Summary of grants</b>		
Commonwealth funded grants	10,171	8,909
State funded grants	9,879	25,562
<b>Total grants received</b>	<b>20,050</b>	<b>34,471</b>
<b>(a) Operating Grants</b>	<b>2020</b>	<b>2019</b>
<b>Recurrent - Commonwealth Government</b>	<b>\$'000</b>	<b>\$'000</b>
Financial Assistance Grants - general purpose	2,078	2,070
Family & Child Services	4,850	4,982
Aged care Services	2,262	1,559
Other	40	7
<b>Recurrent - State Government</b>		
Aged care Services	812	1,997
School crossing supervisors	321	308
Library	710	693
Maternal and child health	812	470
Family & Child Services	721	-
Community safety	122	93
Other	19	70
<b>Total recurrent operating grants</b>	<b>12,747</b>	<b>12,249</b>
<b>Non-recurrent - Commonwealth Government</b>		
Environmental planning	1,019	282
<b>Non-recurrent - State Government</b>		
Community health	-	80
Family and children	160	240
Other	293	(2)
<b>Total non-recurrent operating grants</b>	<b>1,472</b>	<b>600</b>
<b>Total Operating Grants</b>	<b>14,219</b>	<b>12,849</b>
<b>(b) Capital Grants</b>	<b>2020</b>	<b>2019</b>
<b>Recurrent - Commonwealth Government</b>	<b>\$'000</b>	<b>\$'000</b>
Roads to recovery	259	161
<b>Recurrent - State Government</b>		
Local Roads	418	388
Road Safety	-	355
<b>Total recurrent capital grants</b>	<b>677</b>	<b>904</b>
<b>Non-recurrent - Commonwealth Government</b>		
Roads - Black Spot funding	683	22
Other	-	108
<b>Non-recurrent - State Government</b>		
Buildings	2,158	19,645
Roads	915	-
Open Space	1,245	-
Other	153	943
<b>Total non-recurrent capital grants</b>	<b>5,154</b>	<b>20,718</b>
<b>Total Capital Grants</b>	<b>5,831</b>	<b>21,622</b>
<b>Total Grants</b>	<b>20,050</b>	<b>34,471</b>

Notes to the Financial Report for the Year Ended 30 June 2020

Note 3 Funding for the delivery of our services (Cont'd)

3.4 Funding from other levels of government (Cont'd)

	2020	2019
	\$'000	\$'000
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	21,063	1,236
Received during the financial year and remained unspent at balance date	3,926	21,063
Received in prior years and spent during the financial year	(4,350)	(1,236)
Balance at year end	<u>20,639</u>	<u>21,063</u>

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

3.5 Contributions

	2020	2019
	\$'000	\$'000
<b>(a) Monetary</b>		
Resort and recreation fees*	7,558	6,344
Road maintenance/works (other)	168	535
Open space and planning	120	-
Park rental	74	220
Other	228	52
<b>Total contributions</b>	<u>8,148</u>	<u>7,151</u>
	2020	2019
	\$'000	\$'000
<b>(b) Non-monetary</b>		
Land	-	2,250
<b>Total contributions</b>	<u>8,148</u>	<u>9,401</u>

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

\*Resort and recreation fees received during the year and not spent are transferred to reserves pursuant to section 18 of the Subdivision Act 1988, (Resort and Recreation Reserve) (Note 9.1).

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

	2020	2019
	\$'000	\$'000
<b>Plant &amp; Equipment</b>		
Proceeds from sale of assets	177	373
Written down value of assets sold/disposed	(633)	(11,549)
<b>Profit/(loss) on sale/disposal of property, plant and equipment</b>	<u>(456)</u>	<u>(11,176)</u>
<b>Discontinued Roads</b>		
Proceeds from sale of assets	2,069	180
Written down value of assets sold/disposed	-	-
<b>Profit/(loss) on sale/disposal of discontinued roads</b>	<u>2,069</u>	<u>180</u>
<b>Summary</b>		
Proceeds from sale of assets	2,246	553
Written down value of assets sold/disposed	(633)	(11,549)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<u>1,613</u>	<u>(10,996)</u>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 3 Funding for the delivery of our services (Cont'd)

	2020	2019
	\$'000	\$'000
<b>3.7 Other income</b>		
Interest	1,127	1,504
Victorian Electoral Commission fines	18	18
Hall Hire	63	100
Waste Management	127	152
Venues and events	52	127
Strategic Planning	116	51
Early Years Unit	-	420
Disadvantaged Accessibility	-	108
Leisure Services	46	87
Valuations	406	130
Reimbursements Road Reinstatements	88	335
Reimbursements Legal Fees	110	178
Reimbursements Recycling	3	76
Reimbursements Open space planning	18	156
Reimbursements Planning development	150	280
Other	728	499
<b>Total other income</b>	<b>3,052</b>	<b>4,221</b>

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Note 4 The cost of delivering services

	2020	2019
	\$'000	\$'000
<b>4.1 (a) Employee costs</b>		
Wages and salaries	64,875	59,751
WorkCover	364	332
Casual staff	6,013	5,788
Superannuation	6,887	6,503
Fringe benefits tax	215	105
Agency staff (external)	3,792	5,292
Other	7,855	6,039
<b>Total employee costs</b>	<b>90,001</b>	<b>83,810</b>

**(b) Superannuation**

Council made contributions to the following funds:

	2020	2019
	\$'000	\$'000
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	368	428
	<b>368</b>	<b>428</b>
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,186	3,164
Employer contributions - other funds	3,333	2,910
	<b>6,519</b>	<b>6,074</b>

Refer to note 9.3 for further information relating to Council's superannuation obligations.



Notes to the Financial Report for the Year Ended 30 June 2020

Note 4 The cost of delivering services (Cont'd)

<b>4.2 Materials and services</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Materials and services	22,694	22,371
Aged services contract payments	1,401	1,767
Waste services contract payments	4,363	4,122
Open space contract payments	2,847	2,713
Recycling contract payments	3,480	2,555
Bushland tree maintenance contract payments	1,451	1,477
Street cleaning services contract payments	3,076	2,865
Other contract payments	7,977	5,912
Legal settlement costs	79	3,538
Building maintenance	3,800	4,591
General maintenance	5,359	4,287
Utilities	3,533	3,435
Information technology	2,916	3,131
Insurance	1,372	1,862
Consultants	2,610	2,282
<b>Total materials and services</b>	<b>66,958</b>	<b>66,908</b>

<b>4.3 Depreciation</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Property	2,780	2,795
Plant and equipment	5,356	5,401
Infrastructure	14,427	14,113
<b>Total depreciation</b>	<b>22,563</b>	<b>22,309</b>

Refer to note 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

<b>4.4 Amortisation - Right of use assets</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Equipment	965	-
<b>Total Amortisation - Right of use assets</b>	<b>965</b>	<b>-</b>

Notes to the Financial Report for the Year Ended 30 June 2020

Note 4 The cost of delivering services (Cont'd)

4.5 Bad and doubtful debts	2020	2019
	\$'000	\$'000
Parking infringement debtors	5,030	5,709
Other debtors	308	-
<b>Total bad and doubtful debts</b>	<b>5,338</b>	<b>5,709</b>

**Movement in provisions for doubtful debts**

Balance at the beginning of the year	32,641	26,965
New provisions recognised during the year	5,338	5,709
Amounts already provided for and written off as uncollectible	(45)	(33)
Balance at end of year	<b>37,934</b>	<b>32,641</b>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.6 Borrowing costs	2020	2019
	\$'000	\$'000
Interest - Borrowings	1,922	2,181
<b>Total borrowing costs</b>	<b>1,922</b>	<b>2,181</b>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

4.7 Finance Costs - Leases	2020	2019
	\$'000	\$'000
Interest - Lease Liabilities	165	-
<b>Total finance costs</b>	<b>165</b>	<b>-</b>

4.8 Other expenses	2020	2019
	\$'000	\$'000
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	76	69
Auditors' remuneration - Internal	198	140
Councillors' allowances	316	306
<b>Total other expenses</b>	<b>590</b>	<b>515</b>

Notes to the Financial Report for the Year Ended 30 June 2020

Note 5 Our financial position

5.1 Financial assets	2020	2019
(a) Cash and cash equivalents	\$'000	\$'000
Cash on hand	11,788	2,551
Cash at bank	10	11
Term deposits	82,940	85,091
<b>Total cash and cash equivalents</b>	<b>94,738</b>	<b>87,653</b>

Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

Trust funds and deposits (Note 5.3)	12,677	12,691
Public open space / parking reserves (note 9.1b)	14,845	7,878
<b>Total restricted funds</b>	<b>27,522</b>	<b>20,569</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>67,216</b>	<b>67,084</b>

**Intended allocations**

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- Cash held to fund carried forward capital works	7,067	6,105
- Capital Grant Funding	19,085	19,200
- Other Grant Carry Overs	931	3,000
<b>Total funds subject to intended allocations</b>	<b>27,083</b>	<b>28,305</b>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 5 Our financial position (Cont'd)

5.1 Financial assets (Cont'd)

	2020	2019
	\$'000	\$'000
<b>(b) Trade and other receivables</b>		
<b>Current</b>		
Rates debtors*	9,826	5,561
Parking infringement debtors	42,615	36,745
Provision for doubtful debts - infringements	(36,866)	(31,881)
<b>Non statutory receivables</b>		
Other debtors	5,575	3,494
Provision for doubtful debts - other debtors	(1,068)	(760)
Workcover	-	9
GST recoverable from ATO	1,539	1,629
<b>Total trade and other receivables</b>	<u>21,621</u>	<u>14,797</u>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

\*The balance of Rates debtors outstanding has increased compared to the comparative period as a result of the introduction of Council's COVID-19 hardship policy to provide additional assistance for those ratepayers experiencing financial hardship as a result of the COVID-19 pandemic. Under this policy, Council are providing increased payment flexibility to support cases of hardship.

	2020	2019
	\$'000	\$'000
<b>(c) Ageing of Receivables</b>		
The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:		
Past due by up to 30 days	2,980	2,970
Past due between 31 and 180 days	2,222	178
Past due between 181 and 365 days	1,839	11
Past due by more than 1 year	73	191
Total trade and other receivables	<u>7,114</u>	<u>3,350</u>

**(d) Ageing of individually impaired Receivables**

At balance date, other debtors representing financial assets with a nominal value of \$37.9m (2019: \$32.6m) were impaired. The amount of the provision raised against these debtors was \$5.3m (2019: \$5.7m). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

	2020	2019
	\$'000	\$'000
The ageing of receivables that have been individually determined as impaired at reporting date was:		
Current (not yet due)	143	435
Past due by up to 30 days	54	529
Past due between 31 and 180 days	641	1,896
Past due between 181 and 365 days	669	2,849
Past due by more than 1 year	36,427	26,932
Total trade & other receivables	<u>37,934</u>	<u>32,641</u>

Notes to the Financial Report for the Year Ended 30 June 2020

Note 5 Our financial position (Cont'd)

5.2 Non-financial assets	2020	2019
(a) Inventories	\$'000	\$'000
Inventories held for distribution	165	129
<b>Total inventories</b>	<b>165</b>	<b>129</b>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets	2020	2019
	\$'000	\$'000
Prepayments	1,080	562
Accrued income	15	58
<b>Total other assets</b>	<b>1,095</b>	<b>620</b>

5.3 Payables

(a) Trade and other payables	2020	2019
Current	\$'000	\$'000
Trade payables	11,735	7,967
Superannuation	-	34
Accrued expenses	3,655	1,732
	<b>15,390</b>	<b>9,733</b>
<b>Non-current</b>		
Accrued Expenses	2,645	2,955
<b>Total trade and other payables</b>	<b>18,035</b>	<b>12,688</b>

(b) Trust funds and deposits

Current	2020	2019
	\$'000	\$'000
Drainage works deposits	30	30
Leased Properties	31	29
Refundable deposits	6,370	6,480
Fire services levy	5,461	5,563
Other refundable deposits	97	195
Income in advance	314	157
	<b>12,303</b>	<b>12,454</b>
<b>Non-current</b>		
Other Liabilities	374	237
<b>Total trust funds and deposits</b>	<b>12,677</b>	<b>12,691</b>

(c) Unearned income	2020	2019
	\$'000	\$'000
Grants received in advance - operating	2,166	-
Grants received in advance - capital	199	-
<b>Total unearned income</b>	<b>2,365</b>	<b>-</b>

In accordance with the introduction of new revenue recognition requirements under Australian Accounting Standards, Council has recorded revenue received during the year that has associated performance obligations that are yet to be met as unearned income. Due to this being a new standard effective from 1 July 2019, there is no balance for the comparative period.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 5 Our financial position (Cont'd)

5.3 Payables (Cont'd)

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

**Purpose and nature of items**

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for the fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

5.4 Interest-bearing liabilities	2020	2019
	\$'000	\$'000
<b>Current</b>		
Loans - secured*	1,270	1,218
	<u>1,270</u>	<u>1,218</u>
<b>Non-current</b>		
Loans - secured*	41,203	42,473
	<u>41,203</u>	<u>42,473</u>
<b>Total</b>	<u>42,473</u>	<u>43,691</u>

\* Borrowings are secured by way of mortgages over the general rates of Council.

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

(a) The maturity profile for Council's borrowings is:	2020	2019
	\$'000	\$'000
Not later than one year	1,270	1,218
Later than one year and not later than five years	38,081	37,674
Later than five years	3,122	4,799
	<u>42,473</u>	<u>43,691</u>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 5 Our financial position (Cont'd)

5.5 Provisions

	Employee
<b>2020</b>	<b>\$ '000</b>
Balance at beginning of the financial year	14,551
Additional provisions	6,392
Amounts used	(4,536)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	380
Balance at the end of the financial year	<u>16,787</u>

<b>2019</b>	
Balance at beginning of the financial year	14,607
Additional provisions	4,368
Amounts used	(4,774)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	350
Balance at the end of the financial year	<u>14,551</u>

	2020	2019
	\$'000	\$'000
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12</b>		
Annual leave	4,750	3,971
TOIL	61	88
Long service leave	1,139	364
	<u>5,950</u>	<u>4,423</u>
<b>Current provisions expected to be wholly settled after 12</b>		
Annual leave	1,583	1,222
Long service leave	7,987	7,513
	<u>9,570</u>	<u>8,735</u>
<b>Total current employee provisions</b>	<u>15,520</u>	<u>13,158</u>
<b>Non-current</b>		
Long service leave	1,267	1,393
<b>Total non-current employee provisions</b>	<u>1,267</u>	<u>1,393</u>
<b>Aggregate carrying amount of employee provisions:</b>		
Current	15,520	13,158
Non-current	1,267	1,393
<b>Total aggregate carrying amount of employee provisions</b>	<u>16,787</u>	<u>14,551</u>

**Notes to the Financial Report for the Year Ended 30 June 2020**

**Note 5 Our financial position (Cont'd)**

**5.5 Provisions (Cont'd)**

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

*Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

*Long service leave*

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability.

The following assumptions were adopted in measuring the present value of long term employee benefits

	<b>2020</b>	<b>2019</b>
Weighted average increase in employee costs	1.50%	2.00%
Weighted average discount rates	0.67%	1.21%
Weighted average settlement period	5 Years	5 years

**5.6 Financing arrangements**

The Council has the following funding arrangements in place as at 30 June 2020.

	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank overdraft	10,000	10,000
Credit card facilities	495	495
Total facilities	<u>10,495</u>	<u>10,495</u>
Used facilities	(96)	(249)
Unused facilities	<u>10,399</u>	<u>10,246</u>



Notes to the Financial Report for the Year Ended 30 June 2020

Note 5 Our financial position (Cont'd)

5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

2020	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Street cleaning services	3,161	3,215	3,270	-	9,646
Garbage collection and recycling	5,876	3,651	3,129	-	12,656
Open space management	2,494	877	-	-	3,371
Information systems & technology	3,285	-	-	-	3,285
Insurances	2,517	-	-	-	2,517
Cleaning contracts for Council buildings	1,202	532	544	555	2,833
<b>Total</b>	<b>18,535</b>	<b>8,275</b>	<b>6,943</b>	<b>555</b>	<b>34,308</b>
<b>Capital</b>					
Buildings	875	-	-	-	875
<b>Total</b>	<b>19,410</b>	<b>8,275</b>	<b>6,943</b>	<b>555</b>	<b>35,183</b>

2019	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Street cleaning services	2,728	2,791	5,776	-	11,295
Garbage collection and recycling*	7,440	4,179	6,298	-	17,917
Open space management	4,414	3,116	-	-	7,530
Information systems & technology	3,285	-	-	-	3,285
Cleaning contracts for Council buildings	1,414	298	-	-	1,712
Home Care	1,520	639	-	-	2,159
Insurances	1,321	1,321	-	-	2,642
<b>Total</b>	<b>22,122</b>	<b>12,344</b>	<b>12,074</b>	<b>-</b>	<b>46,540</b>
<b>Capital</b>					
Construction works	3,410	-	-	-	3,410
<b>Total</b>	<b>25,532</b>	<b>12,344</b>	<b>12,074</b>	<b>-</b>	<b>49,950</b>

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 5 Our financial position (Cont'd)

#### 5.8 Leases

##### Policy applicable before 1 July 2019

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

##### Policy applicable after 1 July 2019

Council has applied *AASB 16 Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

On transition to *AASB 16 Leases*, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied *AASB 16 Leases* only to contracts that were previously identified as leases.

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Council has elected to apply the temporary option available under *AASB 16 Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 5 Our financial position (Cont'd)

5.8 Leases (Cont'd)

<b>Right-of-Use Assets</b>	<b>Plant and \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	2,998	2,998
Additions	274	274
Amortisation charge	(965)	(965)
Balance at 30 June 2020	<u>2,307</u>	<u>2,307</u>

<b>Lease Liabilities</b>	<b>2020 \$'000</b>
Maturity analysis - contractual undiscounted cash	\$'000
Less than one year	1,129
One to five years	1,629
More than five years	-
Total undiscounted lease liabilities as at 30 June:	<u>2,758</u>

Lease liabilities included in the Balance Sheet at 30 June:

Current	851
Non-current	1,539
Total lease liabilities	<u>2,390</u>

**Short-term and low value leases**

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

<b>Expenses relating to:</b>	<b>2020 \$'000</b>
Short-term leases	110
Leases of low value assets	10
<b>Total</b>	<u>120</u>
Variable lease payments (not included in measurement of lease liabilities)	-

**Non-cancellable lease commitments - Short-term and low-value leases**

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

Payable:	
Within one year	3
Later than one year but not later than five years	3
Total lease commitments	<u>6</u>

Notes to the Financial Report for the Year Ended 30 June 2020

Note 5 Our financial position (Cont'd)

5.8 Leases (Cont'd)

i. Leases classified as operating leases under AASB 117 Leases

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying AASB 16 Leases to leases previously classified as operating leases under AASB 117 Leases .

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of AASB 137 Provisions, Contingent Liabilities and Contingent Assets onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under AASB 117 Leases , the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under AASB 117 Leases immediately before that date.

Council is not required to make any adjustments on transition to AASB 16 Leases for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with AASB 16 Leases from the date of initial application.

Impact on financial statements

On transition to AASB 16 Leases , Council recognised an additional \$2.99m of right-of-use assets and \$2.99m of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 6%.

	2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	3,884
Finance lease liability recognised as at 30 June 2019	3,884
- Recognition exemption for:	
short-term leases	(142)
leases of low-value assets	(16)
- Lease liabilities for non-council assets	(141)
- GST excluded on finance lease recognised	(326)
- Operating lease identified 30 June 2019 not disclosed in Council's financial statement	72
- Adjustment to the Net Present Value of lease identified at 30 June 2019	(333)
	(886)
- Lease liabilities recognised as at 1 July 2019	2,998

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

In 2019/20 and 2018/19 no non-current assets were classified as held for sale.

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 6 Assets we manage (Cont'd)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	WIP	At Fair Value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	997,611	-	-	(74,470)	-	-	-	-	-	923,141
Buildings	202,191	9,055	-	(10,580)	(2,780)	(539)	-	(5,352)	1,657	193,652
Plant and Equipment	32,778	8,253	-	-	(5,356)	(82)	-	1,530	915	38,038
Infrastructure	751,481	12,938	-	25,827	(14,427)	-	-	(1,041)	1,241	776,019
	<b>1,984,061</b>	<b>30,246</b>	-	<b>(59,223)</b>	<b>(22,563)</b>	<b>(621)</b>	-	<b>(4,863)</b>	<b>3,813</b>	<b>1,930,850</b>

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	2,783	1,657	-	(2,783)	1,657
Plant and equipment	671	915	-	(671)	915
Infrastructure	1,409	1,241	-	(1,409)	1,241
Total	<b>4,863</b>	<b>3,813</b>	-	<b>(4,863)</b>	<b>3,813</b>

Notes to the Financial Report for the Year Ended 30 June 2020

Note 6 Assets we manage (Cont'd)

6.2 Property, infrastructure, plant and equipment (Cont'd)

(a) Property

	Land - specialised	Land - non specialised	Land improvements	Total Land & Land Improvements	Heritage buildings	Buildings - specialised	Buildings - non specialised	Building improvements	Leasehold improvements	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	901,529	83,902	12,180	997,611	-	282,385	-	-	-	282,385	2,783	1,282,779
Accumulated depreciation at 1 July 2019	-	-	-	-	-	(82,977)	-	-	-	(82,977)	-	(82,977)
	901,529	83,902	12,180	997,611	-	199,408	-	-	-	199,408	2,783	1,199,802
<b>Movements in fair value</b>												
Additions	-	-	-	-	-	9,055	-	-	-	9,055	1,657	10,712
Contributions	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation	(62,305)	(12,165)	-	(74,470)	-	(10,580)	-	-	-	(10,580)	-	(85,050)
Disposal	-	-	-	-	-	(539)	-	-	-	(539)	-	(539)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	(96,828)	96,828	-	-	-	(2,569)	-	-	-	(2,569)	(2,783)	(5,352)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
	(159,133)	84,663	-	(74,470)	-	(4,633)	-	-	-	(4,633)	(1,126)	(80,229)
	Land - specialised	Land - non specialised	Land improvements	Total Land & Land Improvements	Heritage buildings	Buildings - specialised	Buildings - non specialised	Building improvements	Leasehold improvements	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Movements in accumulated depreciation</b>												
Depreciation and amortisation	-	-	-	-	-	(2,968)	-	-	-	(2,968)	-	(2,968)
Accumulated depreciation of disposals	-	-	-	-	-	188	-	-	-	188	-	188
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(2,780)	-	-	-	(2,780)	-	(2,780)
At fair value 30 June 2020	742,396	168,565	12,180	923,141	-	277,752	-	-	-	277,752	1,657	1,202,550
Accumulated depreciation at 30 June 2020	-	-	-	-	-	(85,757)	-	-	-	(85,757)	-	(85,757)
	742,396	168,565	12,180	923,141	-	191,995	-	-	-	191,995	1,657	1,116,793

Notes to the Financial Report for the Year Ended 30 June 2020

Note 6 Assets we manage (Cont'd)

6.2 Property, infrastructure, plant and equipment (Cont'd)

(b) Plant and Equipment

	Heritage plant and equipment	Motor Vehicles	Plant, machinery and equipment	Irrigation and sprinkler systems	Street furniture	Parks and gardens furniture and equipment	Playground equipment	Fencing	Mobile garbage bins/recycling crates	Computers and Mobile Phones	Office furniture and equipment	Library books	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	4,943	5,499	8,242	3,124	17,872	12,284	1,949	2,220	3,074	19,646	13,101	8,696	671	101,321
Accumulated depreciation at 1 July 2019	(332)	(2,877)	(5,317)	(1,618)	(12,711)	(6,919)	(1,195)	(1,901)	(2,509)	(16,498)	(10,299)	(6,367)	-	(68,543)
	4,611	2,622	2,925	1,506	5,161	5,365	754	319	565	3,148	2,802	2,329	671	32,778
<b>Movements in fair value</b>														
Additions	30	879	71	892	754	1,241	1,196	128	70	2,173	201	618	915	9,168
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	(82)	-	-	-	-	-	-	-	-	-	-	-	(82)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	(373)	-	-	3,267	-	-	-	-	(693)	-	(671)	1,530
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	30	797	(302)	892	754	4,508	1,196	128	70	2,173	(492)	618	244	10,616
<b>Movements in accumulated depreciation</b>														
Depreciation and amortisation	(53)	(906)	(607)	(158)	(471)	(402)	(160)	(51)	(87)	(1,749)	(366)	(576)	-	(5,586)
Accumulated depreciation of disposals	-	230	-	-	-	-	-	-	-	-	-	-	-	230
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(53)	(676)	(607)	(158)	(471)	(402)	(160)	(51)	(87)	(1,749)	(366)	(576)	-	(5,356)
At fair value 30 June 2020	4,973	6,296	7,940	4,016	18,626	16,792	3,145	2,348	3,144	21,819	12,609	9,314	915	111,937
Accumulated depreciation at 30 June 2020	(385)	(3,553)	(5,924)	(1,776)	(13,182)	(7,321)	(1,355)	(1,952)	(2,596)	(18,247)	(10,665)	(6,943)	-	(73,899)
	4,588	2,743	2,016	2,240	5,444	9,471	1,790	396	548	3,572	1,944	2,371	915	38,038

Notes to the Financial Report for the Year Ended 30 June 2020

Note 6 Assets we manage (Cont'd)

6.2 Property, infrastructure, plant and equipment (Cont'd)

(c) Infrastructure

	Roads	Footpaths and cycleways	Drainage	Kerb and channel	Bridges	Lanes	Trees and Tree Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	430,934	145,965	129,857	140,995	5,146	90,771	7,319	1,409	952,396
Accumulated depreciation at 1 July 2019	(79,526)	(21,846)	(54,116)	(26,407)	(2,602)	(16,418)	-	-	(200,915)
	351,408	124,119	75,741	114,588	2,544	74,353	7,319	1,409	751,481
<b>Movements in fair value</b>									
Additions	6,502	2,541	1,668	2,126	101	-	-	1,241	14,179
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	5,563	2,337	11,160	3,513	-	3,254	-	-	25,827
Disposal	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-
Transfers	-	368	-	-	-	-	-	(1,409)	(1,041)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	12,065	5,246	12,828	5,639	101	3,254	-	(168)	38,965
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	(6,306)	(2,989)	(1,265)	(2,820)	(51)	(996)	-	-	(14,427)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
	(6,306)	(2,989)	(1,265)	(2,820)	(51)	(996)	-	-	(14,427)
At fair value 30 June 2020	442,999	151,211	142,685	146,634	5,247	94,025	7,319	1,241	991,361
Accumulated depreciation at 30 June 2020	(85,832)	(24,835)	(55,381)	(29,227)	(2,653)	(17,414)	-	-	(215,342)
	357,167	126,376	87,304	117,407	2,594	76,611	7,319	1,241	776,019



Notes to the Financial Report for the Year Ended 30 June 2020

Note 6 Assets we manage (Cont'd)

6.2 Property, infrastructure, plant and equipment (Cont'd)

**Acquisition**

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

	Depreciation Period	Threshold Limit \$'000
<b>Asset recognition thresholds and depreciation periods</b>		
Land & land improvements		
land	Nil	Nil
land improvements	Nil	10
Buildings		
buildings	100 years	10
building and leasehold improvements	100 years	10
Plant and Equipment		
heritage plant and equipment	100 years	Nil
plant, machinery and equipment	7 - 10 years	0.5
furniture, equipment & computers	3 - 10 years	0.5
library books	6 - 7 years	0.5
library audio and visual	4 years	Nil
Infrastructure		
roads - substructure	120 years	50
roads - seal	20 years	15
footpaths - substructure	75 years	25
footpaths - seal	30 years	15
kerb & channel	50 years	25
drains	120 years	25
bridges	120 years	25
lanes - substructure	120 years	50
lanes- seal	50 years	15
mobile garbage bins/recycling crates	10 years	0.5
irrigation & sprinkler systems	10 years	0.5
street furniture	20 years	0.5
parks & gardens furniture & equipment	20 years	0.5
playground equipment	10 years	0.5

**Land under roads**

Council recognises land under roads it controls at fair value.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 6 Assets we manage (Cont'd)

6.2 Property, infrastructure, plant and equipment (Cont'd)

**Depreciation and amortisation**

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

**Repairs and maintenance**

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

**Valuation of land and buildings**

Valuations of land and buildings were undertaken by a qualified independent valuer, Westlink Consulting, under the supervision of William J Graham, City Valuer, A.V.L.E (Vals), Qualified Valuer. The valuation of buildings was replacement cost less accumulated depreciation and was applied as at 30 June 2020. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where building use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Land - Non specialised	-	168,565	-	June 2020
Land - Specialised	-	-	742,396	June 2020
Buildings - Specialised	-	-	191,995	June 2020
Total	-	168,565	934,391	

**COVID-19 impact on valuations**

The impact the COVID-19 pandemic has had on the fundamental valuation inputs remains to be seen. However, given the current lack of observable transactions, it is not possible to reliability determine whether the COVID-19 pandemic has caused a significant or material impact on valuations. In addition, Buildings and Infrastructure assets are predominantly valued according to depreciated replacement costs which are largely unaffected by the COVID-19 pandemic. Therefore, Council believes that the valuations as disclosed in these financial statements are a true reflection of fair value as at 30 June 2020.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 6 Assets we manage (Cont'd)

6.2 Property, infrastructure, plant and equipment (Cont'd)

Valuation of infrastructure

Valuation of infrastructure assets - Roads, Footpaths, Lanes, Kerb and Channel - was undertaken by Jim Vokolos, B.Eng. (Civil), Qualified Engineer. The valuations are at replacement costs less accumulated depreciation and were first applied as at 30 June 2020.

The date of the current valuation is detailed in the following table.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Roads	-	-	357,167	June 2020
Bridges	-	-	2,594	June 2013
Footpaths, Lanes and Kerb and Channel	-	-	320,394	June 2020
Drainage	-	-	87,304	June 2020
Trees	-	-	7,319	June 2004
Total	-	-	774,778	

Description of significant unobservable inputs into level 3 valuations

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 15% and 30%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$600 and \$6000 per square metre.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$140 to \$26,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and are currently at 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 20 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2020 \$'000	2019 \$'000
6.3 Investments in associates, joint arrangements and subsidiaries		
Council's carrying value (at cost) of investment in Regional Kitchens P/L, incorporating RFK P/L (Trading as Community Chef)	-	230
Municipal Association Purchasing Scheme (Procurement Australia)	5	5
<b>Total investments</b>	<b>5</b>	<b>235</b>

RFK P/L (Trading as Community Chef) shares forfeited in 2019/20 financial year. Impairment loss is recognised due to share forfeiture has been recognised in 2019/20 at nil consideration and the carrying amount has been reduced to zero.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Yarra City Council is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in Note 6.3.

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors		
	Cr Danae Bosler (Mayor)	1 July 2019 – 28 November 2019
	Cr Danae Bosler	28 November 2019 – 30 June 2020
	Cr Misha Coleman (Deputy Mayor)	1 July 2019 – 28 November 2019
	Cr Misha Coleman (Mayor)	28 November 2019 – 30 June 2020
	Cr Mi-Lin Chen Yi Mei	1 July 2019 – 28 November 2019
	Cr Mi-Lin Chen Yi Mei (Deputy Mayor)	28 November 2019 – 30 June 2020
	Cr Daniel Nguyen	1 July 2019 - 30 June 2020
	Cr Amanda Stone	1 July 2019 - 30 June 2020
	Cr Bridgid O'Brien	1 July 2019 - 30 June 2020
	Cr Jackie Fristacky	1 July 2019 - 30 June 2020
	Cr James Searle	1 July 2019 - 30 June 2020
	Cr Stephen Jolly	1 July 2019 - 30 June 2020

Chief Executive Officer & other Key Management Personnel

Chief Executive Officer	Vijaya Vaidyanath	
Director Corporate, Business & Finance	Diarmuid McAlary	
Director City Works & Assets	Chris Leivers	
Director Community Wellbeing	Lucas Gosling	
Acting Director Community Wellbeing	Felicity Macchion	18 May 2020 - 30 June 2020
Director, Planning & Placemaking	Bruce Phillips	
Group Manager, CEO's Office	Ivan Gilbert	
Group Manager, People and Culture	Gracie Karabinis	

	2020	2019
	No.	No.
Total Number of Councillors	9	10
Total of Chief Executive Officer and other Key Management Personnel	8	9
Total Number of Key Management Personnel	<u>17</u>	<u>19</u>

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

	2020	2019
	\$'000	\$'000
Short-term benefits*	2,342	2,133
Long-term benefits**	238	253
Total	<u>2,580</u>	<u>2,386</u>

\* Short term benefits for the purpose of this disclosure include base salary, vehicle allowances, movements in short-term accrued leave entitlements and councillor allowances.

\*\* Long term benefits for the purpose of this disclosure include movements in long-term accrued, leave entitlements and superannuation.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 7 People and relationships (Cont'd)

7.1 Council and key management remuneration (Cont'd)

The numbers of key management personnel whose total remuneration\*\* from Council and any related entities, fall within the following bands:

	2020 No.	2019 No.
\$1 - \$9,999	-	1
\$20,000 - \$29,999	7	6
\$30,000 - \$39,999	-	1
\$50,000 - \$59,999	1	1
\$60,000 - \$69,999	1	1
\$70,000 - \$79,999	-	2
\$140,000 - \$149,999	-	1
\$170,000 - \$179,999	1	1
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	1	1
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	1	-
\$260,000 - \$269,999	-	1
\$270,000 - \$279,999	2	1
\$280,000 - \$289,999	1	-
\$380,000 - \$389,999	1	1
	<b>17</b>	<b>19</b>

Key management personnel (KMP) include the councillors, the CEO and the Executive Management Team.

\*\* Total remuneration for the purpose of this disclosure includes base salary, vehicle allowances, superannuation, and councillor allowances. Non-cash benefits including movements in accrued leave entitlements are excluded.

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

The number of Senior Officers are shown below in their relevant income bands:

Income Range:	2020 No.	2019 No.
\$151,000 - \$159,999	2	-
\$160,000 - \$169,999	3	4
\$170,000 - \$179,999	6	2
\$180,000 - \$189,999	1	5
\$190,000 - \$199,999	3	-
\$220,000 - \$229,999	1	-
	<b>16</b>	<b>11</b>

Total Remuneration for the reporting year for Senior Officers included above, amounted to: 3,018                      2,869

Notes to the Financial Report for the Year Ended 30 June 2020

Note 7 People and relationships (Cont'd)

7.1 Council and key management remuneration (Cont'd)

(e) Other Officer Remuneration

Other officers whose annual remuneration exceeds \$151,000.

Income Range:	2020 No.	2019 No.
\$151,000 - \$159,999	6	6
\$160,000 - \$169,999	6	5
\$170,000 - \$179,999	-	2
\$180,000 - \$189,999	1	2
\$190,000 - \$199,999	1	-
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	1	-
	<b>16**</b>	<b>18</b>

Total remuneration for the reporting year for Other Officers included above, amounted to: 2,903 2,543

\*Note that the comparative for 2019 has changed, to include all officers with remuneration greater than the threshold for 2018-19 which was \$148,000. Prior year numbers originally only included those officers with managerial responsibilities who exceeded this threshold.

\*\*The reported number of other officers in higher banding brackets for the 2019/20 financial year is due to remuneration entitlements paid to officers on leaving Council. As such, the above table is not an accurate reflection of the number of officers employed by Council at such salary levels on an ongoing basis.

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council did not enter into transactions with related parties.

(b) Outstanding balances with related parties

There were no balances outstanding at the end of the reporting period in relation to transactions with related parties.

(c) Loans to/from related parties

There were no loans in existence at balance date that have been made, guaranteed or secured by the council to a related party.

(d) Commitments to/from related parties

There were no commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 8 Managing uncertainties

#### 8.1 Contingent assets and liabilities

##### (a) Contingent assets

###### **Operating lease receivables**

The Council has entered into commercial property leases on parts of its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future undiscounted minimum rentals receivable under non-cancellable operating leases are as follows:

	2020	2019
	\$'000	\$'000
Not later than one year	580	934
Later than one year and not later than five years	352	1,133
Later than five years	-	1,532
	<u>932</u>	<u>3,599</u>

##### (b) Contingent liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

###### (i) arising from Public Liability

As a local authority Council manage parks, reserves, roads, and other land holdings and, as a result, receive potential claims arising from incidents which occur on land managed by Council. There are a number of outstanding claims against Council in this regard. Council carries \$300 million of public liability insurance and an excess of \$50,000 on this policy in 2019/20. Therefore, the maximum liability of Council in any single claim is the extent of its excess. The primary insurer is LMI Insurance. There are no claims of which Council is aware which would fall outside the terms of Council's policy.

###### (ii) arising from Professional Indemnity

As a local authority with statutory regulatory responsibilities, including the responsibility of issuing permits and approvals, Council receives potential claims for damages arising from actions of Council or its officers. Council carries \$300 million of professional indemnity insurance and an excess of \$50,000 on this policy in 2019/20. Therefore, the maximum liability of Council in any single claim is the extent of its excess. The primary insurer is LMI Insurance. There are no instances or claims of which Council is aware which would fall outside the terms of Council's policy.

###### (iii) Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

###### Future superannuation contributions

In addition to the disclosed contributions, Council has not paid unfunded liability payments to Vision Super during 2019/20. There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. At this point in time it is not known if additional contributions will be required, the timing or potential amount.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 8 Managing uncertainties (Cont'd)

#### 8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

##### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)**

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in *AASB 13 Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

##### **AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)**

The Standard principally amends *AASB 101 Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

##### **AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)**

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

#### 8.3 Financial instruments

##### **(a) Objectives and policies**

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

##### **(b) Market risk**

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.



## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 8 Managing uncertainties (Cont'd)

#### 8.3 Financial instruments (Cont'd)

##### **Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

##### **(c) Credit risk**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- council have a policy for establishing credit limits for the entities council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the council's financial assets is minimal because the main debtor is secured by a charge over the rateable property. Council does however carry a level of risk associated with its parking infringement debtors, given ongoing collection issues experienced with Fines Victoria.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

##### **(d) Liquidity risk**

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset. To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 8 Managing uncertainties (Cont'd)

#### 8.3 Financial instruments (Cont'd)

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

#### (e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of -0.08% and -0.15% in market interest rates (AUD) from year-end rates.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 8 Managing uncertainties (Cont'd)

#### 8.4 Fair value measurement

##### *Fair value hierarchy*

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. *AASB 13 Fair value measurement*, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

##### *Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 5 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

##### *Impairment of assets*

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 8 Managing uncertainties (Cont'd)

#### 8.5 Events occurring after balance date

The COVID-19 pandemic has had a significant impact on the operations of Council. In line with government restrictions, Council was required to close a number of facilities throughout the second half of the financial year and made a number of changes in order to best support the local community. The financial implications of these closures and changes have been reflected in the results for the 2019/20 financial year and appropriate commentary on these implications has been included throughout the financial statements. Council introduced a COVID-19 hardship policy as well as a community and economic support package, targeted at providing greater levels of support for those members of the community experiencing financial hardship. It is not anticipated that the application of these enhanced measures will impact Council's ability to continue as a going concern.

In July 2020, the Victorian State Government imposed further lockdown restrictions on the state as a result of a second wave of the COVID-19 pandemic commencing. Due to the inherent uncertainty surrounding the duration of such restrictions it is not possible for Council to estimate the full impact on Council's operations, financial position and cashflow at this point in time. This being the case it is not considered practical to provide quantitative or qualitative estimates on the potential financial impacts of the second wave at this time. Accordingly, no adjustments have been made at balance date to reflect ongoing uncertainties surrounding the COVID-19 pandemic.

Council will continue to monitor both the financial and non-financial impacts of COVID-19 on its operations and has put in place mitigating strategies where possible to ensure Council is well positioned to respond to future events whilst continuing as a going concern.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Share of increment (decrement) on revaluation of <name asset class> by an associate \$'000	Balance at end of reporting period \$'000
<b>(a) Asset revaluation reserves</b>				
<b>2020</b>				
<b>Property</b>				
Land	790,791	(74,470)	-	716,321
Buildings	39,472	(10,580)	-	28,892
Heritage buildings	2,860	-	-	2,860
	<u>833,123</u>	<u>(85,050)</u>	<u>-</u>	<u>748,073</u>
<b>Infrastructure</b>				
Road Substructure	194,229	8,217	-	202,446
Road Seal	12,503	(2,653)	-	9,850
Footpaths Substructure	59,871	1,573	-	61,444
Footpaths Seal	36,495	764	-	37,259
Drains	19,903	11,160	-	31,063
Bridges	1,000	-	-	1,000
Lane Substructure	21,881	1,385	-	23,266
Lane Seal	43,403	1,869	-	45,272
Kerb and channel	107,048	3,512	-	110,560
Open space	27	-	-	27
Trees	13	-	-	13
Art, Heritage and Culture	44	-	-	44
	<u>496,417</u>	<u>25,827</u>	<u>-</u>	<u>522,244</u>
<b>Total asset revaluation reserves</b>	<b>1,329,540</b>	<b>(59,223)</b>	<b>-</b>	<b>1,270,317</b>
<b>2019</b>				
<b>Property</b>				
Land	790,652	139	-	790,791
Buildings	39,831	(359)	-	39,472
Heritage buildings	2,860	-	-	2,860
	<u>833,343</u>	<u>(220)</u>	<u>-</u>	<u>833,123</u>
<b>Infrastructure</b>				
Road Substructure	156,958	37,271	-	194,229
Road Seal	10,693	1,810	-	12,503
Footpaths Substructure	54,316	5,555	-	59,871
Footpaths Seal	28,770	7,725	-	36,495
Drains	3,609	16,294	-	19,903
Bridges	1,000	-	-	1,000
Lane Substructure	15,608	6,273	-	21,881
Lane Seal	45,636	(2,233)	-	43,403
Kerb and channel	96,858	10,190	-	107,048
Open space	27	-	-	27
Trees	13	-	-	13
Art, Heritage and Culture	44	-	-	44
	<u>413,532</u>	<u>82,885</u>	<u>-</u>	<u>496,417</u>
<b>Total asset revaluation reserves</b>	<b>1,246,875</b>	<b>82,665</b>	<b>-</b>	<b>1,329,540</b>

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

Notes to the Financial Report for the Year Ended 30 June 2020

Note 9 Other matters (Cont'd)

9.1 Reserves (Cont'd)

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>				
<b>2020</b>				
<b>Statutory Reserves</b>				
Resort and recreation (i)	7,799	(591)	7,558	14,766
Parking (ii)	79	-	-	79
<b>Total Statutory Reserves</b>	<b>7,878</b>	<b>(591)</b>	<b>7,558</b>	<b>14,845</b>
<b>General Reserves</b>				
General reserve (iii)	-	-	-	-
<b>Total General Reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Other reserves</b>	<b>7,878</b>	<b>(591)</b>	<b>7,558</b>	<b>14,845</b>
<b>2019</b>				
<b>Statutory Reserves</b>				
Resort and recreation (i)	3,517	(2,062)	6,344	7,799
Parking (ii)	79	-	-	79
<b>Total Statutory Reserves</b>	<b>3,596</b>	<b>(2,062)</b>	<b>6,344</b>	<b>7,878</b>
<b>General Reserves</b>				
General reserve (iii)	20,100	(20,100)	-	-
<b>Total General Reserves</b>	<b>20,100</b>	<b>(20,100)</b>	<b>-</b>	<b>-</b>
<b>Total Other reserves</b>	<b>23,696</b>	<b>(22,162)</b>	<b>6,344</b>	<b>7,878</b>

(i) Resort and Recreation reserve relates to contributions received as Public Open Space Levies pursuant to the provisions of Section 18 of the *Subdivision Act 1988*. The reserve will be used to fund eligible open space capital works projects. In 2019/20 the following projects and amounts were acquitted from the Public Open Space Reserve:

Condell Street Reserve	\$89K
Browns Reserve	\$67K
Gahan Reserve	\$177K
Alphington Park	\$1K
Alphington Park Oval	\$120K
Burnley Park Oval	\$120K
Edinburgh Gardens	\$17K
<b>Total</b>	<b>\$591K</b>

(ii) Parking reserve relates to contributions received in lieu of the provision of parking spaces required for property developments. This reserve will be used in the provision of additional car parking spaces as required.

(iii) General reserve relates to unrestricted Council expenditure for a range of possible open space capital works projects. The balance of this reserve has been previously remitted and as such was transferred to retained earnings during the period.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 9 Other matters (Cont'd)

	2020	2019
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	\$'000	\$'000
Surplus/(deficit) for the year	11,403	25,922
Depreciation	22,563	22,309
Amortisation	965	-
Finance costs	2,087	2,181
Open space contributed assets (refer Note 3.5)	-	(2,250)
(Profit)/loss on disposal of non current assets (refer to Note 3.6)	(1,613)	10,996
Impairment losses - Investments in associates, joint arrangements and subsidiaries (refer to Note 6.3)	230	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(6,782)	1,370
(Increase)/decrease in other assets	(518)	81
Increase/(decrease) in trade and other payables	5,218	3,807
Increase/(decrease) in trust funds	(309)	-
Increase/(decrease) in other liabilities	2,779	1,352
(Increase)/decrease in inventories	(37)	(27)
Increase/(decrease) in provisions	2,236	(51)
Net cash provided by/(used in) operating activities	<b>38,222</b>	<b>65,690</b>

### 9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

#### **Accumulation**

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

#### **Defined Benefit**

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Yarra City Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 9 Other matters (Cont'd)

#### 9.3 Superannuation (Cont'd)

##### **Funding arrangements**

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

Net investment returns	6.00%
Salary information	3.50%
Price inflation (CPI)	2.00%

Vision Super has advised that the actual VBI at 30 June 2020 was 104.6%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

##### **Employer contributions**

###### *Regular contributions*

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate will increase in line with any increases in the SG contribution rate.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

###### **Funding calls**

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

##### **The 2019 interim actuarial investigation surplus amounts**

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and a full actuarial investigation was conducted as at 30 June 2017.



## Notes to the Financial Report for the Year Ended 30 June 2020

### Note 9 Other matters (Cont'd)

#### 9.3 Superannuation (Cont'd)

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	2019	2017
	\$m	\$m
- A VBI Surplus	151	70
- A total service liability surplus	233	194
- A discounted accrued benefits surplus	257	229

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

#### The 2020 interim actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020	2017
	Triennial investigation	Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.5% pa	3.5% pa
	for the first two years and 2.75% pa thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Type of Scheme	Rate	2020	2019
			\$,000	\$,000
Vision super	Defined benefit	9.50%	368	428
Vision super	Accumulation fund	9.50%	3,186	3,164

Council has no unfunded liability payments to Vision Super during both 2019/20 and 2018/19 year.

## Notes to the Financial Report for the Year Ended 30 June 2020

### 10 Change in accounting policy

Council has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

#### a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption

*AASB 15 Revenue from Contracts with Customers* applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted *AASB 15 Revenue from Contracts with Customers* using the modified (cumulative catch up) method. Revenue for 2019 as reported under *AASB 118 Revenue* is not adjusted, because the new standard is only applied from the date of initial application.

*AASB 15 Revenue from Contracts with Customers* requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

#### b) AASB 16 Leases

*AASB 16 Leases* requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

#### c) AASB 1058 Income of Not-for-Profit Entities

*AASB 1058 Income of Not-for-Profit Entities* applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted *AASB 1058 Income of Not-for-Profit Entities* using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

*AASB 1058 Income of Not-for-Profit Entities* requires income to be recognised as Council satisfies the performance obligations under the contract.

#### d) Transition impacts

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019.

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of *AASB 16*

The following table summarises the impacts of transition to the new standards on Council's balance sheet for the year ending 30 June 2019.

Notes to the Financial Report for the Year Ended 30 June 2020

10 Change in accounting policy (Cont'd)

d) Transition impacts (Cont'd)

	June 2019	Adjustments	Post adoption
	\$'000	\$'000	\$'000
<b>Assets</b>			
Right of use assets	-	2,998	2,998
	-	<b>2,998</b>	<b>2,998</b>
<b>Liabilities</b>			
Lease liability - current	-	(795)	(795)
Lease liability - non-current	-	(2,203)	(2,203)
	-	<b>(2,998)</b>	<b>(2,998)</b>