

# Yarra City Council

## Financial Report

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## Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, the Australian Accounting Standards and other mandatory professional reporting requirements.

**Wei Chen CPA**

CFO and Principal Accounting Officer

XX September 2023

*Richmond*

In our opinion, the accompanying financial statements present fairly the financial transactions of the Yarra City Council for the year ended 30 June 2023 and the financial position of the Council as at that date.

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 2020* to certify the financial statements in their final form.

**Cr Claudia Nguyen**

Mayor

XX September 2023

*Richmond*

**Cr Herschel Landes**

Councillor

XX September 2023

*Richmond*

**Sue Wilkinson**

Chief Executive Officer

XX September 2023

*Richmond*





## Comprehensive Income Statement For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Income / Revenue</b>			
Rates and charges	3.1	126,300	120,957
Statutory fees and fines	3.2	35,682	23,168
User fees	3.3	31,718	26,014
Grants - operating	3.4 (a)	19,410	20,256
Grants - capital	3.4 (b)	5,833	4,558
Contributions - monetary	3.5	6,528	5,737
Net gain on disposal of property, infrastructure, plant and equipment	3.6	756	-
Other income	3.7	4,238	1,872
<b>Total income / Revenue</b>		<b>230,465</b>	<b>202,563</b>
<b>Expenses</b>			
Employee costs	4.1	99,037	97,865
Materials and services	4.2	76,357	73,017
Depreciation	4.3	24,231	23,960
Amortisation - right of use assets	4.4	1,192	1,263
Bad and doubtful debts	4.5	4,525	2,271
Borrowing costs	4.6	1,050	1,163
Finance costs - leases	4.7	74	147
Net loss on disposal of property, infrastructure plant and equipment	3.6	-	1,068
Other expenses	4.8	723	695
<b>Total expenses</b>		<b>207,189</b>	<b>201,449</b>
<b>Surplus for the year</b>		<b>23,276</b>	<b>1,113</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation (decrement) increment	6.1, 9.1	(125,864)	8,122
<b>Total comprehensive result</b>		<b>(102,588)</b>	<b>9,235</b>

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

## Balance Sheet As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1 (a)	31,124	54,801
Trade and other receivables	5.1 (c)	25,721	23,578
Other financial assets	5.1 (b)	50,000	25,000
Inventories	5.2 (a)	147	180
Other assets	5.2 (b)	2,148	1,267
<b>Total current assets</b>		<b>109,139</b>	<b>104,827</b>
<b>Non-current assets</b>			
Investments in joint arrangements	6.2	5	5
Property, infrastructure, plant and equipment	6.1	1,926,440	2,041,598
Right-of-use assets	5.8	279	1,337
<b>Total non-current assets</b>		<b>1,926,724</b>	<b>2,042,940</b>
<b>Total assets</b>		<b>2,035,862</b>	<b>2,147,766</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3 (a)	5,699	11,075
Trust funds and deposits	5.3 (b)	15,797	15,359
Unearned income/revenue	5.3 (c)	13,413	10,994
Provisions	5.5	17,759	18,527
Interest-bearing liabilities	5.4	4,399	4,271
Lease liabilities	5.8	249	1,260
<b>Total current liabilities</b>		<b>57,315</b>	<b>61,486</b>
<b>Non-current liabilities</b>			
Trade and other payables	5.3 (a)	1,489	1,870
Other Liabilities	5.3 (b)	386	386
Provisions	5.5	1,227	1,443
Interest-bearing liabilities	5.4	30,501	34,900
Lease liabilities	5.8	50	200
<b>Total non-current liabilities</b>		<b>33,654</b>	<b>38,799</b>
<b>Total liabilities</b>		<b>90,969</b>	<b>100,285</b>
<b>Net assets</b>		<b>1,944,894</b>	<b>2,047,481</b>
<b>Equity</b>			
Accumulated surplus		674,426	654,053
Reserves	9.1	1,270,468	1,393,428
<b>Total Equity</b>		<b>1,944,894</b>	<b>2,047,481</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 2023

2023	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,047,481	654,053	1,370,757	22,671
Surplus for the year		23,276	23,276	-	-
Net asset revaluation increment	6.1	(125,864)	-	(125,864)	-
Transfers to other reserves	9.1(b)	-	1,307	-	(1,307)
Transfers from other reserves	9.1(b)	-	(4,211)	-	4,211
		1,944,894	674,426	1,244,893	25,575
<b>Balance at end of the financial year</b>		<b>1,944,894</b>	<b>674,426</b>	<b>1,244,893</b>	<b>25,575</b>

2022		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,038,246	656,661	1,362,635	18,950
Surplus for the year		1,113	1,113	-	-
Net asset revaluation increment	6.1	8,122	-	8,122	-
Transfers to other reserves	9.1(b)	-	1,095	-	(1,095)
Transfers from other reserves	9.1(b)	-	(4,817)	-	4,817
		2,047,481	654,053	1,370,757	22,671
<b>Balance at end of the financial year</b>		<b>2,047,481</b>	<b>654,053</b>	<b>1,370,757</b>	<b>22,671</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 2023

	Note	2023 Inflows/ (Outflows) \$'000	2022 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		123,227	117,522
Statutory fees and fines		36,719	24,500
User fees		30,524	22,184
Grants - operating		21,828	25,547
Grants - capital		5,833	4,558
Contributions - monetary		6,529	5,737
Interest received		2,785	284
Trust funds and deposits taken		25,773	31,265
Other receipts		2,414	2,410
Net GST refund		125	516
Employee costs		(100,020)	(97,470)
Materials and services		(88,208)	(80,970)
Trust funds and deposits repaid		(25,336)	(27,760)
<b>Net cash provided by operating activities</b>	9.2	<b>42,193</b>	<b>28,325</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.1	(35,291)	(33,635)
Proceeds from sale of property, infrastructure, plant and equipment	3.6	1,111	801
Payments for investments	5.1(b)	(125,000)	(45,000)
Proceeds from sale of investments	5.1(b)	100,000	30,000
<b>Net cash used in investing activities</b>		<b>(59,180)</b>	<b>(47,833)</b>
<b>Cash flows from financing activities</b>			
Finance costs	4.6	(1,050)	(1,163)
Proceeds from borrowings		-	32,500
Repayment of borrowings		(4,271)	(34,532)
Interest paid - lease liability	4.7	(74)	(147)
Repayment of lease liabilities		(1,295)	(1,278)
<b>Net cash used in financing activities</b>		<b>(6,690)</b>	<b>(4,620)</b>
Net decrease in cash and cash equivalents		(23,677)	(24,128)
Cash and cash equivalents at the beginning of the financial year		54,801	78,930
<b>Cash and cash equivalents at the end of the financial year</b>	5.1(a)	<b>31,124</b>	<b>54,801</b>
Financing arrangements	5.6		

The above statement of cash flows should be read in conjunction with the accompanying notes.

## Statement of Capital Works For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
<b>Property</b>		
Buildings	10,207	12,217
<b>Total buildings</b>	<b>10,207</b>	<b>12,217</b>
<b>Total property</b>	<b>10,207</b>	<b>12,217</b>
<b>Plant and equipment</b>		
Heritage plant and equipment	-	-
Plant, machinery and equipment	1,103	1,887
Fixtures, fittings and furniture	196	110
Computers and telecommunications	2,767	1,835
Library books	638	635
<b>Total plant and equipment</b>	<b>4,705</b>	<b>4,468</b>
<b>Infrastructure</b>		
Roads	6,750	6,036
Bridges	83	2
Footpaths and cycleways	3,152	2,790
Drainage	2,900	3,579
Waste management	100	65
Parks, open space and streetscapes	4,444	2,777
Other infrastructure	2,951	1,701
<b>Total infrastructure</b>	<b>20,380</b>	<b>16,951</b>
<b>Total capital works expenditure</b>	<b>35,291</b>	<b>33,635</b>
<b>Represented by:</b>		
New asset expenditure	3,246	4,912
Asset renewal expenditure	27,892	25,137
Asset upgrade expenditure	4,154	3,586
<b>Total capital works expenditure</b>	<b>35,291</b>	<b>33,635</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 2023

### Note 1 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 2020*, and *the Local Government (Planning and Reporting) Regulations 2020*.

The Council is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a not-for-profit entity under the Australian Accounting Standards.

#### Significant accounting policies

##### (a) Basis of accounting

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Accounting policies applied are disclosed in sections where the related balance or financial statement matter is disclosed.

The accrual basis of accounting has been used in the preparation of these financial statements, except for the cash flow information, 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.

The financial statements are based on the historical cost convention unless a different measurement basis is specifically disclosed in the notes to the financial statements.

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.

The financial statements have been prepared on a going concern basis. The financial statements are in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest thousand dollars unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

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 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- 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)
- whether or not AASB 1059 *Service Concession Arrangements: Grantors* is applicable
- 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, and disclosure has been made of any material changes to comparatives.

#### Goods and Services Tax (GST)

Income and expenses are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

## Notes to the Financial Report for the Year Ended 30 June 2023

### Note 2 ANALYSIS OF OUR RESULTS

#### Note 2.1 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 2020* requires explanation of any material variances. Council has adopted a materiality threshold of 10 percent and at least \$0.5 million 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.

These notes are prepared to meet the requirements of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

#### 2.1.1 Income / revenue and expenditure

	Budget 2022/23 \$'000	Actual 2022/23 \$'000	Variance \$'000 Fav/(Unfav)	Variance % Fav/(Unfav)	Ref
<b>Income / Revenue</b>					
Rates and charges	125,163	126,300	1,137	0.9%	1
Statutory fees and fines	35,754	35,682	(71)	(0.2%)	
User fees	33,174	31,718	(1,456)	(4.4%)	2
Grants - operating	16,234	19,410	3,176	19.6%	3
Grants - capital	11,825	5,833	(5,992)	(50.7%)	4
Contributions - monetary	6,985	6,528	(457)	(6.5%)	
Net gain on disposal of property, infrastructure, plant and equipment	80	756	676	845.3%	5
Other income	1,707	4,238	2,531	148.3%	6
<b>Total income</b>	<b>230,922</b>	<b>230,465</b>	<b>(457)</b>	<b>(0.2%)</b>	
<b>Expenses</b>					
Employee costs	103,092	99,037	4,055	3.9%	7
Materials and services	82,691	76,357	6,334	7.7%	8
Depreciation	24,837	24,231	606	2.4%	
Amortisation - Right of use assets	1,163	1,192	(29)	(2.5%)	
Bad and doubtful debts -allowance for impairment losses	5,075	4,525	550	10.8%	9
Borrowing costs	1,050	1,050	(0)	(0.0%)	
Finance costs - Leases	58	74	(16)	(27.8%)	
Other expenses	746	723	23	3.0%	
<b>Total expenses</b>	<b>218,712</b>	<b>207,189</b>	<b>11,523</b>	<b>5.3%</b>	
<b>Surplus/(deficit) for the year</b>	<b>12,210</b>	<b>23,276</b>	<b>11,066</b>	<b>(90.6%)</b>	

Notes to the Financial Report for the Year Ended 30 June 2023

Note 2.1 Performance against budget (Cont'd)

2.1.1 Income and expenditure (Cont'd)

(i) Explanation of material variations

Ref	Item	Explanation
1	Rates and charges	Rates and Charges are favourable primarily due to an increase in supplementary rates and interest.
2	User fees	User fees unfavourable variance is primarily due to lower than budgeted user fees in Statutory Planning, Children Services, Property and Traffic and Civil Engineering. Partly offsetting these unfavourable variances is an increase in income from Compliance.
3	Grants - operating	Operating Grants favourable due to the timing of grant income for Online Portal Development as well as unbudgeted grant income for Victoria Street Pop-Up Community Space, Covid relief program, Cremorne Precinct Digital Infrastructure Upgrade, and Live music on the road again as well as the forward payment of 2023/24 allocation of Financial Assistance Grant. Partially offsetting these is a reduction in grant funding for Children Services due to lower utilisation than expected.
4	Grants - capital	Capital grants received for projects Brunswick Street Oval, Atherton Gardens and Curtain Square have been carried forward to 2023/24, to align the grant income with the timing of expenditure as the projects will be delivered 2023/24 onwards.
5	Net gain on disposal of property, infrastructure, plant and equipment	Disposals favourable due to unbudgeted income from road discontinuance.
6	Other income	Other income favourable variance is due to increased interest on investments.
7	Employee costs	Employee costs are favourable to budget as a result of more leave taken compared what is accrued on an annual basis and staff vacancies.
8	Materials and services	Material and services is favourable to budget as a result of timing of projects including, digital transformation and gasworks' stadium contribution.
9	Bad and doubtful debts -allowance for impairment losses	Bad and doubtful debts expense were less than budget as a result of improved collection rates during the second half of 2022/23.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 2.1 Performance against budget (Cont'd)

2.1.2 Capital works

	Budget 2022/23 \$'000	Actual 2022/23 \$'000	Variance \$'000 Fav/(Unfav)	Variance % Fav/(Unfav)	Ref
<b>Property</b>					
Buildings	18,951	10,207	(8,744)	(46.1%)	1
<b>Total buildings</b>	<b>18,951</b>	<b>10,207</b>	<b>(8,744)</b>	<b>(46.1%)</b>	
<b>Total property</b>	<b>18,951</b>	<b>10,207</b>	<b>(8,744)</b>	<b>(46.1%)</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	2,688	1,103	(1,585)	(59.0%)	2
Fixtures, fittings and furniture	150	196	46	30.9%	
Computers and telecommunications	2,713	2,767	54	2.0%	
Library books	640	638	(2)	0.0%	
<b>Total plant and equipment</b>	<b>6,191</b>	<b>4,705</b>	<b>(1,486)</b>	<b>(24.0%)</b>	
<b>Infrastructure</b>					
Roads	7,636	6,750	(886)	(11.6%)	3
Bridges	108	83	(25)	(23.2%)	
Footpaths and cycleways	2,488	3,152	664	26.7%	4
Drainage	3,752	2,900	(852)	(22.7%)	5
Waste management	100	100	(0)	(0.0%)	
Parks, open space and streetscapes	9,585	4,444	(5,141)	(53.6%)	6
Other infrastructure	5,295	2,951	(2,344)	(44.3%)	7
<b>Total infrastructure</b>	<b>28,964</b>	<b>20,380</b>	<b>(8,584)</b>	<b>(29.6%)</b>	
<b>Total capital works expenditure</b>	<b>54,106</b>	<b>35,291</b>	<b>(18,815)</b>	<b>(34.8%)</b>	
<b>Represented by:</b>					
New asset expenditure	12,218	3,245	(8,973)	(73.4%)	
Asset renewal expenditure	35,730	27,892	(7,838)	(21.9%)	
Asset upgrade expenditure	6,158	4,154	(2,004)	(32.5%)	
<b>Total capital works expenditure</b>	<b>54,106</b>	<b>35,291</b>	<b>(18,815)</b>	<b>(34.8%)</b>	

2.1.2 Capital works (Cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	The buildings program underspend of (\$8.74m) was primarily due to budget reductions including: Collingwood College Early Childhood Centre \$2.66m (works to be performed by Victorian Schools Building Authority instead of Council), Atherton Gardens Kindergarten \$0.69m (carried forward), Richmond Town Hall facade/roof remediation works and HVAC renewal \$2.53m (deferred), Fitzroy Town Hall main hall HVAC and related works \$2.26m (deferred by decision of Council).
2	Plant, machinery and equipment	The plant, machinery and equipment program underspend of (\$1.59m) underspend was primarily due to budget reductions including: trucks \$0.54m (savings), compactors \$0.50m (deferred), passenger cars \$0.19m (savings).
3	Roads	The roads program underspend of (\$0.89m) was due to savings achieved in various projects and the deferral of some projects due to delays caused by external authorities and property developments.
4	Footpaths and cycleways	The footpaths and cycleways program overspend of \$0.66m was primarily due to \$0.81m of unbudgeted expenditure on Nicholson Street activity centre works, noting that this was offset by \$0.41m in unbudgeted external funding received from the Department of Transport and Planning and \$0.45m of funds from the deferral of road works in Wangaratta Street.
5	Drainage	The drainage program underspend of (\$0.85m) was primarily due to the removal of the Curtain Square Stormwater Harvesting Scheme project (\$1.14m, part externally funded), partially offset by \$0.34m of unbudgeted expenditure on the Edinburgh Gardens sediment trap project.
6	Parks, open space and streetscapes	The parks, open space and streetscapes program variance of (\$5.14m) underspend was primarily due to budget reductions including: Cambridge Street Reserve \$0.68m (planned carry forward), Otter Street Pocket Park \$0.44m (planned carry forward), Burnley Golf Course risk mitigation works \$1.65m (carried forward), Land purchase \$2.00m (deferred).
7	Other infrastructure	The other infrastructure program underspend of (\$2.34m) was primarily due to budget reductions including: various Local Area Place Making (LAPM) projects \$1.04m (deferred), Federal Spot Safety Program \$0.80m (carried forward).

## Notes to the Financial Report for the Year Ended 30 June 2023

### Note 2.2 Analysis of Council results by program

In December 2022, Council implemented a revised structure to ensure delivery of community needs and ensure delivery of Council Plan. The new structure will embed a strong focus on continuous improvement and financial sustainable service delivery.

#### 2.2.1 Chief Executive Office

The Chief Executive Officer's division is responsible for the oversight of the organisation to ensure provision of high quality Council services as well as delivery of the capital works program.

#### Corporate Services and Transformation

The Corporate Services and Transformation 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, procurement, people and culture, digital information and technology, procurement, strategy and program delivery and program integration and development.

#### City Sustainability and Strategy

The City Sustainability division is responsible for providing strategic input into the overall management of the city. It includes, City Strategy (Economic Development, Strategic Planning, Urban Design, Open Space and heritage), Statutory Planning, Sustainability, Strategic Transport, Building Services and Parking and Compliance.

#### Community Strengthening

The Community Strengthening 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.

#### Infrastructure and Environment

The Infrastructure 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 supports 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 as well as Council's property portfolio including leases, licenses and management agreements.

#### Governance, Communications and Customer Service

The Governance, Communications and Customer Service division is responsible for providing support to the mayor and Councillors. The division also oversees Council meetings, legal, public registers, delegations and freedom of information requests, and has oversight of Council's integrity processes including public interest disclosures and enquiries. It is also responsible for delivering strategic communications and advocacy, media relations, publications, digital communications and marketing, community consultation and engagement and civic events.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 2.2 Analysis of Council results by program (Cont'd)

2.2.2 Summary of income / revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2023</b>					
Chief Executive Office	-	716	(716)	-	6,999
Corporate Services and Transformation	133,956	46,458	87,497	3,982	120,633
City Sustainability and Strategy	51,979	39,877	12,103	3,460	1,568
Community Strengthening	17,647	42,384	(24,737)	12,966	2,011
Infrastructure and Environment	26,850	68,660	(41,809)	4,834	1,904,651
Governance, Communications and Customer Service	33	9,095	(9,062)	-	-
	<b>230,465</b>	<b>207,190</b>	<b>23,276</b>	<b>25,243</b>	<b>2,035,862</b>

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2022</b>					
Chief Executive Office	-	672	(672)	-	7,151
Corporate Services and Transformation	125,471	46,024	79,447	4,069	115,166
City Sustainability and Strategy	38,662	37,955	708	3,026	904
Community Strengthening	17,319	41,559	(24,240)	13,311	2,221
Infrastructure and Environment	20,675	64,823	(44,148)	4,408	2,022,324
Governance, Communications and Customer Service	435	10,418	(9,983)	-	-
	<b>202,562</b>	<b>201,450</b>	<b>1,113</b>	<b>24,814</b>	<b>2,147,766</b>

In 2022-2023 a new organisational structure was implemented to better align to the organisations objectives. As a result comparatives have been adjusted accordingly.

## Notes to the Financial Report for the Year Ended 30 June 2023

### 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 2022/23 was \$3,465 million (2021/22 \$2,999 million).

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
General rates	92,080	88,839
Commercial	24,533	22,789
Industrial	7,024	7,241
Special rates and charges	141	141
Supplementary rates and rate adjustments	1,336	1,899
Garbage bin charges	49	49
Interest on rates and charges	1,138	(1)
<b>Total rates and charges</b>	<b>126,300</b>	<b>120,957</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2023, and the valuation will be first applied in the rating year commencing 1 July 2023.

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>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Infringements and costs	16,550	10,916
Court recoveries	3,642	2,442
Fees - parking meters/ticket machines	13,186	7,947
Permits	2,304	1,864
<b>Total statutory fees and fines</b>	<b>35,682</b>	<b>23,168</b>

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 3 Funding for the delivery of our services (Cont'd)	2023 \$'000	2022 \$'000
<b>3.3 User fees</b>		
Leisure centres and golf course fees	10,918	6,363
Child care/children's program fees	2,995	2,856
Town planning fees	3,426	4,114
Registration fees	1,855	1,750
Aged services fees	288	228
Road occupation permit fees	4,383	4,826
Footpath advertising & display	1,585	411
Building services fees	283	290
Valuation fees/supplementary charges	177	198
Kerb market fees	200	183
Land information certificates	143	175
Local laws fines	349	181
Rent	1,362	1,556
Permits - bins and skips	193	199
After school program	253	211
Report and consent fees	159	173
Road and drainage inspection fees	814	1,037
Hall hire	693	155
Asset protection permits	197	216
Occupation area permit fees	428	236
Other fees and charges	1,016	657
<b>Total user fees</b>	<b>31,718</b>	<b>26,014</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.

## Notes to the Financial Report for the Year Ended 30 June 2023

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

<b>3.4 Funding from other levels of government</b>	<b>2023</b>	<b>2022</b>
Grants were received in respect of the following :	<b>\$'000</b>	<b>\$'000</b>
<b>Summary of grants</b>		
Commonwealth funded grants	13,079	12,362
State funded grants	12,163	12,452
<b>Total grants received</b>	<b>25,243</b>	<b>24,814</b>
<b>(a) Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Financial Assistance Grants	3,503	3,384
Children services	4,126	4,385
Primary care partnerships	1,464	1,472
General home care	1,233	1,592
<b>Recurrent - State Government</b>		
Family and children services	3,151	2,727
Maternal and child health	784	1,015
Aged care services	807	924
Library	671	707
School crossing supervisors	414	339
Tobacco Act Reform	36	49
<b>Total recurrent operating grants</b>	<b>16,188</b>	<b>16,594</b>
<b>Non-recurrent - Commonwealth Government</b>		
Drainage maintenance	-	-
<b>Non-recurrent - State Government</b>		
COVID-19 response	551	2,359
Regulatory reform	1,592	319
Working for Victoria	-	221
Environmental planning	-	-
Family and children services	138	204
Drainage	-	-
Other	940	560
<b>Total non-recurrent operating grants</b>	<b>3,221</b>	<b>3,662</b>
<b>Total Operating Grants</b>	<b>19,410</b>	<b>20,256</b>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	259	259
<b>Total recurrent capital grants</b>	<b>259</b>	<b>259</b>
<b>Non-recurrent - Commonwealth Government</b>		
Roads - Black Spot funding	405	128
Roads LRCI program	1,828	1,142
Public Artwork	130	-
Community Safety	132	-
<b>Non-recurrent - State Government</b>		
Buildings	1,790	2,335
Roads	325	387
Open space	676	197
Drainage	211	-
Other	78	110
<b>Total non-recurrent capital grants</b>	<b>5,574</b>	<b>4,299</b>
<b>Total Capital Grants</b>	<b>5,833</b>	<b>4,558</b>
<b>Total Grants</b>	<b>25,243</b>	<b>24,814</b>

Notes to the Financial Report for the Year Ended 30 June 2023

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

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

	2023 \$'000	2022 \$'000
<b>(c) Unspent grants</b>		
<b>Operating</b>		
Balance at start of year	3,662	2,604
Received during the financial year and remained unspent at balance date	1,512	2,616
Received in prior years and spent during the financial year	(2,104)	(1,558)
Balance at year end	<u>3,070</u>	<u>3,662</u>
<b>Capital</b>		
Balance at start of year	21,741	18,636
Received during the financial year and remained unspent at balance date	5,633	6,229
Received in prior years and spent during the financial year	(2,350)	(3,124)
Balance at year end	<u>25,024</u>	<u>21,741</u>

\*The major portion of unspent capital grants at the start of the year relates to state government funding received for the Fitzroy Depot relocation.

**(d) Recognition of grant income**

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15 *Revenue from Contracts with Customers*. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement
- determines the transaction price
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies AASB 1058 *Income for Not-for-Profit Entities*.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

**Income recognised under AASB 1058 *Income of Not-for-Profit Entities***

General purpose	16,188	16,594
Specific purpose grants to acquire non-financial assets	259	259

**Revenue recognised under AASB 15 *Revenue from Contracts with Customers***

Specific purpose grants	8,795	7,961
	<u>25,243</u>	<u>24,814</u>

**3.5 Contributions**

Monetary	6,528	5,737
<b>Total contributions</b>	<u>6,528</u>	<u>5,737</u>

**Monetary**

Public Open Space contributions	4,211	4,817
Developer contributions plan levy	1,558	181
Road maintenance/works (other)	222	181
Open space and planning	161	254
Park rental	53	53
Other	324	251
<b>Total monetary contributions</b>	<u>6,528</u>	<u>5,737</u>

*Monetary contributions are recognised as revenue at their fair value when Council obtains control over the contributed asset.*

## Notes to the Financial Report for the Year Ended 30 June 2023

<b>Note 3 Funding for the delivery of our services (Cont'd)</b>	<b>2023</b>	<b>2022</b>
<b>3.6 Net gain on disposal of property, infrastructure, plant and equipment</b>	<b>\$'000</b>	<b>\$'000</b>
Proceeds of sale	1,111	801
Written down value of assets disposed	(354)	(1,869)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>756</b>	<b>(1,068)</b>

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

<b>3.7 Other income</b>	<b>4,238</b>	<b>1,872</b>
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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.

The increase from prior year is primarily due to interest on deposits.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 4 The cost of delivering services

	2023	2022
	\$'000	\$'000
<b>4.1 (a) Employee costs</b>		
Wages and salaries	72,050	72,908
Work Cover	994	663
Casual staff	8,427	6,920
Superannuation	8,628	8,158
Fringe benefits tax	244	247
Agency staff (external)	3,499	3,621
Other	5,195	5,348
<b>Total employee costs</b>	<b>99,037</b>	<b>97,865</b>

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	308	335
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**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,702	3,606
Employer contributions - other funds	4,617	4,217
	<b>8,320</b>	<b>7,823</b>

Employer contributions payable at reporting date.

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

**4.2 Materials and services**

Materials and services	21,338	21,320
Aged services contract payments	1,481	1,569
Waste services contract payments	4,299	4,270
Recycling contract payments	3,777	3,723
Tipping fees	3,089	3,085
Open space contract payments	3,547	3,573
Bushland tree maintenance contract payments	1,843	1,506
Street cleaning services contract payments	3,514	3,422
Other contract payments	7,485	7,195
Building maintenance	4,191	3,710
General maintenance	5,360	4,983
Utilities	3,766	3,340
Information technology	5,978	5,460
Insurance	2,080	2,015
Consultants	4,608	3,847
<b>Total materials and services</b>	<b>76,357</b>	<b>73,017</b>

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

**4.3 Depreciation**

Property	3,215	2,859
Plant and equipment	6,216	6,402
Infrastructure	14,800	14,698
<b>Total depreciation</b>	<b>24,231</b>	<b>23,960</b>

Refer to note 5.8 and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

Notes to the Financial Report for the Year Ended 30 June 2023

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

	2023	2022
	\$'000	\$'000
<b>4.4 Amortisation - Right of use assets</b>		
Equipment	1,192	1,263
<b>Total Amortisation - Right of use assets</b>	<u>1,192</u>	<u>1,263</u>
<b>4.5 Bad and doubtful debts - allowance for impairment losses</b>		
Parking infringement debtors	4,128	2,405
Other debtors	397	(133)
<b>Total bad and doubtful debts - allowance for impairment losses</b>	<u>4,525</u>	<u>2,271</u>
<b>Movement in provision for doubtful debts - allowance for impairment losses</b>		
Balance at the beginning of the year	34,507	43,943
New provisions recognised during the year	4,440	2,263
Amounts already provided for and written off as uncollectible	(289)	(11,699)
Balance at end of year	<u>38,658</u>	<u>34,507</u>

Provision for doubtful debt in respect of debtors 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**

Interest - borrowings	1,050	1,163
<b>Total borrowing costs</b>	<u>1,050</u>	<u>1,163</u>

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**

Interest - lease liabilities	74	147
<b>Total finance costs</b>	<u>74</u>	<u>147</u>

**4.8 Other expenses**

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	61	61
Auditors' remuneration - internal	209	208
Councillors' allowances	424	372
Others	29	53
<b>Total other expenses</b>	<u>723</u>	<u>695</u>

Notes to the Financial Report for the Year Ended 30 June 2023

Note 5 Our financial position

5.1 Financial assets	2023	2022
(a) Cash and cash equivalents	\$'000	\$'000
Cash at Bank	11,060	23,596
Cash on Hand	10	10
Term deposits	20,053	31,195
<b>Total cash and cash equivalents</b>	<b>31,124</b>	<b>54,801</b>
<b>(b) Other financial assets</b>		
Term deposits - current	50,000	25,000
<b>Total other financial assets</b>	<b>50,000</b>	<b>25,000</b>
<b>Total financial assets</b>	<b>81,124</b>	<b>79,801</b>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months 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.

Other financial assets include term deposits and those with original maturity dates of three to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 5 Our financial position (Cont'd)

5.1 Financial assets (Cont'd)

	2023 \$'000	2022 \$'000
<b>(c) Trade and other receivables</b>		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	18,060	15,703
Provision for doubtful debts - rates	(813)	(715)
Infringement debtors	41,460	36,500
Provision for doubtful debts - parking infringements	(36,314)	(32,186)
Provision for doubtful debts - non-parking infringements	(1,326)	(1,384)
GST recoverable from ATO	1,650	1,775
<i>Non statutory receivables</i>		
Other debtors	3,210	4,107
Provision for doubtful debts - non statutory receivables	(205)	(223)
<b>Total trade and other receivables</b>	<b>25,721</b>	<b>23,578</b>

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.

**(d) Ageing of Receivables**

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	2,331	3,326
Past due by up to 30 days	148	1,115
Past due between 31 and 180 days	1,121	398
Past due between 181 and 365 days	292	326
Past due by more than 1 year	763	495
<b>Total trade and other receivables</b>	<b>4,655</b>	<b>5,659</b>

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

At balance date, other debtors representing financial assets with a nominal value of \$38.7m (2022: \$34.5m) were impaired. The amount of the provision raised against these debtors was \$2.0m (2022: \$2.2m). 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.

The ageing of receivables that have been individually determined as impaired at reporting date

Current (not yet due)	402	332
Past due by up to 30 days	255	178
Past due between 31 and 180 days	719	558
Past due between 181 and 365 days	3,145	1,684
Past due by more than 1 year	34,137	31,756
<b>Total trade and other receivables</b>	<b>38,658</b>	<b>34,507</b>

Notes to the Financial Report for the Year Ended 30 June 2023

Note 5 Our financial position (Cont'd)

5.2 Non-financial assets	2023	2022
(a) Inventories	\$'000	\$'000
Inventories held for distribution	147	180
<b>Total inventories</b>	<b>147</b>	<b>180</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		
Prepayments	1,646	1,228
Accrued income	501	39
<b>Total other assets</b>	<b>2,148</b>	<b>1,267</b>

5.3 Payables, trust funds and deposits and unearned income/revenue

(a) Trade and other payables		
Current		
Trade payables	444	7,029
Superannuation	20	14
Accrued expenses	5,235	4,033
	<b>5,699</b>	<b>11,075</b>

Non-current		
Accrued expenses	1,489	1,870
<b>Total trade and other payables</b>	<b>7,188</b>	<b>12,945</b>

(b) Trust funds and deposits

Current		
Drainage works deposits	30	30
Leased properties	31	31
Refundable deposits	6,687	6,587
Fire services levy	8,898	8,602
Other refundable deposits	151	110
	<b>15,797</b>	<b>15,359</b>

Non-current		
Other liabilities	386	386
<b>Total trust funds and deposits</b>	<b>16,183</b>	<b>15,745</b>

(c) Unearned income/revenue		
Income in advance	1,056	1,329
Grants received in advance - operating	3,070	3,662
Grants received in advance - capital	9,287	6,004
<b>Total unearned income/revenue</b>	<b>13,413</b>	<b>10,994</b>

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of leisure services, facility hire, child care and infrastructure reinstatements. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

Notes to the Financial Report for the Year Ended 30 June 2023

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 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

	2023	2022
	\$'000	\$'000
<b>Current</b>		
Treasury Corporation of Victoria borrowings - secured	2,979	2,922
Bank loans - secured	1,420	1,349
	<u>4,399</u>	<u>4,271</u>
<b>Non-current</b>		
Treasury Corporation of Victoria borrowings - secured	25,904	28,145
Bank loans - secured	4,597	6,755
	<u>30,501</u>	<u>34,900</u>
<b>Total</b>	<u>34,900</u>	<u>39,171</u>
Borrowings are secured by way of mortgages over the general rates of Council.		
The maturity profile for Council's borrowings is:		
Not later than one year	4,399	4,271
Later than one year and not later than five years	17,317	21,818
Later than five years	13,184	13,082
	<u>34,900</u>	<u>39,171</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. At present all Council's loans are classified at amortised cost.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 5 Our financial position (Cont'd)

5.5 Provisions

	<b>Employee</b>	
	<b>\$ '000</b>	
<b>2023</b>		
Balance at beginning of the financial year	19,970	
Additional provisions	5,134	
Amounts used	(6,127)	
Change in the discounted amount arising because of time and the effect of any change in the discount rate	10	
Balance at the end of the financial year	<u>18,987</u>	
<b>2022</b>		
Balance at beginning of the financial year	19,574	
Additional provisions	5,901	
Amounts used	(5,234)	
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(272)	
Balance at the end of the financial year	<u>19,970</u>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	5,684	6,221
TOIL	62	101
Long service leave	2,838	1,265
	<u>8,585</u>	<u>7,587</u>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	1,895	2,074
Long service leave	7,280	8,866
	<u>9,175</u>	<u>10,939</u>
<b>Total current employee provisions</b>	<u>17,759</u>	<u>18,527</u>
<b>Non-current</b>		
Long service leave	1,227	1,443
<b>Total non-current employee provisions</b>	<u>1,227</u>	<u>1,443</u>
<b>Aggregate carrying amount of employee provisions:</b>		
Current	17,759	18,527
Non-current	1,227	1,443
<b>Total aggregate carrying amount of employee</b>	<u>18,987</u>	<u>19,970</u>

## Notes to the Financial Report for the Year Ended 30 June 2023

### 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.

##### *Annual leave*

A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:

- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

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. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. 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 and measured at present value.

Key assumptions:

	<b>2023</b>	<b>2022</b>
Weighted average increase in employee costs	1.75%	1.75%
Weighted average discount rates	4.06%	3.43%
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 2023.

	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank overdraft	10,000	10,000
Credit card facilities	495	495
Treasury Corporation of Victoria facilities	28,883	31,067
Bank loan facilities	6,017	8,104
Total facilities	<u>45,395</u>	<u>49,666</u>
Used facilities	(35,009)	(39,303)
Unused facilities	<u>10,386</u>	<u>10,363</u>

Notes to the Financial Report for the Year Ended 30 June 2023

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.

(a) Commitments for expenditure  
2023

	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	3,192	3,420	11,681	9,172	27,465
Garbage collection and recycling	9,191	234	82	-	9,507
Open space management	4,164	1,523	1,626	-	7,313
Information systems & technology	5,552	2,640	1,391	1,778	11,360
Cleaning contracts for Council buildings	1,909	-	-	-	1,909
Animal pound services	83	89	-	-	172
Drainage maintenance	207	221	236	-	665
<b>Total</b>	<b>24,298</b>	<b>8,127</b>	<b>15,016</b>	<b>10,950</b>	<b>58,391</b>
<b>Capital</b>					
Buildings	4,908	-	-	-	4,908
<b>Total</b>	<b>29,206</b>	<b>8,127</b>	<b>15,016</b>	<b>10,950</b>	<b>63,298</b>

2022

	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	3,270	-	-	-	3,270
Garbage collection and recycling	7,756	136	69	-	7,961
Open space management	2,105	1,288	2,692	-	6,084
Information systems & technology	5,126	1,731	167	75	7,100
Cleaning contracts for Council buildings	1,582	-	-	-	1,582
Animal pound services	70	70	210	-	350
Drainage maintenance	201	207	323	-	732
<b>Total</b>	<b>20,111</b>	<b>3,432</b>	<b>3,462</b>	<b>75</b>	<b>27,079</b>
<b>Capital</b>					
Buildings	2,386	-	-	-	2,386
<b>Total</b>	<b>22,497</b>	<b>3,432</b>	<b>3,462</b>	<b>75</b>	<b>29,465</b>

Notes to the Financial Report for the Year Ended 30 June 2023

Note 5 Our financial position (Cont'd)

(b) Operating lease receivables

The Council has entered into commercial property leases of 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:

	2023	2022
	\$'000	\$'000
Not later than one year	324	388
Later than one year and not later than five years	838	954
Later than five years	187	117
	1,349	1,459

5.8 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

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

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.

Under AASB 16 Leases, Council as a not-for-profit entity has elected not to 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 2023

Note 5 Our financial position (Cont'd)

5.8 Leases (Cont'd)

<b>Right-of-Use Assets</b>	<b>Plant and equipment</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at 30 June 2022	1,337	1,337
Additions	135	135
Amortisation charge	(1,192)	(1,192)
Balance at 30 June 2023	<b>279</b>	<b>279</b>
Balance at 1 July 2021	2,374	2,374
Additions	226	226
Amortisation charge	(1,263)	(1,263)
Balance at 30 June 2022	<b>1,337</b>	<b>1,337</b>
<b>Lease Liabilities</b>	<b>2023</b>	<b>2022</b>
Maturity analysis - contractual undiscounted cash flows	<b>\$'000</b>	<b>\$'000</b>
Less than one year	256	1,307
One to five years	52	203
More than five years	-	-
Total undiscounted lease liabilities as at 30 June:	<b>308</b>	<b>1,510</b>
Lease liabilities included in the Balance Sheet at 30 June:		
Current	249	1,260
Non-current	50	200
Total lease liabilities	<b>299</b>	<b>1,460</b>

**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.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 6 Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2022	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	At Fair Value 30 June 2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	1,262,539	8,811	-	(126,094)	(3,215)	(34)	-	6,579	1,148,586
Plant and equipment	37,350	6,456	-	-	(6,216)	(105)	-	1,947	39,431
Infrastructure	729,322	14,720	-	230	(14,800)	(12)	-	1,418	730,879
Work in progress	12,387	5,304	-	-	-	-	(203)	(9,944)	7,544
	<b>2,041,598</b>	<b>35,291</b>	<b>-</b>	<b>(125,864)</b>	<b>(24,231)</b>	<b>(151)</b>	<b>(203)</b>	<b>-</b>	<b>1,926,440</b>

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	8,237	2,166	(2)	(6,579)	3,822
Plant and equipment	2,713	2,240	(196)	(1,947)	2,810
Infrastructure	1,437	898	(5)	(1,418)	912
Total	<b>12,387</b>	<b>5,304</b>	<b>(203)</b>	<b>(9,944)</b>	<b>7,544</b>

Notes to the Financial Report for the Year Ended 30 June 2023

Note 6 Assets we manage (Cont'd)

6.1 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 2022	857,002	181,231	12,547	1,050,780	-	320,797	657	-	-	321,454	8,237	1,380,470
Accumulated depreciation at 1 July 2022	-	-	-	-	-	(109,103)	(591)	-	-	(109,694)	-	(109,694)
	857,002	181,231	12,547	1,050,780	-	211,694	66	-	-	211,760	8,237	1,270,776
<b>Movements in fair value</b>												
Additions	-	(18)	100	82	-	8,701	28	-	-	8,729	2,166	10,977
Revaluation	(104,348)	(21,746)	-	(126,094)	-	-	-	-	-	-	-	(126,094)
Disposal	-	-	-	-	-	(380)	-	-	-	(380)	-	(380)
Write-off	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Transfers	-	-	348	348	-	6,232	-	-	-	6,232	(6,579)	-
	<b>(104,348)</b>	<b>(21,764)</b>	<b>448</b>	<b>(125,664)</b>	<b>-</b>	<b>14,552</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>14,581</b>	<b>(4,415)</b>	<b>(115,499)</b>
<b>Movements in accumulated depreciation</b>												
Depreciation and amortisation	-	-	-	-	-	(3,209)	(7)	-	-	(3,215)	-	(3,215)
Accumulated depreciation of disposals	-	-	-	-	-	345	-	-	-	345	-	345
Accumulated depreciation of revaluations	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(2,863)	(7)	-	-	(2,870)	-	(2,870)
At fair value 30 June 2023	752,654	159,467	12,995	925,116	-	335,349	685	-	-	336,034	3,822	1,264,972
Accumulated depreciation at 30 June 2023	-	-	-	-	-	(111,966)	(598)	-	-	(112,564)	-	(112,564)
<b>Carrying amount</b>	<b>752,654</b>	<b>159,467</b>	<b>12,995</b>	<b>925,116</b>	<b>-</b>	<b>223,383</b>	<b>87</b>	<b>-</b>	<b>-</b>	<b>223,470</b>	<b>3,822</b>	<b>1,152,408</b>

Notes to the Financial Report for the Year Ended 30 June 2023

Note 6 Assets we manage (Cont'd)

6.1 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 2022	4,974	7,949	8,698	4,193	19,894	19,753	3,676	2,427	3,143	24,592	12,837	10,573	2,713	125,422
Accumulated depreciation at 1 July 2022	(454)	(4,684)	(7,046)	(2,281)	(14,241)	(8,651)	(1,951)	(2,058)	(2,777)	(21,666)	(11,198)	(8,353)	-	(85,359)
	4,520	3,265	1,652	1,912	5,653	11,102	1,725	369	366	2,926	1,639	2,220	2,713	40,063
<b>Movements in fair value</b>														
Additions	-	728	78	44	61	1,983	-	69	100	2,597	158	638	2,240	8,696
Disposal	-	(715)	-	-	-	-	-	-	-	-	-	-	-	(715)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	(196)	(196)
Transfers	-	26	105	-	-	607	-	45	-	1,165	-	-	(1,947)	-
	-	39	183	44	61	2,589	-	113	100	3,763	158	638	97	7,784
<b>Movements in accumulated depreciation</b>														
Depreciation and amortisation	(50)	(947)	(488)	(265)	(613)	(664)	(229)	(58)	(80)	(1,678)	(363)	(782)	-	(6,216)
Accumulated depreciation of disposals	-	610	-	-	-	-	-	-	-	-	-	-	-	610
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(50)	(337)	(488)	(265)	(613)	(664)	(229)	(58)	(80)	(1,678)	(363)	(782)	-	(5,606)
At fair value 30 June 2023	4,974	7,988	8,880	4,236	19,955	22,342	3,676	2,540	3,243	28,355	12,995	11,211	2,810	133,206
Accumulated depreciation at 30 June 2023	(504)	(5,021)	(7,534)	(2,545)	(14,854)	(9,315)	(2,180)	(2,116)	(2,856)	(23,344)	(11,561)	(9,135)	-	(90,965)
<b>Carrying amount</b>	<b>4,470</b>	<b>2,967</b>	<b>1,346</b>	<b>1,691</b>	<b>5,101</b>	<b>13,028</b>	<b>1,496</b>	<b>424</b>	<b>387</b>	<b>5,011</b>	<b>1,434</b>	<b>2,076</b>	<b>2,810</b>	<b>42,241</b>

Notes to the Financial Report for the Year Ended 30 June 2023

Note 6 Assets we manage (Cont'd)

6.1 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 2022	434,166	156,373	148,228	133,712	5,358	108,646	7,318	1,437	995,239
Accumulated depreciation at 1 July 2022	(62,949)	(73,847)	(59,031)	(45,750)	(2,742)	(20,160)	-	-	(264,480)
	371,217	82,526	89,197	87,962	2,616	88,486	7,318	1,437	730,760
<b>Movements in fair value</b>									
Additions	6,127	2,959	2,369	1,578	172	1,516	-	898	15,618
Revaluation	-	-	-	-	(386)	-	-	-	(386)
Disposal	-	-	-	-	-	(20)	-	-	(20)
Write-off	-	-	-	-	-	-	-	(5)	(5)
Transfers	1,122	186	8	100	2	-	-	(1,418)	-
	7,248	3,145	2,377	1,678	(212)	1,496	-	(525)	15,208
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	(5,848)	(3,333)	(1,239)	(2,668)	(44)	(1,670)	-	-	(14,800)
Accumulated depreciation of disposals	-	-	-	-	-	8	-	-	8
Accumulated depreciation of revaluations	-	-	-	-	616	-	-	-	616
	(5,848)	(3,333)	(1,239)	(2,668)	572	(1,662)	-	-	(14,176)
At fair value 30 June 2023	441,415	159,518	150,605	135,390	5,146	110,142	7,318	912	1,010,447
Accumulated depreciation at 30 June 2023	(68,797)	(77,180)	(60,270)	(48,418)	(2,170)	(21,822)	-	-	(278,656)
<b>Carrying amount</b>	<b>372,618</b>	<b>82,338</b>	<b>90,335</b>	<b>86,972</b>	<b>2,976</b>	<b>88,320</b>	<b>7,318</b>	<b>912</b>	<b>731,791</b>

## Notes to the Financial Report for the Year Ended 30 June 2023

### Note 6 Assets we manage (Cont'd)

#### 6.1 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.

<b>Asset recognition thresholds and depreciation periods</b>	<b>Depreciation Period</b>	<b>Threshold Limit \$'000</b>
Land & land improvements		
land	Nil	Nil
land improvements	Nil	10
Buildings		
buildings	100 years	10
Plant and Equipment		
heritage plant and equipment	100 years	Nil
plant, machinery and equipment	6 - 10 years	5
furniture, equipment & computers	3 - 14 years	5
library books	6 - 7 years	5
library audio and visual	4 years	Nil
mobile garbage bins/recycling crates	10 years	5
motor vehicles	5 - 10 years	5
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
irrigation & sprinkler systems	10 years	5
street furniture	10 - 20 years	5
parks & gardens furniture & equipment	10 - 20 years	5
playground equipment	10 - 20 years	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 2023

### Note 6 Assets we manage (Cont'd)

#### 6.1 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.

##### **Leasehold improvements**

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 40 to 100 year period.

##### **Valuation of land and buildings**

Given market volatility regarding value of land and buildings post COVID-19 and in accordance with accounting standards management determined that a formal assessment should be performed on Council owned land and buildings. As a result an Interim valuation of land and buildings were undertaken by a qualified independent valuer, Westlink Consulting. The interim valuation indicated to management that Council owned land had decreased in value by 12%. Given, the significance of the decrease, management has determined that the fair value of land should be adjusted downwards. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land 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 2023 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation	Type of valuation
Land - Non specialised	-	159,467	-	June 2023	Interim by Valuer
Land - Specialised	-	-	752,654	June 2023	Interim by Valuer
Buildings - Specialised	-	87	223,383	June 2022	Full Revaluation
		<b>159,555</b>	<b>976,036</b>		

## Notes to the Financial Report for the Year Ended 30 June 2023

### Note 6 Assets we manage (Cont'd)

#### 6.1 Property, infrastructure, plant and equipment (Cont'd)

##### Valuation of infrastructure

Valuation of infrastructure assets - Roads, Footpaths, Lanes, Kerb and Channel - was undertaken by the Senior Coordinator Asset Management and Capital Works, BSc. MConstMgt. The valuations are at replacement costs less accumulated depreciation and were first applied as at 30 June 2022. An independent valuation was performed for bridges for 30 June 2023 by an independent valuer, JJ Ryan Consulting Pty Ltd.

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 2023 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation	Type of valuation
Roads	-	-	372,618	June 2022	Full Revaluation
Bridges	-	-	2,976	June 2023	Full revaluation
Footpaths, Lanes and Kerb and Channel	-	-	257,632	June 2022	Full Revaluation
Drainage	-	-	90,335	June 2022	Full Revaluation
Trees	-	-	7,318	June 2004	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>730,879</b>		

##### 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 20% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$3,000 per square metre.

**Specialised buildings** are valued using a current 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 \$300 to \$5,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 150 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 current 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.

	2023 \$'000	2022 \$'000
<b>Reconciliation of specialised land</b>		
Land under roads	283,787	283,787
Parks and reserves	468,867	573,215
<b>Total specialised land</b>	<b>752,654</b>	<b>857,002</b>

Notes to the Financial Report for the Year Ended 30 June 2023

Note 6 Assets we manage (Cont'd)

	2023	2022
	\$'000	\$'000
<b>6.2 Investments in joint arrangements</b>		
Municipal Association Purchasing Scheme (Procurement Australia)	5	5
<b>Total investments</b>	<u>5</u>	<u>5</u>

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

## Notes to the Financial Report for the Year Ended 30 June 2023

### 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 6.2.

##### (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 Sophie Wade	28 November 2022 – 30 June 2023
Cr Sophie Wade (Mayor)	1 July 2022 – 27 November 2022
Cr Gabrielle de Vietri*	1 July 2022 – 9 December 2022
Cr Edward Crossland (Deputy Mayor)	1 July 2022 – 30 June 2023
Cr Claudia Nguyen	1 July 2022 – 27 November 2022
Cr Claudia Nguyen (Mayor)	28 November 2022 – 30 June 2023
Cr Amanda Stone	1 July 2022 – 30 June 2023
Cr Anab Mohamud	1 July 2022 – 30 June 2023
Cr Bridgid O'Brien	1 July 2022 – 30 June 2023
Cr Herschel Landes	1 July 2022 – 30 June 2023
Cr Stephen Jolly	1 July 2022 – 30 June 2023
Cr Michael Glynatsis *	25 January 2023 - 30 June 2023

\*The resignation of a Langridge Ward Councillor on 9 December 2022 created a vacancy which remained until the swearing in of a new Councillor on 25 January 2023 following their election by countback.

###### Chief Executive Officer & other Key Management Personnel

###### Chief Executive Officer

General Manager Governance, Communications and Customer Service (Previously incorporated Group Manger, Advocacy & Engagement)

General Manager Infrastructure and Environment (Previously Director City Works & Assets)

General Manager Community Strengthening (Previously Director Community Wellbeing)

General Manager City Sustainability and Strategy (Previously Director Planning & Placemaking)

General Manager Corporate Services and Transformation (Previously Director Corporate, Business & Finance)

Group Manager, CEO's Office\*

Group Manager, People & Culture\*

Group Manager, Advocacy & Engagement\*

\* On the 2nd of December 2022, a new organisational structure was implemented to better align the organisation to the Council Plan objectives. As a result three key management personnel positions were removed from the organisational structure.

	2023	2022
	No.	No.
<b>Total Number of Councillors</b>	10	9
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	8	8
<b>Total Number of Key Management Personnel</b>	18	17

##### (c) Remuneration of Key Management Personnel

Remuneration comprises employee benefits including all forms of consideration paid, payable or provided by Council, or on behalf of the Council, in exchange for services rendered. Remuneration of Key Management Personnel and Other senior staff is disclosed in the following categories.

**Short-term employee benefits** include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

**Other long-term employee benefits** include long service leave, other long service benefits or deferred compensation.

Notes to the Financial Report for the Year Ended 30 June 2023

7.1 Council and key management remuneration (Cont'd)

(c) Remuneration of Key Management Personnel (Cont'd)

**Post-employment benefits** include pensions, and other retirement benefits paid or payable on a discrete basis when employment has ceased.

**Termination benefits** include termination of employment payments, such as severance packages.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 7 People and relationships (Cont'd)

7.1 Council and key management remuneration (Cont'd)

	2023	2022
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	2,353	2,400
Long-term benefits	390	55
Post-employment benefits	185	194
Termination benefits	346	48
Total*	<u>3,274</u>	<u>2,697</u>

\* Total remuneration increased in 2023 following retirement of long-term staff, organisational realignment, and staff who were in an acting capacity.

	2023	2022
	No.	No.
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$1 - \$9,999	1	-
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	-	1
\$30,000 - \$39,999	5	5
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	-	1
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	1	-
\$80,000 - \$89,999	1	1
\$210,000 - \$219,999	-	3
\$230,000 - 239,999	1	-
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	1	1
\$280,000 - \$289,999	1	3
\$290,000 - \$299,000	1	-
\$380,000 - \$389,999	1	1
\$420,000 - \$429,999	1	-
	<u>18</u>	<u>17</u>

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

(d) Remuneration of other senior staff \*

Other senior staff are officers of Council, other than Key Management Personnel, whose total remuneration exceeds \$160,000 and who report directly to a member of the KMP.

	2023	*2022
	\$'000	\$'000
Total remuneration of other senior officers was as follows:		
Short-term benefits	3,041	3,714
Long-term benefits	52	88
Post-employment benefits	300	351
Termination benefits	853	-
Total	<u>4,246</u>	<u>4,153</u>

Notes to the Financial Report for the Year Ended 30 June 2023

Note 7 People and relationships (Cont'd)

7.1 Council and key management remuneration (Cont'd)

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

	2023	*2022
Income Range:	No.	No.
\$160,000 - \$169,999	2	5
\$170,000 - \$179,999	3	7
\$180,000 - \$189,999	4	6
\$190,000 - \$199,999	4	3
\$200,000 - \$209,999	1	1
\$210,000 - \$219,000	1	-
\$240,000 - \$249,999	1	-
\$280,000 - \$289,000	1	-
\$350,000 - \$359,999	1	-
\$370,000 - \$379,000	1	-
	<b>19</b>	<b>22</b>

Total Remuneration for the reporting year for other senior staff included above, amounted to: 4,246                      4,153

Several factors affected total remuneration payable to key management personnel and other senior officers over the year. A number of employees resigned and positions were made redundant. This has had a significant impact on remuneration figures for the termination benefits category.

\* Due to a definitional change the comparative figures in this note may not align with the previous year's annual report which included disclosure of senior officers as defined in the Local Government Act 1989.

## Notes to the Financial Report for the Year Ended 30 June 2023

### Note 7 People and relationships (Cont'd)

#### 7.2 Related party disclosure

##### (a) Transactions with related parties

During the period Council did not enter into any other 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 2023

### Note 8 Managing uncertainties

#### 8.1 Contingent assets and 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.

##### (a) Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. At balance date the Council are aware of one contingent asset relating to an insurance claim for building damages. The value is estimated at \$100,000.

##### (b) Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

There are two litigations currently underway at balance date. The details of which are not disclosed in order not to prejudice the cases.

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

As a local authority Council manages 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 \$600 million of public liability insurance and an excess of \$50,000 on this policy in 2022/23. 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 \$600 million of professional indemnity insurance and an excess of \$50,000 on this policy in 2022/23. 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 2022/23. There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023. At this point in time it is not known if additional contributions will be required, the timing or potential amount. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2024 are \$0.32 million.

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Notes to the Financial Report for the Year Ended 30 June 2023

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

**8.2 Change in accounting standards**

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council assesses the impact of these new standards. As at 30 June 2023 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2024 that are expected to impact Council.

**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) bank and Treasury Corporation Victoria 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.

**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 2020*. 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 some areas of credit risk exist in relation to outstanding fees and fines. To help manage risk associated with fees, Council utilises agreements and where appropriate seeks collateral.

Council invest surplus funds with financial institutions. To help manage risks associated with investments, Council only invests in financial institutions with recognised credit rating as specified in Council's investment policy.

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Notes to the Financial Report for the Year Ended 30 June 2023

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

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

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 recognises a level of risk associated with parking infringement debtors.

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.

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 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 1.0% and 2.0% 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 2023

### 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.

<b>Asset class</b>	<b>Revaluation</b>
Land	2 years
Buildings	2 years
Roads	4 years
Bridges	4 years
Footpaths and cycleways	4 years
Drainage	4 years
Recreational, leisure and community facilities	4 years
Parks, open space and streetscapes	4 years
Kerb & channel	4 years
Lanes	4 years
Bridges	4 years

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.

## Notes to the Financial Report for the Year Ended 30 June 2023

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

#### 8.4 Fair value measurement (Cont'd)

##### *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.

#### 8.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
<b>2023</b>			
<b>Property</b>			
Land	843,554	-126,094	717,460
Buildings	42,842	-	42,842
Heritage buildings	2,860	-	2,860
	889,256	(126,094)	763,162
<b>Infrastructure</b>			
Road Substructure	229,910	-	229,910
Road Seal	1,930	-	1,930
Footpaths Substructure	35,952	-	35,952
Footpaths Seal	20,301	-	20,301
Drains	29,626	-	29,626
Bridges	1,000	230	1,230
Lane Substructure	22,754	-	22,754
Lane Seal	58,870	-	58,870
Kerb and channel	81,073	-	81,073
Open space	27	-	27
Trees	13	-	13
Art, Heritage and Culture	44	-	44
	481,501	230	481,731
<b>Total asset revaluation reserves</b>	<b>1,370,757</b>	<b>(125,864)</b>	<b>1,244,893</b>
<b>2022</b>			
<b>Property</b>			
Land	808,639	34,915	843,554
Buildings	28,892	13,950	42,842
Heritage buildings	2,860	-	2,860
	840,391	48,865	889,256
<b>Infrastructure</b>			
Road Substructure	202,446	27,464	229,910
Road Seal	9,850	(7,920)	1,930
Footpaths Substructure	61,444	(25,491)	35,952
Footpaths Seal	37,259	(16,958)	20,301
Drains	31,063	(1,437)	29,626
Bridges	1,000	-	1,000
Lane Substructure	23,266	(513)	22,754
Lane Seal	45,272	13,599	58,870
Kerb and channel	110,560	(29,487)	81,073
Open space	27	-	27
Trees	13	-	13
Art, Heritage and Culture	44	-	44
	522,244	(40,743)	481,501
<b>Total asset revaluation reserves</b>	<b>1,362,635</b>	<b>8,122</b>	<b>1,370,757</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 2023

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>2023</b>				
<b>Statutory Reserves</b>				
Public Open Space Reserve (i)	22,592	4,211	(1,307)	25,495
Parking (ii)	79	-	-	79
<b>Total Statutory Reserves</b>	<b>22,671</b>	<b>4,211</b>	<b>(1,307)</b>	<b>25,575</b>
<b>Total Other reserves</b>	<b>22,671</b>	<b>4,211</b>	<b>(1,307)</b>	<b>25,575</b>
<b>2022</b>				
<b>Statutory Reserves</b>				
Public Open Space Reserve (i)	18,871	4,817	(1,095)	22,592
Parking (ii)	79	-	-	79
<b>Total Statutory Reserves</b>	<b>18,950</b>	<b>4,817</b>	<b>(1,095)</b>	<b>22,671</b>
<b>Total Other reserves</b>	<b>18,950</b>	<b>4,817</b>	<b>(1,095)</b>	<b>22,671</b>

(i) Public Open Space Reserve 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 2022/23 the following projects and amounts were acquitted from the Public Open Space Reserve:

	<b>\$'000</b>
Inner Circle Park	41
Charlotte street	102
Smith Reserve	39
Golden Square	48
Alphington Park	352
Cambridge Street Reserve	725
<b>Total</b>	<b>1,307</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.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 9 Other matters (Cont'd)

	2023	2022
	\$'000	\$'000
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	23,276	1,113
Depreciation	24,231	23,960
Amortisation	1,192	1,263
Finance costs	1,124	1,310
(Profit)/Loss on disposal of non-current assets (refer to Note 3.6)	(756)	1,068
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(2,142)	(4,593)
(Increase)/decrease in other assets	(881)	135
Increase/(decrease) in trade and other payables	(3,339)	245
Increase/(decrease) in trust funds	438	3,505
Increase/(decrease) in other liabilities	0	9
(Increase)/decrease in inventories	33	(85)
Increase in provisions	(983)	395
Net cash provided by operating activities	<b>42,193</b>	<b>28,325</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. Obligations for contributions to the fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

**Accumulation**

The Fund's accumulation category, 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 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation (2022: 10.0%)).

**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 2023

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.

A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns	5.70% pa
Salary information	3.50% pa
Price inflation (CPI)	2.80% pa

As at 30 June 2022, 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 102.2%. The financial assumptions used to calculate the VBI were:

Net investment returns	5.5% pa
Salary information	2.5% pa to 30 June 2023, and 3.5%pa thereafter
Price inflation (CPI)	3.0% pa

Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). Vision Super has advised that the estimated VBI at June 2023 was 104.10%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 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**

**(a) Regular contributions**

On the basis of the results of the 2022 interim 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 2023, this rate was 10.5% of members' salaries (10.0% in 2021/22). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2022 interim valuation.

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.

**(b) Funding calls**

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

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.

Notes to the Financial Report for the Year Ended 30 June 2023

Note 9 Other matters (Cont'd)

9.3 Superannuation (Cont'd)

*The 2022 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 2022 and the last full investigation was conducted as at 30 June 2020.

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

	2022 (Interim) \$m	2021 (Interim) \$m
- A VBI Surplus	44.6	214.7
- A total service liability surplus	105.8	270.3
- A discounted accrued benefits surplus	111.9	285.2

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 2022.

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 2022.

The discounted accrued benefits 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 2022.

**The 2023 triennial actuarial investigation**

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2023. It is anticipated that this actuarial investigation will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023 Triennial Investigation	2020 Triennial Investigation
Net investment return	5.7% pa	5.6% pa
Salary inflation	3.5% pa	2.5% pa
Price inflation	2.8% pa	2.0% pa for the first two years and 2.75% pa thereafter

**Superannuation contributions**

Contributions by Council (excluding any unfunded liability payments) to superannuation plans for the financial year ended 30 June 2023 are detailed below:

Scheme	Type of Scheme	Rate	2023 \$,000	2022 \$,000
Vision super	Defined benefit	10.5% (2022:10.0%)	308	335
Vision super	Accumulation fund	10.5% (2022:10.0%)	3,702	3,606
Australiansuper	Accumulation fund	10.5% (2022:10.0%)	766	685
Hostplus	Accumulation fund	10.5% (2022:10.0%)	654	599
HESTA	Accumulation fund	10.5% (2022:10.0%)	490	442
UniSuper	Accumulation fund	10.5% (2022:10.0%)	280	273
Rest	Accumulation fund	10.5% (2022:10.0%)	315	247
Cbus	Accumulation fund	10.5% (2022:10.0%)	223	218
VicSuper	Accumulation fund	10.5% (2022:10.0%)	248	218
Other	Accumulation fund	10.5% (2022:10.0%)	1,640	1,535
			8,628	8,158

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2024 is \$0.32M.

Council has no unfunded liability payments to Vision Super during both 2022/23 and 2021/22 years.

## Notes to the Financial Report for the Year Ended 30 June 2023

### 10 Change in accounting policy

There have been no changes to accounting policies in the 2022-23 year.

There are no pending accounting standards that are likely to have a material impact on Council.