

Yarra Ranges Shire Council

ANNUAL FINANCIAL REPORT

for the year ended 30 June 2023

Yarra Ranges is a vibrant and dynamic municipality based on strong local communities living in a place of great natural beauty.



Annual Financial Report

for the year ended 30 June 2023

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Content Overview

These financial statements are General Purpose Financial Statements and cover the consolidated operations for Yarra Ranges Shire Council.

All figures presented in these financial statements are presented in Australian Currency.

These financial statements were authorised for issue by the Council on the **DDMMYYYY**.

Council has the power to amend and reissue these financial statements.

Annual Financial Report

for the year ended 30 June 2023

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.

Andrew Hilson CA

Responsible Accounting Officer

Dated: dd MMMM yyyy

Lilydale

In our opinion, the accompanying financial statements present fairly the financial transactions of Yarra Ranges Shire 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 which 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 Jim Child

Mayor

Dated: dd MMMM yyyy

Lilydale

Cr Fiona McAllister

Councillor

Dated: dd MMMM yyyy

Lilydale

Tammi Rose

Chief Executive Officer

Dated: dd MMMM yyyy

Lilydale

Annual Financial Report
for the year ended 30 June 2023

Victorian Auditor-General's Office Report

Insert VAGO Report here

Annual Financial Report

for the year ended 30 June 2023

Victorian Auditor-General's Office Report (continued)

Insert VAGO Report here

Comprehensive Income Statement

for the year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Income / Revenue			
Rates and charges	3.1	165,341	157,697
Statutory fees and fines	3.2	2,922	2,670
User fees	3.3	6,990	6,560
Grants - operating	3.4	42,223	48,475
Grants - capital	3.4	28,872	27,238
Contributions - monetary	3.5	4,015	3,407
Contributions - non monetary	3.5	6,882	279
Share of net profits of associates and joint ventures	6.3	63	161
Other income	3.7	4,052	2,081
Total income / revenue		261,360	248,568
Expenses			
Employee costs	4.1	71,267	70,335
Materials and services	4.2	103,165	98,547
Depreciation	4.3	30,768	29,773
Amortisation - Intangible assets		472	185
Amortisation - Right of use assets		1,749	1,860
Bad and doubtful debts - allowance for impairment losses	4.4	219	124
Borrowing costs		227	411
Finance Costs - Leases		157	232
Net loss on disposal of property, infrastructure, plant and equipment	3.6	7,835	2,750
Other expenses	4.5	9,919	7,325
Total expenses		225,778	211,542
Surplus for the year		35,582	37,026
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.2	43,358	111,180
Total items which will not be reclassified subsequently to the operating result		43,358	111,180
Total other comprehensive income		43,358	111,180
Total comprehensive result		78,940	148,206

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

Balance Sheet

as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Assets			
Current assets			
Cash and cash equivalents	5.1	91,150	84,674
Prepayments	5.2	1,417	1,564
Trade and other receivables	5.1	45,220	36,780
Other financial assets	5.1	5,500	–
Non-current assets classified as "held for sale"	6.1	3,205	–
Other assets	5.2	7,987	13,779
Total current assets		154,479	136,797
Non-current assets			
Trade and other receivables	5.1	3,678	1,088
Investments in associates, joint arrangements and subsidiaries	6.3	2,613	3,561
Property, infrastructure, plant and equipment	6.2	1,351,953	1,278,353
Intangible assets	5.2	5,815	4,720
Right-of-use assets	5.8	1,893	3,349
Total non-current assets		1,365,952	1,291,071
Total assets		1,520,431	1,427,868
Liabilities			
Current liabilities			
Trade and other payables	5.3	30,973	29,221
Trust funds and deposits	5.3	13,568	16,036
Unearned income/revenue	5.3	59,790	41,215
Provisions	5.5	17,488	20,438
Interest-bearing liabilities	5.4	2,472	3,184
Lease liabilities	5.8	991	1,694
Total current liabilities		125,282	111,788
Non-current liabilities			
Provisions	5.5	8,574	5,167
Interest-bearing liabilities	5.4	640	3,111
Lease liabilities	5.8	1,137	1,944
Total non-current liabilities		10,351	10,222
Total liabilities		135,633	122,010
Net assets		1,384,798	1,305,858
Equity			
Accumulated surplus		638,541	603,051
Reserves	9.1	746,257	702,807
Total Equity		1,384,798	1,305,858

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

	Note	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
2023					
Balance at beginning of the financial year		1,305,858	603,051	689,898	12,909
Surplus for the year		35,582	35,582	–	–
Other comprehensive income					
Net asset revaluation increment	6.2	43,358	–	43,358	–
Other comprehensive income		43,358	–	43,358	–
Total comprehensive income		78,940	35,582	43,358	–
Transfers to other reserves	9.1	–	(2,107)	–	2,107
Transfers from other reserves	9.1	–	2,015	–	(2,015)
Balance at end of the financial year		1,384,798	638,541	733,256	13,001
2022					
Balance at beginning of the financial year		1,157,652	568,229	578,718	10,705
Surplus for the year		37,026	37,026	–	–
Other comprehensive income					
Net asset revaluation increment	6.2	111,180	–	111,180	–
Other comprehensive income		111,180	–	111,180	–
Total comprehensive income		148,206	37,026	111,180	–
Transfers to other reserves	9.1	–	(2,839)	–	2,839
Transfers from other reserves	9.1	–	635	–	(635)
Balance at end of the financial year		1,305,858	603,051	689,898	12,909

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

	Notes	2023 Inflows/ (Outflows) \$ '000	2022 Inflows/ (Outflows) \$ '000
Cash flows from operating activities			
Rates and charges		159,959	156,225
Statutory fees and fines		2,845	2,665
User fees		6,903	6,722
Grants - operating		37,447	51,303
Grants - capital		56,463	19,591
Contributions - monetary		4,113	3,467
Interest received		2,186	354
Trust funds and deposits taken		9,063	16,036
Trust funds and deposits repaid		(16,036)	(2,428)
Other receipts		1,610	6,007
Net GST refund		10,635	9,266
Employee costs		(73,563)	(69,324)
Materials and services		(109,996)	(87,555)
Other payments		(8,559)	(21,634)
Net cash provided by/(used in) operating activities	9.2	<u>83,070</u>	<u>90,695</u>
Cash flows from investing activities			
Distributions from associate		1,011	2,000
Payments for property, infrastructure, plant and equipment	6.2	(65,763)	(68,155)
Payments for intangibles		(1,567)	-
Proceeds from sale of property, infrastructure, plant and equipment		595	828
Payments for investments		(5,500)	-
Net cash provided by/(used in) investing activities		<u>(71,224)</u>	<u>(65,327)</u>
Cash flows from financing activities			
Finance costs		(227)	(411)
Repayment of borrowings		(3,183)	(3,838)
Interest paid - lease liability		(157)	(232)
Repayment of lease liabilities		(1,803)	(1,774)
Net cash flow provided by/(used in) financing activities		<u>(5,370)</u>	<u>(6,255)</u>
Net increase in cash and cash equivalents		<u>6,476</u>	<u>19,113</u>
Cash and cash equivalents at the beginning of the financial year		<u>84,674</u>	<u>65,561</u>
Cash and cash equivalents at the end of the financial year		<u>91,150</u>	<u>84,674</u>
Financing arrangements	5.6	3,512	6,695

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 \$ '000	2022 \$ '000
Property		
Land	6,444	–
Total land	<u>6,444</u>	<u>–</u>
Buildings	2,303	17,299
Building improvements	14,526	2,569
Total buildings	<u>16,829</u>	<u>19,868</u>
Total property	<u>23,273</u>	<u>19,868</u>
Plant and equipment		
Plant, machinery and equipment	3,127	2,220
Fixtures, fittings and furniture	30	29
Computers and telecommunications	1,568	2,227
Total plant and equipment	<u>4,725</u>	<u>4,476</u>
Infrastructure		
Roads	19,634	19,532
Bridges	1,086	541
Footpaths and cycleways	2,826	1,868
Drainage	1,268	1,312
Recreational, leisure and community facilities	6,036	9,429
Parks, open space and streetscapes	7,979	5,505
Off street car parks	430	798
Other infrastructure	54	4,837
Total infrastructure	<u>39,313</u>	<u>43,822</u>
Total capital works expenditure	<u>67,311</u>	<u>68,166</u>
Represented by:		
New asset expenditure	18,508	14,834
Asset renewal expenditure	20,030	20,716
Asset expansion expenditure	6,104	7,154
Asset upgrade expenditure	22,669	25,462
Total capital works expenditure	<u>67,311</u>	<u>68,166</u>

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 1. Overview

Introduction

Yarra Ranges Shire Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate.

The Council's main office is located at 15 Anderson Street, Lilydale.

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 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

1.1 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 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill 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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 1. Overview (continued)

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.

1.2 Impact of Covid-19

During 2022-23 the COVID-19 pandemic continued to impact on Council's operations. Council received grants of \$0.2m and incurred costs of (\$0.7m). Following a period of waiving user fees revenue post COVID 19 most revenue categories are returning to pre covid levels. There has been some elevation in hardship from rate collections over the past twelve months.

Notes to the Financial Statements

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 the ten percent or a variance of \$500,000. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term.

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

	Budget 2023 \$ '000	Actual 2023 \$ '000	Variance \$ '000	Variance %	Ref
2.1.1 Income / Revenue and expenditure					
Income / Revenue					
Rates and charges	168,308	165,341	(2,967)	(1.76)%	1
Statutory fees and fines	3,079	2,922	(157)	(5.10)%	
User fees	6,480	6,990	510	7.87%	2
Grants - operating	21,847	42,223	20,376	93.27%	3
Grants - capital	35,957	28,872	(7,085)	(19.70)%	4
Contributions - monetary	3,944	4,015	71	1.80%	
Contributions - non monetary	3,000	6,882	3,882	129.40%	5
Net gain on disposal of property, infrastructure, plant and equipment	-	-	-	∞	
Share of net profits of associates and joint ventures	-	63	63	∞	
Other income	5,975	4,052	(1,923)	(32.18)%	6
Total income / revenue	248,590	261,360	12,770	5.14%	
Expenses					
Employee costs	74,041	71,267	2,774	3.75%	7
Materials and services	86,457	103,165	(16,708)	(19.33)%	8
Depreciation	30,617	30,768	(151)	(0.49)%	
Amortisation - intangible assets	183	472	(289)	(157.92)%	
Amortisation - right of use assets	434	1,749	(1,315)	(303.00)%	9
Bad and doubtful debts - allowance for impairment losses	51	219	(168)	(329.41)%	10
Borrowing costs	1,116	227	889	79.66%	11
Finance costs - leases	15	157	(142)	(946.67)%	9
Net loss on disposal of property, infrastructure, plant and equipment	-	7,835	(7,835)	∞	12
Other expenses	15,999	9,919	6,080	38.00%	13
Total expenses	208,913	225,778	(16,865)	(8.07)%	
Surplus/(deficit) for the year	39,677	35,582	(4,095)	(10.32)%	

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

(i) Explanation of material variations

Variance Ref	Explanation
--------------	-------------

- | | |
|-----|---|
| 1. | Rates General finished the year in line with Budget. Special Rates and Charges were down on budget due to the reduction in the roads for community programme. |
| 2. | Revenue from User Fees was up on budget following the return to normal user billing following Covid 19 and the Natural Disasters experienced over the past couple of years. |
| 3. | Revenue from Operating Grants finished the year ahead of budget due to the Federal Government financial assistance grant being paid in full at the end of June 2023. This totalled \$16.8m and was deposited earlier than anticipated and storm funding received was \$3.8m higher than budgeted. |
| 4. | The unfavourable variance in Capital Grants is due to delays in capital projects resulting in reduced capital expenditure to budget. Federal funding was materially reduced for the Roads For the Community Initiative subsequent to the Federal election result. |
| 5. | Non monetary contributions increased to budget due to gifted assets received during the financial year. These contributions relate to works performed by developers, once complete these assets are handed over to council who assume responsibility for maintaining the assets. During the year; Drainage \$2.7m, Roads and Kerbs \$3m and Trails, Footpaths and Open Space \$1.2 were gifted to Council. |
| 6. | Interest income was considerably higher than budget due to the increases in the RBA cash rate over the 12 months, rates moved from 0.85% to 4.1% at year end. This combined with lower capital investment has increased cash balances to budget and therefore generated higher interest revenue. Storm Recovery is lower than Budgeted causing the shortfall to Budget. |
| 7. | The underspend in Employee Costs is primarily the results of vacancies across the organisation. Salary and wages were \$2.8m net below budget. All Directorates finished the year below budget with the Communities Directorate accounting for \$3.1m of the underspend. Due to staff vacancies, overtime increased by \$1m, which is offset by \$0.7m in other employee cost savings. |
| 8. | Materials and Services was over budget, with most Directorates experiencing overspends. The main drivers were Reactive Maintenance \$2m, Natural Disaster Recovery cost \$1.7m, Trees Services \$1m, Infrastructure Service \$1.2m and the Aquatic contract \$0.4m. Network program maintenance of software and hardware was \$1.3m above budget and the finalisation of the Landfill provision required a \$4m provision increase. |
| 9. | Right of Use assets (Property, Vehicles and Other) have been amortised for the full year, this expense was not budgeted against this line item. Finance costs - leases expense is significantly below budget and partly offsets some of the right of use assets. This is likely a budget allocation issue and these should be considered jointly. |
| 10. | Bad and Doubful debts increased to budget but are in line with the prior year. The allowance covers Infringement, Other and Rates debts. |
| 11. | Borrowing requirements were at a lower level to Budget due to delays in the Capital Program. |
| 12. | The net loss on disposal of \$7.8m is caused by a WIP adjustment of \$2.4m relating to items that could not be capitalised. The asset revaluation process uncovered some assets in the footpath and trails classes that needed to be decommissioned totalling \$2.6m. A building impairment provision of \$2.4m was also required to reflect internal damage to five buildings. |

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

13. Other expenses is below budget due lower donations from the donation program than budgeted. Storm and natural disaster costs were budgeted to be \$7.9m, funding received from the State Government offset 80% of the costs incurred.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

	Budget 2023 \$ '000	Actual 2023 \$ '000	Variance \$ '000	Variance %	Ref
2.1.2 Capital works					
Property					
Land	5,796	6,444	648	11.18%	1
Total land	5,796	6,444	648	11.18%	
Buildings	–	2,303	2,303	∞	2
Building improvements	18,860	14,526	(4,334)	(22.98)%	3
Total buildings	18,860	16,829	(2,031)	(10.77)%	
Total property	24,656	23,273	(1,383)	(5.61)%	
Plant and equipment					
Plant, machinery and equipment	3,600	3,127	(473)	(13.14)%	4
Fixtures, fittings and furniture	18	30	12	66.67%	5
Computers and telecommunications	2,596	1,568	(1,028)	(39.60)%	6
Total plant and equipment	6,214	4,725	(1,489)	(23.96)%	
Infrastructure					
Roads	32,881	19,634	(13,247)	(40.29)%	7
Bridges	673	1,086	413	61.37%	8
Footpaths and cycleways	2,353	2,826	473	20.10%	9
Drainage	1,676	1,268	(408)	(24.34)%	10
Recreational, leisure and community facilities	3,792	6,036	2,244	59.18%	11
Parks, open space and streetscapes	11,331	7,979	(3,352)	(29.58)%	12
Off street car parks	350	430	80	22.86%	13
Other infrastructure	5,285	54	(5,231)	(98.98)%	14
Total infrastructure	58,341	39,313	(19,028)	(32.62)%	
Total capital works expenditure	89,211	67,311	(21,900)	(24.55)%	
Represented by:					
New asset expenditure	21,348	18,508	(2,840)	(13.30)%	
Asset renewal expenditure	24,127	20,030	(4,097)	(16.98)%	
Asset expansion expenditure	4,538	6,104	1,566	34.51%	
Asset upgrade expenditure	39,198	22,669	(16,529)	(42.17)%	
Total capital works expenditure	89,211	67,311	(21,900)	(24.55)%	

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

(i) Explanation of material variations

Variance Ref	Explanation	Actual v Budget
--------------	-------------	-----------------

- | | | |
|-----|--|--|
| 1. | Final purchase price of 150 Cambridge Road, Kilsyth is higher than budgeted due to the budget being prepared well in advance of the land purchase with the information available at the time. | |
| 2. | Challenges in the Building Minor Works Program due to contractor availability (\$0.3m) | |
| 3. | Due to material and contractor availability impacting jobs within the Climate Resilient Buildings for our Community project (\$2.7m) and delays to commencement of Pinks Reserve Stadium Improvement due to costing analysis and negotiations with the club (\$2m). Some smaller projects had accelerated spending \$0.3m. | |
| 4. | Some purchases have been delayed due to a supply shortage within both the vehicle supply and manufacturing sectors causing delivery delays. | |
| 5. | Replacement of gallery projectors required for cultural facilities. | |
| 6. | Delays to delivery of Enterprise System upgrade. | |
| 7. | Due to multiple factors: material supply shortage delayed commencement of some projects; a slowdown in the road resurfacing program resulting from storm events and associated required remedial works (\$0.6m) and reductions to Federal Government funding for projects programmed to be delivered under the Roads for the Community Initiative (\$15m). | |
| 8. | Expenditure of budget carried forward from 2021-22 for Cement Creek Bridge project (\$0.5m). | |
| 9. | Expenditure of budget carried forward from 2021-22 for Nelson Road, Lilydale shared use path (\$0.3m). | |
| 10. | Reallocation of budget for project delivery to be incorporated into Stadium Improvement works at Pinks Reserve, Kilsyth (\$0.1m) and delays to commencement of works on Waratah Ave, Belgrave (\$0.2m). | |
| 11. | Due to multiple factors: expenditure of budget carried forward from 2021-22 for Seville Recreation Reserve Oval 1 Ground Reconstruction (\$0.7m), Monbulk Stormwater Harvesting System (\$0.7m), Elizabeth Bridge Reserve Master Plan Implementation (\$0.5m) and early expenditure for playspace feasibility for projects with budget in future years for cost saving (\$0.1m). | |
| 12. | Due to delays to commencement of Yarra Valley Trail (\$2.3m), Wesburn Pump Track (\$0.9m) and Township projects with extensive community engagement (\$0.5m). Budget for Townships Improvements in Sassafras were incorporated into the budget for Ngurrak Barring / RidgeWalk (\$0.2m) to deliver the associated road crossings. | |
| 13. | Project Management expenditure costed against individual projects (\$0.1m). | |
| 14. | This budgeted amount includes program wide costs for Project Management. Throughout the year this has been apportioned to individual projects and is therefore captured in asset classes listed above. | |

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.2 Analysis of Council results by program

2.2.1 Analysis of Council results by program

Council delivers its services and carries out its activities through the following directorates and programs:

The Office of the CEO and Corporate Services

The Office of the CEO brings together a number of groups focussed on delivering significant organisational-change projects.

- Strategy & Transformation (Transformation, Strategy Development, Digital & Data, Advocacy, Corporate Planning and Performance)

Our Corporate Services team provides customer focussed services and communications and a broad range of support, integral for our internal operations.

- Customer & Communications (Customer Experience, Community Engagement and Communications)
- Financial Services (Finance, Rates, Procurement, Governance and Risk)
- People & Culture (Human Resources, Organisational Development, Workplace Relations)
- Information Services (Information Technology, Enterprise Systems and Information Management)

Built, Environment and Infrastructure

Our Built Environment & Infrastructure team look after a range of areas from building to maintaining community infrastructure.

- Infrastructure Services (Infrastructure Maintenance, Infrastructure Delivery, Infrastructure Strategy and Investigation, and Roads for the Community Initiative)
- Property and Facilities (Property and Facilities Management)
- Recreation, Projects and Parks (Recreation and Active Living, Major Projects, Parks and Bushlands)
- Assets and Capital Programming (Strategic Asset Management, Capital Works Management, Fleet Management)

Communities

Our Communities team delivers a range of dedicated services to our community members from birth to the elderly along with community engagement and planning.

- Community Services (Age Friendly Communities, Family and Children's Services, Maternal & Child Health and Immunisations)
- Creative and Connected Communities (Cultural Facilities, Cultural Development, Libraries, Community Partnerships and Community Building)
- Community Wellbeing (Safer Communities, Emergency Management, School Crossings, Indigenous Development and Community health and wellbeing)
- Social and Infrastructure Planning
- Economic Development and Investment (Economic Development, Business Development, Invest Attraction and Facilitation)

Planning and Sustainable Futures

Our Planning & Sustainable Futures team are responsible for the sustainable design and development of Yarra Ranges.

- Planning and Building (Statutory Planning, Building and Planning Compliance and Prosecutions)
- Design and Place (Strategic Planning, Place Planning, Urban Design and Landscape Architecture)
- Strategic Projects (Lilydale Quarry, Level Crossing Removal Projects, Development Contributions)
- Sustainable Environment and Facilities (Waste Management, Environmental Stewardship)

Organisational Finance

The Organisational Finance area comprises items of revenue and expenditure that are attributable to Council as a whole rather than individual groups. The major components are income from rates and charges, general purpose grants, loan financing costs and depreciation.

Natural Disaster and Recovery

The Natural Disaster and Recovery Directorate was a temporary structure that was created to support the Yarra Ranges community in their immediate needs associated with the COVID 19 pandemic and the impacts of the June 2021 storms. The original intention was the Directorate would be temporary but with further storm events occurring in the current financial year, the directorate was extended but was ultimately wound down in 2022.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.2 Analysis of Council results by program (continued)

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

Functions/activities	Income / Revenue \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income / revenue \$ '000	Total assets \$ '000
2023					
Office of the CEO and Corporate Services	2,507	33,796	(31,289)	90	178,180
Built, Environment and Infrastructure	34,757	60,115	(25,358)	28,587	1,258,028
Communities	12,806	35,250	(22,444)	8,834	78,980
Planning and Sustainable Futures	5,726	44,016	(38,290)	2,044	4,502
Organisational Finance	194,447	39,951	154,496	20,424	–
Natural Disaster	11,117	12,650	(1,533)	11,116	741
Total functions and activities	261,360	225,778	35,582	71,095	1,520,431
2022					
Office of the CEO and Corporate Services	634	27,027	(26,393)	1	157,764
Built, Environment and Infrastructure	31,921	87,312	(55,391)	27,951	1,179,970
Communities	18,676	33,781	(15,105)	13,687	83,804
Planning and Sustainable Futures	4,310	10,961	(6,651)	675	5,206
Organisational Finance	180,064	34,954	145,110	20,446	–
Natural Disaster	12,963	17,507	(4,544)	12,953	1,124
Total functions and activities	248,568	211,542	37,026	75,713	1,427,868

Notes to the Financial Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services

	2023 \$ '000	2022 \$ '000
3.1 Rates and charges		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the total market value of the site value (land's market value) and the total value of the building and other improvements.		
The valuation base used to calculate general rates for 2022/23 was \$49,858 million (2021/22: \$45,905million).		
General rates	135,061	131,138
Special rates and charges	3,005	1,518
Waste management charge	25,088	22,207
Supplementary rates and rate adjustments	626	1,205
Interest on rates	1,561	1,629
Total rates and charges	165,341	157,697

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2022 and the valuation will be applied to the rating year commencing 1 July 2022. Council's rate revenue increase complied with the Victorian Government rate cap of 1.75% set for 2022/23.

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

Infringements and costs	514	711
Town planning fees	1,484	1,655
Court recoveries	850	216
Other	74	88
Total statutory fees and fines	2,922	2,670

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 Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services (continued)

	2023 \$ '000	2022 \$ '000
3.3 User fees		
Registration and other permits	2,236	1,514
Child care/children's programs	1,127	1,086
Animal control	1,342	1,260
Aged and health services	615	1,062
Leisure centre and recreation	609	395
Other fees and charges	552	627
Building services	509	616
Total user fees	6,990	6,560
User fees by timing of revenue recognition		
User fees recognised at a point in time	6,990	6,560
Total user fees	6,990	6,560

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 Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services (continued)

	2023 \$ '000	2022 \$ '000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	42,197	44,031
State funded grants	28,898	31,682
Total grants received	71,095	75,713
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	20,424	20,446
Aged care	429	3,745
Family and children	2,070	2,055
Recurrent - State Government		
Aged care	881	3,629
Maternal and child health	2,245	2,314
School crossing supervisors	746	611
Family and children	991	812
Community safety	303	108
Environmental planning	828	-
Community health	30	29
Recreation	120	34
Total recurrent operating grants	29,067	33,783
Non-recurrent - Commonwealth Government		
Family and children	100	-
Non-recurrent - State Government		
Environmental planning	1,959	1,387
Community safety	-	91
Family and children	899	277
Natural disaster events	9,766	12,926
Community health	432	11
Total non-recurrent operating grants	13,156	14,692
Total operating grants	42,223	48,475

Notes to the Financial Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services (continued)

	2023 \$ '000	2022 \$ '000
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	3,189	815
Roads for the community initiative	6,490	7,704
Total recurrent capital grants	9,679	8,519
Non-recurrent - Commonwealth Government		
Buildings	2,178	1,330
Recreation, leisure and community	227	2,331
Footpaths and cycleways	–	192
Off street carparks	–	237
Roads	3,669	4,859
Parks, open space and streetscape	3,421	317
Non-recurrent - State Government		
Buildings	5,553	4,375
Roads	791	1,020
Off street carparks	–	4
Recreation, leisure and community	2,449	3,522
Parks, open space and streetscape	457	139
Bridges	249	24
Other	199	369
Total non-recurrent capital grants	19,193	18,719
Total capital grants	28,872	27,238

(c) 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 *	20,424	20,446
Specific purpose grants to acquire non-financial assets	28,872	27,238
Other specific purpose grants	21,799	18,339
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	–	9,690
	71,095	75,713

Notes to the Financial Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services (continued)

	2023 \$ '000	2022 \$ '000
(d) Unspent grants received on condition that they be spent in a specific manner:		
Operating		
Balance at start of year	9,690	6,714
Received during the financial year and remained unspent at balance date	5,915	6,850
Received in prior years and spent during the financial year	(9,690)	(3,874)
Balance at year end	5,915	9,690
Capital		
Balance at start of year	31,525	32,859
Received during the financial year and remained unspent at balance date	27,972	5,622
Received in prior years and spend during the financial year	(5,622)	(6,956)
Balance at year end	53,875	31,525

Unspent grants are determined and disclosed on a cash basis.

(*) Council received 100% of the 2023-24 Financial Assistance Grants in the 2022-23 Financial year.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services (continued)

	2023 \$ '000	2022 \$ '000
3.5 Contributions		
Monetary contributions		
Contributions monetary - resort and recreation fees	2,375	2,577
Contributions monetary - operating	267	326
Contributions monetary - capital	1,373	504
Total monetary contributions	4,015	3,407
Non-monetary contributions		
Recreational and community facilities	24	–
Drains	2,717	–
Land	60	250
Roads	2,242	4
Footpaths	1,049	25
Kerb and Channel	766	–
Other	24	–
Total non-monetary contributions	6,882	279
Total contributions	10,897	3,686

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services (continued)

	2023 \$ '000	2022 \$ '000
3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Property, infrastructure, plant and equipment		
Proceeds of sale	595	828
Written down value of assets disposed	(8,430)	(3,578)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(7,835)	(2,750)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(7,835)	(2,750)

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

3.7 Other income

Interest	2,198	342
Rent	1,310	1,037
Cost recovery and reimbursements	544	702
Total other income	4,052	2,081

Interest is recognised as it is earned.

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services

	2023 \$ '000	2022 \$ '000
4.1 Employee costs		
(a) Employee costs		
Wages and salaries	62,138	61,024
Superannuation	6,749	6,516
Other employee costs	1,821	1,492
WorkCover	210	952
Fringe benefits tax	349	351
Total employee costs	71,267	70,335
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	236	202
	236	202
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,984	3,121
Employer contributions - other funds	3,259	3,193
Total accumulation funds	6,243	6,314
Employer contributions payable at reporting date	270	262

Contributions made exclude amounts accrued at balance date. Refer to note 9.3 for further information relating to Council's superannuation obligations.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.2 Materials and services		
Major contracts payments*	42,013	41,258
Other contract payments	20,124	15,225
Storms Recovery	8,134	13,157
Office administration	8,249	7,295
Consultants	5,533	3,879
Utilities	2,504	2,979
Building maintenance	6,968	5,264
Information technology	5,085	5,628
Community seminars and programs	2,190	1,123
General maintenance	2,159	2,255
Other materials and services	206	484
Total materials and services	103,165	98,547
*Major contract payments		
Garbage collection and disposal	12,561	11,247
Contracted services for programmed maintenance	7,463	7,197
General recycling service	4,700	4,207
Green waste collection and disposal	3,786	3,457
Hard waste service	3,273	3,153
Trees reactive maintenance	4,699	6,210
Aquatic facility management	2,004	2,550
Insurance	1,865	1,798
Building Maintenance – minor works	1,662	1,439
Total major contract payments	42,013	41,258

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.3 Depreciation		
Property		
Land improvements	272	261
Heritage buildings	136	136
Buildings - specialised	7,887	7,557
Buildings - non specialised	–	36
Building improvements	88	322
Leasehold improvements	61	61
Total depreciation - property	8,444	8,373
Plant and equipment		
Plant machinery and equipment	1,358	1,612
Fixtures fittings and furniture	215	131
Computers and telecomms	355	416
Total depreciation - plant and equipment	1,928	2,159
Infrastructure		
Roads	8,847	8,325
Bridges	815	909
Footpaths and cycleways	2,317	1,704
Drainage	3,541	2,784
Recreational, leisure and community	3,138	3,082
Parks open spaces and streetscapes	851	1,333
Off street car parks	474	691
Other infrastructure	413	413
Total depreciation - infrastructure	20,396	19,241
Total depreciation	30,768	29,773

Refer to note 5.2(c), 5.8 and note 6 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.4 Bad and doubtful debts - allowance for impairment losses		
Other debtors	219	124
Total bad and doubtful debts - allowance for impairment losses	219	124
Movement in allowance for impairment losses in respect of debtors		
Balance at the beginning of the year	285	274
New provisions recognised during the year	20	16
Amounts already provided for and written off as uncollectible	(56)	(5)
Balance at end of year	249	285

Provision for doubtful debt is recognised based on an expected credit loss model.

This model considers both historic and forward looking information in determining the level of impairment. Bad debts are written off when identified.

	2023 \$ '000	2022 \$ '000
4.5 Other expenses		
Council contributions and grants	8,653	6,433
Operating lease rentals	659	350
Councillors' allowances	436	399
Councillors other expenses and reimbursements	49	19
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	59	57
Auditors' remuneration - Internal Audit	63	67
Total other expenses	9,919	7,325

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position

	2023 \$ '000	2022 \$ '000
5.1 Financial assets		
(a) Cash and cash equivalents		
Current		
Deposits at call	2,000	7,500
Cash at bank	89,146	77,170
Cash on hand	4	4
Total current cash and cash equivalents	91,150	84,674
(b) Other financial assets		
Current		
Term deposits - current	5,500	-
Total current other financial assets	5,500	-

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 Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(c) Trade & Other Receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	29,797	28,435
Rates Clearing	(7)	(28)
Special rate and charges	833	333
Environmental upgrade agreement receivables	–	662
Net GST receivables	2,225	2,615
Infringement debtors	1,519	1,445
<i>Non-statutory receivables</i>		
Other debtors	11,102	3,603
<i>Less provision for doubtful debts</i>		
Provision for doubtful debts - other debtors	(62)	(97)
Provision for doubtful debts - infringements	(74)	(75)
Provision for doubtful debts - rates debtors	(113)	(113)
Total current trade and other receivables	45,220	36,780
Non-Current		
<i>Statutory receivables</i>		
Special rates and charges	3,678	1,088
Total non-current trade and other receivables	3,678	1,088
Total trade and other receivables	48,898	37,868

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 other debtors

The ageing of Council's other debtors was:

Current (not yet due)	7,643	1,278
Past due by up to 30 days	1,021	86
Past due between 31 and 180 days	182	188
Past due between 181 and 365 days	214	154
Past due by more than 1 year	2,042	1,897
Total trade and other receivables	11,102	3,603

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$62k (2022: \$97k) were impaired. The amount of the provision raised against these debtors was \$62k (2022: \$97k). The individually impaired debtors relate to other debtors and have been impaired based on expected credit loss model.

The ageing of trade and other receivables that have been individually determined as impaired at reporting date was:

Past due between 31 and 180 days	57	26
Past due by more than 1 year	5	71
Total impairment of trade and other receivables	62	97

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
5.2 Non-financial assets		
(a) Other assets		
Current		
Accrued income	7,987	13,779
Total current other assets	7,987	13,779
Prepayments		
Prepayments	1,417	1,564
Total current Prepayments	1,417	1,564
(b) Intangible assets		
Software	8,962	5,071
Intangible assets - Accumulated Depreciation	(4,958)	(4,486)
Work in Progress - Intangibles	1,811	4,135
Total intangible assets	5,815	4,720

	Software \$ '000	Work in Progress - Intangibles \$ '000	Total \$ '000
Movement in gross carrying amount			
Gross Carrying Amount			
Balance at 1 July 2022	5,071	4,135	9,206
Additions from internal developments	–	1,567	1,567
Transfer from WIP	3,891	(3,891)	–
Balance at 30 June 2023	8,962	1,811	10,773
Accumulated amortisation and impairment			
Balance at 1 July 2022	4,486	–	4,486
Amortisation expense	472	–	472
Balance at 30 June 2023	4,958	–	4,958
Net book value at 30 June 2022	585	4,135	4,720
Net book value at 30 June 2023	4,004	1,811	5,815

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
5.3 Payables, trust funds and deposits and unearned income/revenue		
(a) Trade and other payables		
Current		
<i>Non-statutory payables</i>		
Trade payables	19,828	14,243
Accrued expenses	4,375	6,721
Prepaid income	6,770	8,253
Loan interest accrued	–	4
Total current trade and other payables	30,973	29,221

Trade creditors and other current liabilities are amounts due to external parties for the purchase of goods and services and are recognised as liabilities when the goods and services are received. Trade creditors are normally paid 30 days from date of invoice.

(b) Trust funds and deposits

Current		
Refundable deposits	4,756	2,583
Retention amounts	54	55
Fire services property levy	8,758	12,736
Environmental upgrade agreement payables	–	662
Total current trust funds and deposits	13,568	16,036

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

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

Environmental Upgrade Agreements (EUA) - EUA is an agreement between a property owner, a lending body and local government that facilitates a building upgrade to improve energy efficiency. The Local Government Act 1989 allows Council to enter into an EUA with business or commercial property owners to finance environmental upgrades, such as solar power or water efficiency, and repay the loan along with their council rates. Councils do not provide any funding but levy an environmental upgrade charge on the owner/occupier and administer the payment of the charge in line with the agreement. The funds collected by council and are transferred to the lending body.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(c) Unearned income/revenue		
Current		
Grants received in advance:		
Grants received in advance - operating	5,915	9,690
Grants received in advance - capital	53,875	31,525
Total grants received in advance	59,790	41,215
Total current unearned income/revenue	59,790	41,215

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from funding bodies in respect of Council's capital program as well as multi-year community programs. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

5.4 Interest-bearing liabilities

Current		
Borrowings - secured	2,472	3,184
Total current interest-bearing liabilities	2,472	3,184
Non-current		
Borrowings - secured	640	3,111
Total non-current interest-bearing liabilities	640	3,111
Total	3,112	6,295

Loans and borrowings are secured over the general rates of Yarra Ranges Shire Council.

a) The maturity profile for Council's borrowings is:

Not later than one year	2,573	3,414
Later than one year and not later than five years	643	3,217
Later than five years	-	-
	3,216	6,631

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

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	Employee provisions \$ '000	Landfill restoration \$ '000	Special rates and charges \$ '000	Other \$ '000	Total \$ '000
5.5 Provisions					
2023					
Balance at the beginning of the financial year	19,168	5,656	325	456	25,605
Additional provisions	946	4,154	353	–	5,453
Amounts used	(3,383)	(795)	(30)	(454)	(4,662)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(85)	(249)	–	–	(334)
Balance at the end of the financial year	16,646	8,766	648	2	26,062
Provisions					
Provisions - current	15,299	2,122	65	2	17,488
Provisions - non-current	1,347	6,644	583	–	8,574
Total Provisions	16,646	8,766	648	2	26,062
2022					
Balance at the beginning of the financial year	19,062	5,629	398	6	25,095
Additional provisions	3,304	1,513	123	450	5,390
Amounts used	(3,098)	(626)	(196)	–	(3,920)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(100)	(860)	–	–	(960)
Balance at the end of the financial year	19,168	5,656	325	456	25,605
Provisions					
Provisions - current	17,803	2,102	77	456	20,438
Provisions - non-current	1,365	3,554	248	–	5,167
Total Provisions	19,168	5,656	325	456	25,605

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	5,103	6,629
Long service leave	872	1,103
Other entitlements	125	119
	6,100	7,851
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,355	23
Long service leave	7,844	9,929
	9,199	9,952
Total current employee provisions	15,299	17,803
Non-Current		
Long service leave	1,347	1,365
Total Non-Current Employee Provisions	1,347	1,365
Aggregate Carrying Amount of Employee Provisions:		
Current	15,299	17,803
Non-current	1,347	1,365
Total Aggregate Carrying Amount of Employee Provisions	16,646	19,168

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:

Weighted average increase in employee costs	3.00%	1.25%
Weighted average discount rates	4.06%	3.69%

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023	2022
	\$ '000	\$ '000

(b) Landfill restoration

Coldstream landfill has been closed to the receipt of refuse since May 2004, and Healesville landfill has been closed since 1998.

Council has continued the process of rehabilitation, monitoring and maintenance as required by the PC PAN's issued by the EPA. An Environmental audit of progress towards the targets set in the PC Pan's is currently being undertaken by EPA accredited auditors, and any further recommendations from this review will be undertaken as part of the ongoing rehabilitation required under the EPA Act 2017.

The costs are expected to be in the order of \$6.54m, however this will be dependent on any further recommendations from the audit and requirements from the EPA, including the ongoing management and treatment of the landfill gas and leachate at the sites.

In addition to the above two landfill sites, Council continues to monitor the closed landfill sites at Lysterfield, Wesburn and Mt Evelyn. The ongoing monitoring charges for these have been factored into the calculation of the provision for landfill restoration.

Current

Current	2,122	2,102
Total current	2,122	2,102

Non-current

Non-current	6,644	3,554
Total non-current	6,644	3,554

Council is obligated to restore landfill sites at Coldstream and Healesville to a particular standard under the Environment Protection Act (2017). The provision for landfill remediation has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the work required, forecast timing of the work and related costs.

Key assumptions:

Weighted average increase in costs	4.25%	2.00%
Weighted average discount rates	3.80%	2.65%

(c) Other provisions**Current**

Special rates and charges	65	77
Other	2	456
	67	533

Non-Current

Special rates and charges	583	248
	583	248

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
5.6 Financing arrangements		
The Council has the following funding arrangements in place as at 30 June 2023.		
Credit card facilities	400	400
Interest bearing borrowings	3,112	6,295
Total Facilities	3,512	6,695
Used facilities	3,155	6,362
Used facilities	3,155	6,362
Unused facilities	357	333

Credit Card facilities are held with the Westpac Banking Corporation with security mortgage over rates revenue.

Interest bearing liabilities are held with National Australia Bank with Council rates and CEO certificate given by Yarra Ranges Shire Council as security.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

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

	Not later than 1 year \$ '000	Later than 1 year and not later than 2 years \$ '000	Later than 2 years and not later than 5 years \$ '000	Later than 5 years \$ '000	Total \$ '000
2023					
Operating					
Buildings maintenance	14,017	14,017	21,111	–	49,145
Waste Management	7,997	8,077	24,987	26,540	67,601
Other	5,077	4,419	10,473	2,096	22,065
Consultancies	1,379	581	308	42	2,310
Open space management	482	13	–	–	495
Total	28,952	27,107	56,879	28,678	141,616
Capital					
Buildings	11,105	–	–	–	11,105
Roads	11,144	8,192	17,592	329	37,257
Other	8,534	2,308	2,449	471	13,762
Total	30,783	10,500	20,041	800	62,124
Total Commitments	59,735	37,607	76,920	29,478	203,740
2022					
Operating					
Buildings maintenance	2,498	–	–	–	2,498
Waste Management	25,369	10,657	5,243	–	41,269
Other	7,244	5,622	11,741	6,631	31,238
Consultancies	2,937	2,083	106	23	5,149
Open space management	2,140	1,485	1,342	–	4,967
Total	40,188	19,847	18,432	6,654	85,121
Capital					
Buildings	9,856	1,074	–	–	10,930
Roads	11,815	–	–	–	11,815
Other	8,209	2,995	15	–	11,219
Total	29,880	4,069	15	–	33,964
Total Commitments	70,068	23,916	18,447	6,654	119,085

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

5.8 Leases

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

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

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

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

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

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

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

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

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

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

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 Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

(a) Right-of-Use Assets

	Property \$ '000	Vehicles \$ '000	Other \$ '000	Total \$ '000
2023				
Balance at 1 July	999	2,308	42	3,349
Additions	–	139	–	139
Amortisation charge	(168)	(1,499)	(82)	(1,749)
Other	(101)	86	169	154
Balance at 30 June	730	1,034	129	1,893
2022				
Balance at 1 July	1,137	804	108	2,049
Additions	209	2,951	(66)	3,094
Amortisation charge	(347)	(1,447)	–	(1,794)
Balance at 30 June	999	2,308	42	3,349

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(b) Lease Liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,068	1,840
One to five years	797	1,617
More than five years	975	1,064
Total undiscounted lease liabilities as at 30 June:	2,840	4,521
Lease liabilities included in the Balance Sheet at 30 June:		
Current	991	1,694
Non-current	1,137	1,944
Total lease liabilities	2,128	3,638
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.		
Expenses relating to:		
Leases of low value assets	200	200
Total	200	200
Variable lease payments (not included in measurement of lease liabilities)		
Variable lease payments	-	-
Total	-	-

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage

	2023	2022
	\$ '000	\$ '000
6.1 Non-current assets classified as "held for sale"		
Current		
Land	3,205	–
Total non current assets classified as held for sale	3,205	–

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

Council has the following non-current assets classified as held for sale as at 30 June 2023 \$3,205,000 (2022: Nil).

The property held for sale (as per the criteria below) are:

1. 182-184 Cambridge Rd, Kilsyth
2. 16 Ellis Court, Mooroolbark
3. 9a Wannan Court, Kilsyth
4. 9a Tinarra Court, Kilsyth

All of the above have Council resolution to sell, are appropriately zoned and are being readied for sale within the next 2-3 months

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	Carrying amount 30 June 2022 \$ '000	Additions \$ '000	Revaluation \$ '000	Contributions \$ '000	Disposal \$ '000	Depreciation \$ '000	Write-off \$ '000	Transfers \$ '000	Reclassified \$ '000	Carrying amount 30 June 2023 \$ '000
Property	619,399	–	13,917	55	(28)	(8,444)	(2,355)	11,667	(3,205)	631,006
Plant and equipment	15,874	–	–	–	(109)	(1,928)	–	1,618	–	15,455
Infrastructure	551,535	–	29,441	6,828	(3,367)	(20,396)	(210)	34,992	–	598,823
Work in progress	91,545	65,745	–	–	–	–	(2,344)	(48,277)	–	106,669
Total	1,278,353	65,745	43,358	6,883	(3,504)	(30,768)	(4,909)	–	(3,205)	1,351,953

Summary of Work in Progress	Opening WIP \$ '000	Additions \$ '000	Transfers \$ '000	Write-off \$ '000	WIP Reclassifications \$ '000	Closing WIP \$ '000
Property	19,778	22,800	(11,667)	(240)	12,491	43,162
Plant and equipment	991	2,964	(1,618)	–	(25)	2,312
Infrastructure	70,776	39,981	(31,283)	(2,104)	(16,175)	61,195
Total	91,545	65,745	(44,568)	(2,344)	(3,709)	106,669

Notes to the Financial Statements
for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Land specialised \$ '000	Land non specialised \$ '000	Land improve-ments \$ '000	Total land and land improve-ments \$ '000	Heritage buildings \$ '000	Buildings specialised \$ '000	Buildings non specialised \$ '000	Building improve-ments \$ '000	Leasehold improve-ments \$ '000	Total buildings \$ '000	Work in progress \$ '000	Total property \$ '000
Property												
At fair value 1 July 2022	225,982	199,806	7,643	433,431	5,436	187,228	822	6,024	1,819	201,329	19,778	654,538
Accumulated depreciation at 1 July 2022	-	-	(4,450)	(4,450)	(136)	(7,527)	(36)	(2,485)	(727)	(10,911)	-	(15,361)
	<u>225,982</u>	<u>199,806</u>	<u>3,193</u>	<u>428,981</u>	<u>5,300</u>	<u>179,701</u>	<u>786</u>	<u>3,539</u>	<u>1,092</u>	<u>190,418</u>	<u>19,778</u>	<u>639,177</u>
Movements in fair value												
Additions	-	-	-	-	-	-	-	-	-	-	22,800	22,800
Contributions	55	-	-	55	-	-	-	-	-	-	-	55
Revaluation	(9,348)	(8,291)	-	(17,639)	(255)	16,241	(33)	-	-	15,953	-	(1,686)
Disposal	-	-	-	-	-	(37)	-	-	-	(37)	-	(37)
Transfers	4,165	2,279	2,293	8,737	-	2,930	-	-	-	2,930	(11,667)	-
Impairment losses recognised in operating result	-	-	-	-	-	(2,355)	-	-	-	(2,355)	(240)	(2,595)
Reclassified as non-current assets held for sale	(3,205)	-	-	(3,205)	-	-	-	-	-	-	-	(3,205)
WIP reclassification	-	-	-	-	-	-	-	-	-	-	12,491	12,491
	<u>(8,333)</u>	<u>(6,012)</u>	<u>2,293</u>	<u>(12,052)</u>	<u>(255)</u>	<u>16,779</u>	<u>(33)</u>	<u>-</u>	<u>-</u>	<u>16,491</u>	<u>23,384</u>	<u>27,823</u>
Movements in accumulated depreciation												
Depreciation and amortisation	-	-	(272)	(272)	(136)	(7,887)	-	(88)	(61)	(8,172)	-	(8,444)
Accumulated depreciation of disposals	-	-	-	-	-	9	-	-	-	9	-	9
Accumulated depreciation on revaluation	-	-	-	-	272	15,295	36	-	-	15,603	-	15,603
	<u>-</u>	<u>-</u>	<u>(272)</u>	<u>(272)</u>	<u>136</u>	<u>7,417</u>	<u>36</u>	<u>(88)</u>	<u>(61)</u>	<u>7,440</u>	<u>-</u>	<u>7,168</u>
At fair value 30 June 2023	217,649	193,794	9,936	421,379	5,181	204,007	789	6,024	1,819	217,820	43,162	682,361
Accumulated depreciation at 30 June 2023	-	-	(4,722)	(4,722)	-	(110)	-	(2,573)	(788)	(3,471)	-	(8,193)
Carrying amount	<u>217,649</u>	<u>193,794</u>	<u>5,214</u>	<u>416,657</u>	<u>5,181</u>	<u>203,897</u>	<u>789</u>	<u>3,451</u>	<u>1,031</u>	<u>214,349</u>	<u>43,162</u>	<u>674,168</u>

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Plant machinery and equipment \$ '000	Fixtures fittings and furniture \$ '000	Computers and telecomms \$ '000	Artwork \$ '000	Total \$ '000	Work in progress \$ '000	Total plant and equipment \$ '000
Plant and Equipment							
At fair value 1 July 2022	17,798	4,789	4,652	3,896	31,135	991	32,126
Accumulated depreciation at 1 July 2022	(9,636)	(2,350)	(3,275)	–	(15,261)	–	(15,261)
	8,162	2,439	1,377	3,896	15,874	991	16,865
Movements in fair value							
Additions	–	–	–	–	–	2,964	2,964
Disposal	(360)	–	–	–	(360)	–	(360)
Transfers	1,618	–	–	–	1,618	(1,618)	–
WIP Reclassification	–	–	–	–	–	(25)	(25)
	1,258	–	–	–	1,258	1,321	2,579
Movements in accumulated depreciation							
Depreciation and amortisation	(1,358)	(215)	(355)	–	(1,928)	–	(1,928)
Accumulated depreciation of disposals	251	–	–	–	251	–	251
	(1,107)	(215)	(355)	–	(1,677)	–	(1,677)
At fair value 30 June 2023	19,056	4,789	4,652	3,896	32,393	2,312	34,705
Accumulated depreciation at 30 June 2023	(10,743)	(2,565)	(3,630)	–	(16,938)	–	(16,938)
Carrying amount	8,313	2,224	1,022	3,896	15,455	2,312	17,767

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Roads \$ '000	Bridges \$ '000	Footpaths and cycleways \$ '000	Drainage \$ '000	Recrea- tional, leisure and community \$ '000	Parks open spaces and streets- capes \$ '000	Off street car parks \$ '000	Other infra- structure \$ '000	Total \$ '000	Work in progress \$ '000	Total infra- structure \$ '000
Infrastructure											
At fair value 1 July 2022	393,059	68,105	84,330	318,625	97,389	31,965	26,909	13,258	1,033,640	70,776	1,104,416
Accumulated depreciation at 1 July 2022	(186,401)	(35,675)	(49,879)	(127,263)	(51,713)	(15,017)	(8,305)	(7,852)	(482,105)	–	(482,105)
	<u>206,658</u>	<u>32,430</u>	<u>34,451</u>	<u>191,362</u>	<u>45,676</u>	<u>16,948</u>	<u>18,604</u>	<u>5,406</u>	551,535	<u>70,776</u>	622,311
Movements in fair value											
Additions	–	–	–	–	–	–	–	–	–	39,981	39,981
Contributions	3,013	–	1,049	2,717	24	–	25	–	6,828	–	6,828
Revaluation	(168,876)	–	(50,393)	–	–	–	–	–	(219,269)	–	(219,269)
Disposal	(104)	–	(3,965)	(89)	(528)	–	(1,156)	–	(5,842)	–	(5,842)
Transfers	17,913	–	20,307	2,490	6,922	(13,104)	464	–	34,992	(31,283)	3,709
Impairment losses recognised in operating result	–	–	(210)	–	–	–	–	–	(210)	(2,104)	(2,314)
WIP Reclassification	–	–	–	–	–	–	–	–	–	(16,175)	(16,175)
	<u>(148,054)</u>	<u>–</u>	<u>(33,212)</u>	<u>5,118</u>	<u>6,418</u>	<u>(13,104)</u>	<u>(667)</u>	<u>–</u>	(183,501)	<u>(9,581)</u>	(193,082)
Movements in accumulated depreciation											
Depreciation and amortisation	(8,847)	(815)	(2,315)	(3,543)	(3,138)	(851)	(474)	(413)	(20,396)	–	(20,396)
Accumulated depreciation of disposals	56	–	1,450	42	458	–	469	–	2,475	–	2,475
Accumulated depreciation of revaluation	193,589	–	55,121	–	–	–	–	–	248,710	–	248,710
Transfers	–	–	(5,158)	–	–	5,158	–	–	–	–	–
	<u>184,798</u>	<u>(815)</u>	<u>49,098</u>	<u>(3,501)</u>	<u>(2,680)</u>	<u>4,307</u>	<u>(5)</u>	<u>(413)</u>	230,789	<u>–</u>	230,789
At fair value 30 June 2023	245,005	68,105	51,118	323,743	103,807	18,861	26,242	13,258	850,139	61,195	911,334
Accumulated depreciation at 30 June 2023	(1,603)	(36,490)	(783)	(130,762)	(54,393)	(10,710)	(8,310)	(8,265)	(251,316)	–	(251,316)
Carrying amount	<u>243,402</u>	<u>31,615</u>	<u>50,335</u>	<u>192,981</u>	<u>49,414</u>	<u>8,151</u>	<u>17,932</u>	<u>4,993</u>	598,823	<u>61,195</u>	660,018

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

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.

Major depreciation periods and threshold limits are listed below and are consistent with the prior year unless otherwise stated:

Asset recognition thresholds and depreciation periods

	Useful lives	Asset Threshold Limit (\$)
Land and land improvements		
land	-	5,000
land improvements	10-50	1,000
Buildings		
buildings	50	5,000
building and leasehold improvements	5-30	5,000
Plant and Equipment		
Light plant and equipment	6-10	1,500
Heavy plant and equipment	12	1,500
Motor vehicles	6-8	1,500
Fixtures, fittings and furniture	5-10	1,000
Computers and telecommunication	3-5	1,000
Infrastructure		
Road sub base	100-125	5,000
Road base	100-135	5,000
Road surface	12-60	5,000
Road treatments	12-30	5,000
Road kerb and channel	50	1,000
Road inventory	30	1,000
Footpaths and cycleways	25-50	1,000
Drainage	80-100	1,000
Bridges	30-120	5,000
Recreational, leisure and community facilities	5-50	1,000
Parks, open space and streetscape	10-50	500
Off street car parks	15-120	1,000
Other infrastructure	25-50	1,000
Intangible assets		
Software	5	10,000
Other		
Art work	Indefinite	5,000

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles

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

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

Land and 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.

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 30 year period.

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer from Herron Todd White Pty Ltd, William Robbins, Certified Practising Valuer/Associate Director API Membership No. 101237. 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 and type of the current valuation is detailed in the following table. A full revaluation of these assets was conducted in 2022/23 with movements booked to the Asset Revaluation Reserve.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2023 are as follows:

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Level 1	Level 2	Level 3	Date of valuation	Type of Valuation
Land	–	193,794	–	Jun-23	External Herron Todd White
Land improvements	–	–	5,214	Jun-23	External Herron Todd White
Specialised land	–	–	217,649	Jun-23	External Herron Todd White
Heritage buildings	–	–	5,181	Jun-23	External Herron Todd White
Buildings	–	–	203,897	Jun-23	External Herron Todd White
Specialised buildings	–	–	789	Jun-23	External Herron Todd White
Building improvements	–	–	3,452	N/A	
Leasehold improvements	–	–	1,031	N/A	
Total	–	193,794	437,213		

Valuation of Infrastructure

Council's Roads assets and Footpaths and Cycleways were valued at June 2023. Council's drainage, offstreet carparks and bridges assets were valued at 30 June 2022. A valuation of Council's other infrastructure assets was conducted by qualified Council engineering staff as set out below at fair value based on replacement cost (Greenfields approach) less accumulated depreciation as at the date of valuation. This process of internal valuation is managed by the Strategic Asset Management Team (SAM).

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level 2	Level 3	Date of valuation	Type of Valuation
Roads	–	–	243,402	Jun-23	Internal SAM Team
Footpaths and cycleways	–	–	49,933	Jun-23	Internal SAM Team
Drainage	–	–	192,981	Jun-22	Internal SAM Team
Bridges	–	–	31,615	Jun-22	Internal SAM Team
Recreational, leisure and community	–	–	49,414	Jun-18	Internal SAM Team
Parks, open space & streetscapes	–	–	8,553	Jun-16	Internal SAM Team
Off street car parks	–	–	17,932	Jun-22	Internal SAM Team
Other Infrastructure	–	–	4,993	Jun-16	Internal SAM Team
Total	–	–	598,823		

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 10% 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 \$1,584 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 cost is calculated on a square metre basis and ranges from \$190 to \$19,635 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year to 49 years. Replacement cost is sensitive to changes in market

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 135 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.

Reconciliation of specialised land

	2023 \$ '000	2022 \$ '000
Land under roads	355	296
Parks and reserves	217,294	225,686
Total specialised land	217,649	225,982

Valuation of Art Work

Council's Art Work assets, included in the asset class 'Other', have been valued as at 30 June 2019. The valuation was conducted by Simon Storey Valuers.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

Note	2023 \$ '000	2022 \$ '000
6.3 Investments in associates		
Investments in associates accounted for by the equity method are:		
Eastern Regional Library Corporation	2,613	3,561
Total investments in associates	2,613	3,561
Associates and joint arrangements - in profit		
Eastern Regional Library Corporation	63	161
Eastern Regional Library Corporation		
On 1 July 1996 the Eastern Regional Library Corporation (ERLC) commenced operations. Yarra Ranges Council recognises its interest in the net assets of the ERL as an investment in accordance with AASB 128 'Investments in Associates'. In 2023 Council's interest was 38.72% of net assets (2022 38.72%). This is based on the audited statements of the ERLC.		
The equity holders in the Eastern Regional Library Corporation are; Maroondah City Council 24.89%, Knox City Council 36.39% and Yarra Ranges Council 38.72%.		
The motion to wind up ERLC by 30 June 2023 in accordance with section 330(4) of the Local Government Act 2020 (LGA) was adopted by Council on 13 June 2023. A beneficial enterprise, Your Library Ltd (a public company limited by guarantee) has been established in accordance with section 110 of the LGA to deliver library services from 1 July 2023 on behalf of the Maroondah, Knox and Yarra Ranges Councils. Council share in equity will remain the same under Your Library Ltd.		
Fair value of Council's investment in Eastern Regional Library Corporation	2,613	3,561
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	3,561	5,400
Distribution of accumulated surplus	(1,011)	(2,000)
Reported surplus/(deficit) for year	63	161
Council's share of accumulated surplus/(deficit) at end of year	2,613	3,561
Movement in carrying value of specific investment		
Carrying value of investment at start of year	3,561	5,400
Distribution of accumulated surplus	5.1 (1,011)	(2,000)
Share of surplus/(deficit) for year	63	161
Carrying value of investment at end of year	2,613	3,561
Council's Share of Expenditure Commitments		
Lease commitments	274	28
Council's Share of Expenditure Commitments	274	28

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

ERL made a distribution of its accumulated surplus in 2022-23 to two of its three member councils (including Yarra Ranges Council) to re-set the equity balances (% ownership) of the three member councils to the original equity split as agreed by all three member councils. The distribution to each member council was made on the basis that they are held in an Asset Reserve Fund, the nature and purpose of which is major capital expenditure used to acquire, refurbish or redevelop library premises either as standalone premises or as part of community hubs.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships

7.1 Council and key management remuneration

(a) Related Parties*Parent entity*

Council is the parent entity

Subsidiaries and Associates

Interests in associates are detailed in Note 6.3.

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Yarra Ranges Council. The Councillors, Chief Executive Officer and Executive Directors are deemed KMP.

Details of KMP at any time during the year are:

Councillors

Jim Child (Mayor)

Johanna Skelton (Deputy Mayor from 1 Jul 22 to 7 Nov 22, Councillor from 8 Nov 22 to 30 Jun 23)

Andrew Fullagar

David Eastham

Fiona McAllister

Len Cox

Richard Higgins

Sophie Todorov (Councillor from 1 Jul 22 to 7 Nov 22, Deputy Mayor from 8 Nov 22 to 30 Jun 23)

Timothy Heenan

Chief Executive Officer and other key management personnel

Chief Executive Officer - Tamara Rose

Director Planning and Sustainable Futures - Kathleen McClusky

Director Communities - Jane Price

Director Corporate Services - Andrew Hilson

Director Built Environment and Infrastructure - Hjalmar Philipp (from 20 Feb 23 to 30 Jun 23)

Director Environment and Infrastructure - Mark Varmalis (from 1 Jul 22 to 28 Aug 22)

Director Recovery - Jane Sinnamon (from 1 Jul 22 to 31 Dec 22)

	2023	2022
	No.	No.
Total Number of Councillors	9	10
Total of Chief Executive Officer and other Key Management Personnel	6	6
Total Number of Key Management Personnel	15	16

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships (continued)

(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.

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.

	2023 \$ '000	2022 \$ '000
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	1,874	2,112
Post-employment benefits	144	161
Other long-term employee benefits	38	43
Total	2,056	2,316

	2023 No.	2022 No.
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$10,000 - \$19,999	–	2
\$20,000 - \$29,999	–	1
\$30,000 - \$39,999	6	5
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	1	–
\$110,000 - \$119,999	–	1
\$120,000 - \$129,999	1	–
\$220,000 - \$229,999	1	–
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	1	–
\$290,000 - \$299,999	1	–
\$300,000 - \$309,999	–	3
\$310,000 - \$319,999	–	1
\$330,000 - \$339,999	1	–
\$400,000 - \$409,999	1	1
	15	16

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships (continued)

(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. *

Total remuneration of other senior staff was as follows:

	2023	2022
	\$ '000	\$ '000
Short-term employee benefits	3,221	3,968
Other long-term employee benefits	40	92
Post-employment benefits	288	379
Total	3,549	4,439

The number of other senior staff are shown below in their relevant income bands:

	2023	2022
	No.	No.
Income Range:		
\$160,000 - \$169,999	1	–
\$170,000 - \$179,999	1	3
\$180,000 - \$189,999	2	3
\$190,000 - \$199,999	7	3
\$200,000 - \$209,999	4	5
\$210,000 - \$219,999	3	5
\$220,000 - \$229,999	–	2
\$230,000 - \$239,999	–	1
	18	22

	2023	2022
	\$ '000	\$ '000
Total Remuneration for the reporting year for Senior Officers included above amounted to:	3,549	4,439

* 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 Statements

for the year ended 30 June 2023

Note 7. People and relationships (continued)

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties:

Contributions to Eastern Regional Libraries Corporation	3,900	3,842
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There were four transactions that occurred during the current period with one related party as contributions to the Eastern Regional Libraries. The total of these transactions was \$3,899,887.84.

(b) Outstanding balances with related parties

There were no outstanding balances with related parties.

(c) Loans to/from related parties

No loan transactions were entered by Council with related parties.

(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 other than those related to the employment contracts of Key Management Personnel.

Notes to the Financial Statements

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

Subdivisions

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.

There is only major subdivisions and other developments underway (Kinley Estate) as at 30 June 2023, from which Council will receive certain assets. The maintenance of these assets will become Council's responsibility once control has passed to Council.

(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.

The following are potential contingencies to be considered by council.

Defined benefits superannuation fund

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Insurance

As a local authority with ownership of numerous parks, reserves, roads and other land holdings, Council regularly receives claims and demands allegedly arising from incidents which occur on land belonging to Council. There are 13 outstanding claims as at 30 June 2023 against Council in this regard currently lodged with our liability insurer. Council carries \$600 million of public liability insurance and had a deductible of \$50,000 in 2022- 23. The accumulated deductible liabilities are \$610,000 as the maximum liability of Council in any single claim is the extent of its outstanding (unpaid) deductible. The primary insurer is MAV Insurance. There are no claims of which Council is aware which would fall outside the terms of Council's policy.

Extreme Weather Event - June 2021 and other Storm Events

Yarra Ranges community experienced an extreme weather event Wednesday 9 June 2021 with additional severe weather events occurring in October 2022 and March 2023. Claims and applications have been made for funding from various sources, primarily Disaster Recovery Funding Arrangements (DRFA) through Emergency Management Victoria for costs incurred. DRFA funding is assessed and paid based on compliant claims and with the assessment of claims taking place six months in arrears, an estimate of revenue from the likely outcome of those claims has been made and recognised in accordance with the costs incurred.

Other funding sources have included

- Council Support Fund (CSF) through Bushfire Recovery Victoria (BRV) which has allowed us to create the staff structure required to support storm recovery;
- BRV funding under a separate funding agreement for a Storm Branch Collection;
- Department of Environment, Land, Water and Planning (DELWP) funding for planning support for residents who are rebuilding following the storm;
- Several smaller programs funded through Department of Families, Fairness, and Housing (DFFH).

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties

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 2023 that are expected to impact Council.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

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 has exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

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

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

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 provides a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

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 the amounts related to financial guarantees disclosed in Note 8.1(b), 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 % and - 2 % in market interest rates (AUD) from year-end rates of 4.1% as published by the Reserve Bank of Australia.

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 Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

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 2 to 5 years. The valuation is performed either by experienced council officers or independent experts. The following table sets out the frequency of revaluations by asset class.

Asset class	Revaluation frequency
Land	1 to 3 years
Buildings	1 to 3 years
Roads	2 to 5 years
Bridges	2 to 5 years
Footpaths and cycleways	2 to 5 years
Drainage	2 to 5 years
Recreational, leisure and community facilities	5 to 8 years
Waste management	n/a
Parks, open space and streetscapes	5 to 8 years
Aerodromes	n/a
Other infrastructure	5 to 8 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 Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

Impairment of assets

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

8.5 Events occurring after balance date

Beneficial Enterprise - Eastern Regional Library Corporation

The member councils (Yarra Ranges, Maroondah and Knox) have resolved to establish Your Library Limited, a company limited by guarantee, as per the requirements under the *Local Government Act 2020*.

Member councils are currently discussing transition arrangements to this beneficial enterprise.

This will not impact service delivery, but more so Governance structures under a beneficial enterprise arrangement.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Balance at end of reporting period \$ '000
9.1 Reserves			
(a) Asset revaluation reserves			
2023			
Property			
Land	324,959	(17,639)	307,320
Land and land improvements	1,716	–	1,716
Buildings	58,488	31,556	90,044
	385,163	13,917	399,080
Other - P&E	1,951	–	1,951
	1,951	–	1,951
Infrastructure			
Roads	114,364	24,713	139,077
Bridges	23,108	–	23,108
Footpaths and cycleways	13,954	2,369	16,323
Drainage	116,603	–	116,603
Recreational, leisure and community facilities	18,609	–	18,609
Parks, open space and streetscapes	2,110	2,359	4,469
Offstreet car parks	12,051	–	12,051
Other infrastructure	1,985	–	1,985
	302,784	29,441	332,225
Total asset revaluation reserves	689,898	43,358	733,256
2022			
Property			
Land	286,893	38,066	324,959
Land and land improvements	1,716	–	1,716
Buildings	59,144	(656)	58,488
	347,753	37,410	385,163
Other - P&E	1,951	–	1,951
	1,951	–	1,951
Infrastructure			
Roads	114,364	–	114,364
Bridges	7,461	15,647	23,108
Footpaths and cycleways	13,954	–	13,954
Drainage	58,254	58,349	116,603
Recreational, leisure and community facilities	18,609	–	18,609
Parks, open space and streetscapes	2,110	–	2,110
Offstreet car parks	12,277	(226)	12,051
Other infrastructure	1,985	–	1,985
	229,014	73,770	302,784
Total asset revaluation reserves	578,718	111,180	689,898

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

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

	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) Other reserves				
2023				
Public open space / development of recreational land	12,909	–	(2,015)	10,894
Reserve - Disaster Response	–	300	–	300
Reserve - Digital Transformation	–	300	–	300
Reserve - Waste	–	102	–	102
Reserve - Biodiversity Offset Program	–	605	–	605
Reserve - Pandemic Recovery Reserve	–	800	–	800
Total Other reserves	12,909	2,107	(2,015)	13,001
2022				
Public open space / development of recreational land	10,705	2,839	(635)	12,909
Total Other reserves	10,705	2,839	(635)	12,909

The Public Open Space Reserve was established to control contributions received from developers that will, upon completion of developments, be utilised to develop recreation and other facilities for residents in the respective development areas.

The Disaster Response Reserve was established following natural disaster and storm events that occurred in the current and prior years. This reserve sets aside funding to support and fund future recovery related activities.

The Digital Transformation Reserve was created to assist in covering the budgeted shortfall for the YRConnect and other digital transformation projects.

The Waste Reserve has been established to ensure the ongoing and sustainable operation of the Council's waste service.

The Biodiversity Offset Program Reserve has been established to compensate for losses as a result of the removal of native vegetation. The program has been established to manage and protect native vegetation to counteract native vegetation removal.

The Pandemic Recovery Reserve was established following the COVID 19 pandemic. The reserve provides council with funds to support the community and businesses in their ongoing recovery from the impact of the pandemic and any possible future events.

	2023 \$ '000	2022 \$ '000
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Summary of reserves

Asset Revaluation Reserve	733,256	689,898
Other Reserves	13,001	12,909
Total Reserves	746,257	702,807

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

	2023 \$ '000	2022 \$ '000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	35,582	37,026
Depreciation/amortisation	32,989	31,818
Net loss on disposal of property, infrastructure, plant and equipment	7,835	2,750
Contributions - Non-monetary assets	(6,882)	(279)
Share of net profits of associates and joint ventures	(63)	(161)
Finance cost	384	643
Other	–	124
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(11,030)	(2,157)
(Increase)/decrease in prepayments	147	587
(Increase)/decrease in accrued income	5,792	(10,512)
Increase/(decrease) in trade and other payables	1,752	15,096
Increase/(decrease) in provisions	457	510
Increase/(decrease) in trust funds	(2,468)	13,608
Increase/(decrease) in Unearned income /revenue	18,575	1,642
Net cash provided by/(used in) operating activities	83,070	90,695

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

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 [Employer name] 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.

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	5.7% pa
Salary information	3.5% pa
Price inflation (CPI)	2.8% 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)	3.00% 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 104.1%.

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.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

(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 Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

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 investigations 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 for the first two years and 2.75% pa thereafter
Price inflation	2.8% pa	2.0% pa

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above 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%)	236	202
Vision Super	Accumulation	10.5% (2022:10.0%)	2,984	3,121
Other funds	Accumulation	10.5% (2022:10.0%)	3,259	3,193

Notes to the Financial Statements
for the year ended 30 June 2023

Note 10. Changes in accounting policies

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 11. Natural disasters

Since 2018-2019 Yarra Ranges has been affected by storms and floods which have resulted in an increase in expenditure, particularly contractors and materials and services.

	2023 \$ '000	2022 \$ '000
Expenditure incurred is as follows:		
Contractors	6,816	13,116
Employee costs	2,485	3,456
General materials and services	1,688	37
Total natural disaster events	10,989	16,609
Non recurrent State Grant Funding received for natural disaster events	9,766	12,926

Yarra Ranges community has experienced Severe Weather Events on 9 June 2021, 26 January 2022, 13 October 2022 and 23 March 2023. The financial and non financial implications on the region have been significant and continue into the current financial year and are expected to continue into the next financial year. Claims and applications have been made for funding from various sources, primarily Disaster Recovery Funding Arrangements (DRFA) through Emergency Management Victoria. DRFA funding is assessed and paid based on compliant claims. The recovery from these natural disasters continues.