

## 2021-2022 ANNUAL FINANCIAL STATEMENTS AND 2021-2022 PERFORMANCE STATEMENT - ADOPTION IN PRINCIPLE

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Report Author: Manager Financial Service  
Responsible Officer: Director Corporate Services  
Ward(s) affected: (All Wards);

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*The author(s) of this report and the Responsible Officer consider that the report complies with the overarching governance principles and supporting principles set out in the Local Government Act 2020.*

### CONFIDENTIALITY

This item is to be considered at a Council meeting that is open to the public.

### SUMMARY

The 2021-2022 Annual Financial Statements and Performance Statement are presented to Council for approval in principle, prior to final consideration by the Victorian Auditor-General's Office (VAGO) and their agent (Crowe Australasia). Crowe has completed a review of the Financial Statements and the Performance Statement and all supporting information, with the statements reflecting the outcomes of the audit. Crowe expects to issue an unqualified audit opinion (subject to final signoff by VAGO). These statements have been reviewed and endorsed in principle by Council's Audit and Risk Management Committee (ARMC) on Monday 3 October 2022 and have verbal audit clearance from Crowe for presentation to Council.

Council is required under the *Local Government Act 2020* to approve in principle each of the statements and to authorise two Councillors to certify each of the statements in their final form subject to any changes recommended, or agreed to, by VAGO being made.

It is recommended the two Councillors authorised to certify the statements be the Councillor representatives on the ARMC, being Cr Jim Child and Cr Fiona McAllister.

### RECOMMENDATION

#### ***That Council***

- 1. Approve in principle the 2021-2022 Annual Financial Statements and the Performance Statement attached to this report.***
- 2. Authorise the Principal Accounting Officer to make any changes recommended by the Victorian Auditor-General's Office or Crowe Australasia.***

**3. Authorise Councillors Child and McAllister to certify the Annual Financial Statements and the Performance Statement in their final form after any changes recommended, or agreed to, by the Victorian Auditor-General's Office have been made.**

## **RELATED COUNCIL DECISIONS**

There are no related Council decisions relevant to this item.

## **DISCUSSION**

### ***Purpose and Background***

The purpose of this report is to present to Council for adoption the Annual Financial Statements and Performance Statement for the 2021-2022 financial year.

After the conclusion of the financial year ended 30 June 2022, the Annual Financial Statements and Performance Statement were prepared. Council's external auditors – Crowe Australasia (as VAGO's agent) – commenced the audit on these statements on 1 August 2021. The ARMC reviewed the draft statements on 3 October 2021. Any changes recommended after the ARMC have been incorporated into the statements attached to this report.

A summary of the information contained in these statements is below.

### ***Annual Financial Statements***

The Annual Financial Statements represent a general purpose financial report consisting of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and accompanying notes. These statements have been prepared in accordance with relevant professional and statutory requirements, including the Australian Accounting Standards.

### ***Performance Statement***

The Performance Statement reports against a range of performance indicators introduced under the Local Government Performance Reporting Framework, which are statutorily required under the *Local Government Performance Reporting and Accountability Act 2014*.

## **FINANCIAL ANALYSIS**

The key highlights to note are as follows:

- The 2021-2022 Annual Financial Statements and Performance Statement have been prepared in accordance with Australian Accounting Standards and Interpretations, the *Local Government Act 2020* and the *Local Government Performance Reporting and Accountability Act 2014*;

- Council's financial position is sound, and the Statements are presented fairly;
- Council's working capital remains positive. This measures Council's ability to meet its current commitments as and when they fall due; and
- Council's debt servicing and indebtedness ratios are well within prudential guidelines and in alignment with Council's Long Term Financial Plan.

### ***Income Statement***

The operating surplus reported in the 2021-2022 Annual Financial Statements is \$37.0 million, which compares with a budgeted surplus of \$36.8 million. The main elements influencing this favourable variance of \$0.2 million are:

- increased operating grant income of \$22.7 million relating to funding received to assist with storm recovery and the timing of the Victorian Local Government Grants Commission's (VGC) allocations to all councils, with advance payments made from the 2022-23 financial year;
- higher materials and services costs of \$15.3 million, mainly due to costs related to storm recovery, the flow on impact of the June 2021 storm on infrastructure maintenance, and higher software maintenance costs due to ongoing Software as a Service (SaaS) fees and the continuation of some legacy systems as Council's continues its digital transformation program;
- lower employee costs of \$1.0 million due to the impact of lock down on casuals during the first half of the year, vacancies, and timing of back filling due to labour and skills shortages;
- lower capital grant income of \$9.2 million due to delays in delivery of the capital program; and
- higher monetary contributions of \$1.5 million mainly for public open space and developer contributions for the Kinley Development.

It is important to note that the reported operating and underlying surplus is not a cash surplus. The operating results are presented under the accrual basis of accounting and includes a mix of cash and non-cash items within both the income and expense categories.

### ***Balance Sheet***

Council ended the financial year with net assets of \$1.3 billion, an increase of \$148.2 million from the previous year (\$1.2 billion).

## **Cash Position**

Council had cash holdings of \$84.7 million as at 30 June 2022 (30 June 2021: \$65.6 million). Total cash holdings include \$31.5 million of funding received in advance to deliver capital projects; \$5.6 million allocated to in-progress and multi-year capital projects; \$12.9 million for the public open space reserve; \$2.1 million for unexpended government grants; and \$16.0 million of restricted cash for trust funds and deposits.

## **APPLICABLE PLANS AND POLICIES**

The Financial Statements and the Performance Statement provide an auditable account of the performance of the strategic objectives and priorities outlined in the Council Plan 2021-25 for the last financial year covering the 2021-2022 period.

## **RELEVANT LAW**

The Annual Financial Statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, Australian Accounting Standards, and other mandatory professional reporting requirements.

The Performance Statement is required to be completed in the format prescribed under the *Local Government Performance and Reporting Accountability Act 2014*. This Act is the legislation under which the Local Government Performance Reporting Framework operates.

## **SUSTAINABILITY IMPLICATIONS**

### ***Economic Implications***

Not applicable to this report.

### ***Social Implications***

Not applicable to this report.

### ***Environmental Implications***

Not applicable to this report.

## **COMMUNITY ENGAGEMENT**

Not applicable.

## **COLLABORATION, INNOVATION AND CONTINUOUS IMPROVEMENT**

Not relevant.

## **RISK ASSESSMENT**

Completion of the Annual Financial Statements and Performance Statement is an important part of Council's compliance with and commitment to accurate and transparent reporting of its activities and financial position.

## **CONFLICTS OF INTEREST**

No officers and/or delegates acting on behalf of the Council through the Instrument of Delegation and involved in the preparation and/or authorisation of this report have any general or material conflict of interest as defined within the *Local Government Act 2020*.

## **ATTACHMENTS TO THE REPORT**

1. 2021-2022 Annual Financial Statements (to be published separately)
2. 2021-2022 Performance Statement (to be published separately)