

Yarra Ranges Shire Council

ANNUAL FINANCIAL REPORT
for the year ended 30 June 2022

*Yarra Ranges will be 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 2022

Contents	Page
Certification of the Financial Statements	3
Victorian Auditor-General's Office Report	4
Financial Statements	
Comprehensive Income Statement	6
Balance Sheet	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Statement of Capital Works	10
Notes to the Financial Statements	
Note 1 Overview	11
Note 2 2.1 Performance against budget	13
2.1.1 Income and expenditure	13
2.1.2 Capital works	15
2.2 Analysis of Council results by program	17
Note 3 Funding for the delivery of our services	19
3.1 Rates and charges	19
3.2 Statutory fees and fines	19
3.3 User fees	20
3.4 Funding from other levels of government	21
3.5 Contributions	23
3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment	24
3.7 Other income	24
Note 4 The cost of delivering services	25
4.1 Employee costs	25
4.2 Materials and services	26
4.3 Depreciation	27
4.4 Amortisation – Intangible assets	27
4.5 Amortisation – Right of use assets	27
4.6 Bad and doubtful debts	28
4.7 Borrowing costs	28
4.8 Finance Costs – Leases	28
4.9 Other expenses	28
Note 5 Our financial position	29
5.1 Financial assets	29
5.2 Non-financial assets	31
5.3 Payables, trust funds and deposits and unearned income/revenue	32
5.4 Interest-bearing liabilities	33
5.5 Provisions	34
5.6 Financing arrangements	37
5.7 Commitments	38
5.8 Leases	39

Annual Financial Report

for the year ended 30 June 2022

Contents	Page
Note 6 Assets we manage	41
6.1 Non-current assets classified as "held for sale"	41
6.2 Property, infrastructure, plant and equipment	42
6.3 Investments in associates	50
Note 7 People and relationships	51
7.1 Council and key management remuneration	51
7.2 Related party disclosure	53
Note 8 Managing uncertainties	54
8.1 Contingent assets and liabilities	54
8.2 Change in accounting standards	55
8.3 Financial instruments	56
8.4 Fair value measurement	58
8.5 Events occurring after balance date	59
Note 9 Other matters	60
9.1 Reserves	60
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	62
9.3 Superannuation	62
Note 10 Changes in accounting policies	64
Note 11 Natural disasters	65

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 25 October 2022. Council has the power to amend and reissue these financial statements.

Annual Financial Report

for the year ended 30 June 2022

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.

Allison Southwell BCom CPA

Responsible Accounting Officer

25 October 2022

Lilydale

In our opinion, the accompanying financial statements present fairly the financial transactions of Yarra Ranges Shire Council for the year ended 30 June 2022 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

25 October 2022

Lilydale

Cr Fiona McAllister

Councillor

25 October 2022

Lilydale

Tammi Rose

Chief Executive Officer

25 October 2022

Lilydale

Annual Financial Report
for the year ended 30 June 2022

Victorian Auditor-General's Office Report

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Annual Financial Report
for the year ended 30 June 2022

Victorian Auditor-General's Office Report (continued)

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Comprehensive Income Statement

for the year ended 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Income			
Rates and charges	3.1	157,697	147,263
Statutory fees and fines	3.2	2,670	2,386
User fees	3.3	6,560	5,727
Grants - operating	3.4	48,475	35,881
Grants - capital	3.4	27,238	15,236
Contributions - monetary	3.5	3,407	2,445
Contributions - non monetary	3.5	279	4,112
Share of net profits of associates and joint ventures	6.3	162	261
Other income	3.7	2,081	2,161
Total income		248,569	215,472
Expenses			
Employee costs	4.1	70,335	71,916
Materials and services	4.2	98,547	78,835
Depreciation	4.3	29,773	28,786
Amortisation - Intangible assets	4.4	185	152
Amortisation - Right of use assets	4.5	1,860	594
Bad and doubtful debts	4.6	124	205
Borrowing costs	4.7	411	595
Finance Costs - Leases	4.8	232	112
Net loss on disposal of property, infrastructure, plant and equipment	3.6	2,750	1,662
Other expenses	4.9	7,325	9,188
Total expenses		211,542	192,045
Surplus/(deficit) for the year		37,027	23,427
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	111,180	21,463
Total items which will not be reclassified subsequently to the operating result		111,180	21,463
Total other comprehensive income		111,180	21,463
Total comprehensive result		148,207	44,890

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

Balance Sheet

as at 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Assets			
Current assets			
Cash and cash equivalents	5.1	84,674	65,561
Trade and other receivables	5.1	36,780	34,470
Other assets	5.2	15,343	5,418
Total current assets		136,797	105,449
Non-current assets			
Trade and other receivables	5.1	1,088	1,365
Investments in associates, joint arrangements and subsidiaries	6.3	3,561	5,400
Property, infrastructure, plant and equipment	6.2	1,278,354	1,136,841
Intangible assets	5.2	4,720	155
Right-of-use assets	5.8	3,349	1,668
Total non-current assets		1,291,072	1,145,429
Total assets		1,427,869	1,250,878
Liabilities			
Current liabilities			
Trade and other payables	5.3	29,221	14,249
Trust funds and deposits	5.3	16,036	2,428
Unearned income/revenue	5.3	41,215	39,573
Provisions	5.5	20,438	19,252
Interest-bearing liabilities	5.4	3,184	3,838
Lease liabilities	5.8(b)	1,694	451
Total current liabilities		111,788	79,791
Non-current liabilities			
Provisions	5.5	5,167	5,843
Interest-bearing liabilities	5.4	3,111	6,295
Lease liabilities	5.8(b)	1,944	1,297
Total non-current liabilities		10,222	13,435
Total liabilities		122,010	93,226
Net assets		1,305,859	1,157,652
Equity			
Accumulated surplus		603,052	568,229
Reserves	9.1	702,807	589,423
Total Equity		1,305,859	1,157,652

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

Statement of Changes in Equity

for the year ended 30 June 2022

	Note	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
2022					
Balance at beginning of the financial year		1,157,652	568,229	578,718	10,705
Surplus/(deficit) for the year		37,027	37,027	–	–
Other comprehensive income					
Net asset revaluation increment/(decrement)	6.2	111,180	–	111,180	–
Other comprehensive income		111,180	–	111,180	–
Total comprehensive income		148,207	37,027	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		1,305,859	603,052	689,898	12,909
2021					
Balance at beginning of the financial year		1,112,762	546,621	557,255	8,886
Surplus/(deficit) for the year		23,427	23,427	–	–
Other comprehensive income					
Net asset revaluation increment/(decrement)	6.2	21,463	–	21,463	–
Other comprehensive income		21,463	–	21,463	–
Total comprehensive income		44,890	23,427	21,463	–
Transfers to other reserves	9.1	–	(2,936)	–	2,936
Transfers from other reserves	9.1	–	1,117	–	(1,117)
Balance at end of the financial year		1,157,652	568,229	578,718	10,705

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 2022

	2022	2021
	Inflows/ (Outflows)	Inflows/ (Outflows)
Notes	\$ '000	\$ '000
Cash flows from operating activities		
Rates and charges	156,225	146,274
Statutory fees and fines	2,665	2,321
User fees	6,722	5,345
Grants - operating	51,303	38,060
Grants - capital	19,591	36,337
Contributions - monetary	3,467	2,798
Interest received	354	172
Trust funds and deposits taken	16,036	673
Trust funds and deposits repaid	(2,428)	(944)
Other receipts	6,007	2,680
Net GST refund/payment	9,266	12,104
Employee costs	(69,324)	(75,051)
Materials and services	(87,555)	(83,218)
Other payments	(21,634)	(9,951)
Net cash provided by/(used in) operating activities	90,695	77,600
	9.2	
Cash flows from investing activities		
Distribution of ERLC accumulated surplus	2,000	-
Payments for property, infrastructure, plant and equipment	(68,155)	(58,193)
Proceeds from sale of property, infrastructure, plant and equipment	828	426
Net cash provided by/(used in) investing activities	(65,327)	(57,767)
	6.2	
Cash flows from financing activities		
Finance costs	(411)	(602)
Repayment of borrowings	(3,838)	(3,654)
Interest paid - lease liability	(232)	(112)
Repayment of lease liabilities	(1,774)	(564)
Net cash flow provided by/(used in) financing activities	(6,255)	(4,932)
Net increase in cash and cash equivalents	19,113	14,901
Cash and cash equivalents at the beginning of the financial year	65,561	50,660
Cash and cash equivalents at the end of the financial year	84,674	65,561
Financing arrangements	5.6	6,695
Restrictions on cash assets	5.1	57,273
		12,033
		42,023

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 2022

	2022 \$ '000	2021 \$ '000
Property		
Land	–	1,971
Total land	<u>–</u>	<u>1,971</u>
Buildings	17,299	15,808
Building improvements	2,569	2,119
Total buildings	<u>19,868</u>	<u>17,927</u>
Total property	<u>19,868</u>	<u>19,898</u>
Plant and equipment		
Plant, machinery and equipment	2,220	1,799
Fixtures, fittings and furniture	29	4
Computers and telecommunications	2,227	2,149
Total plant and equipment	<u>4,476</u>	<u>3,952</u>
Infrastructure		
Roads	19,532	12,555
Bridges	541	171
Footpaths and cycleways	1,868	4,328
Drainage	1,312	1,137
Recreational, leisure and community facilities	9,429	4,445
Parks, open space and streetscapes	5,505	4,576
Off street car parks	798	601
Other infrastructure	4,837	5,320
Total infrastructure	<u>43,822</u>	<u>33,133</u>
Total capital works expenditure	<u>68,166</u>	<u>56,983</u>
Represented by:		
New asset expenditure	14,834	11,618
Asset renewal expenditure	20,716	21,014
Asset expansion expenditure	7,154	7,566
Asset upgrade expenditure	25,462	16,785
Total capital works expenditure	<u>68,166</u>	<u>56,983</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 2022

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. 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

(a) Basis of accounting

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)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 1. Overview (continued)

(b) Impact of Covid-19

During 2021-22 the COVID-19 pandemic continued to impact on Council's operations. Council has noted the following significant impacts on its financial operations:

- Revenue reductions – Parking infringements were lower than anticipated due to reduced level of activity from lockdowns in the first half of the financial year (\$0.2m); Revenue from pool registrations were also lower as only one third of the anticipated number of pool registrations occurred (\$0.2m).
- Revenue foregone – In March 2022, the Rate Recovery and Financial Hardship policy was reinstated after the policy was amended in 2020 to minimise the impact of Covid-19 on the community, however no prosecutions occurred during 2021-22 (\$0.5m).
- Additional costs – Council incurred additional costs for cleaning and disinfecting, information technology and communications (\$0.9m); and for providing targeted support to sections of the community most impacted by the pandemic (\$0.5m).

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Notes to the Financial Statements

for the year ended 30 June 2022

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 2022 \$ '000	Actual 2022 \$ '000	Variance \$ '000	Variance %	Ref
2.1.1 Income and expenditure					
Income					
Rates and charges	156,640	157,697	1,057	1%	1
Statutory fees and fines	3,096	2,670	(426)	(14)%	2
User fees	6,727	6,560	(167)	(2)%	
Grants - operating	25,825	48,475	22,650	88%	3
Grants - capital	36,424	27,238	(9,186)	(25)%	4
Contributions - monetary	1,898	3,407	1,509	80%	5
Contributions - non monetary	2,538	279	(2,259)	(89)%	6
Share of net profits of associates and joint ventures	—	162	162	∞	7
Other income	1,931	2,081	150	8%	
Total income	235,079	248,569	13,490	6%	
Expenses					
Employee costs	71,353	70,335	1,018	1%	8
Materials and services	83,224	98,547	(15,323)	(18)%	9
Depreciation	29,687	29,773	(86)	0%	
Amortisation - intangible assets	167	185	(18)	(11)%	10
Amortisation - right of use assets	1,738	1,860	(122)	(7)%	
Bad and doubtful debts	311	124	187	60%	11
Borrowing costs	1,087	411	676	62%	12
Finance costs - leases	116	232	(116)	(100)%	13
Net loss on disposal of property, infrastructure, plant and equipment	2,550	2,750	(200)	(8)%	
Other expenses	8,080	7,325	755	9%	14
Total expenses	198,313	211,542	(13,229)	(7)%	
Surplus/(deficit) for the year	36,766	37,027	261	1%	

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget (continued)

(i) Explanation of material variations

Variance Explanation

Ref

1. The favourable variance to budget is due to the impact of Covid-19 not being as severe as anticipated on the housing market resulting in higher actual supplementary valuations; higher interest on rates due to higher amounts in arrears outstanding; and higher special charge scheme revenue. These were partially offset by slightly lower general rates from properties impacted by the June 2021 storm.
2. Council's income from statutory fees and fines were lower than anticipated due to restrictions in place during the first half of the financial year. This negatively impacted on revenue received from parking infringements due to reduced level of activity. In March 2022, the Rate Recovery and Financial Hardship policy was reinstated after the policy was amended in 2020 to minimise the impact of Covid-19 on the community, however no prosecutions occurred during 2021-22. Revenue from pool registrations are also lower as only one third of the anticipated number of pool registrations occurred.
3. Council received an additional 25% of 2022-23 Victorian Grants Commission allocation before 30 June 2022. Council also received funding under the Disaster Recovery Funding Arrangements (DRFA), in relation to the storm events in June and October 2021. The impact of the storm events were not included in the adopted budget due to the timing of the event and Council not fully understanding the impacts before the budget was adopted.
4. Lower than anticipated grant recognition (\$9.2m) due to a number of grant funded projects being delayed in delivery. This includes RidgeWalk (\$3.8m), Yarra Valley Trail (\$3.4m), Community Sports Pavilion, Pinks Reserve, Kilsyth (\$1.5m), Pinks Reserve Stadium Improvements (\$1.5m) and Cement Creek Rd Bridge, East Warburton (\$1.3m). Offset by additional income recognised across Sports Reserves (\$1.6m) for lighting and playing surface projects and Playspaces (\$0.6m).
5. Higher than anticipated monetary contributions for public open space, developer contributions for the Lilydale Quarry (Kinley development) and the Indigenous Firestick project.
6. Gifted assets or assets acquired through developments and sub-divisions. These contributions are recognised when assets are handed over to Council and for 2021-22 includes land, roads and footpaths totalling \$0.3m.
7. This is not budgeted and only actual share of net surplus recognised at the end of each financial year.
8. Underspend in employee costs is due to unfilled vacancies and temporary work arrangements particularly during the first half of the financial year which was impacted by Covid-19 lockdowns.
9. Higher than anticipated due to additional clean up and infrastructure maintenance costs as a result of the June 2021 storm event, temporary staff increases post lockdown due to skills shortages, and higher software costs from maintaining the existing systems while implementing the new systems due to delays in the delivery of the YRConnect project in the previous year. These were partially offset by community programs and functions being cancelled due to Covid-19 lockdowns.
10. Higher progress rate anticipated for the YRConnect project in the previous financial year when the budget was set but this did not eventuate due to delays. Therefore, more spend was incurred in the 2021-22.
11. Lower than anticipated bad debt predominantly due to lower write-offs (\$0.2m) partially offset by higher infringements debts (\$0.1m).
12. Additional \$17m of borrowing was not required due to delays in the delivery of the Capital Program, higher grant funding received and sufficient funds available to meet obligations.
13. Higher than budget due to new fleet vehicles and the final decision to exercise the 2 year option for waste disposal contracts being made at the start of the financial year resulting in waste trucks being added under AASB16 Leases. These were included as short term leases in the previous financial year as the contracts were due to expire within 12 months.
14. Lower than anticipated community grants and donations due to delays in programs as a result of Covid-19 restrictions during the first half of the year.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget (continued)

	Budget 2022 \$ '000	Actual 2022 \$ '000	Variance \$ '000	Variance %	Ref
2.1.2 Capital works					
Property					
Land	—	—	—	∞	
Total land	—	—	—	∞	
Buildings	23,257	17,299	(5,958)	(26)%	1
Building improvements	4,068	2,569	(1,499)	(37)%	2
Total buildings	27,325	19,868	(7,457)	(27)%	
Total property	27,325	19,868	(7,457)	(27)%	
Plant and equipment					
Plant, machinery and equipment	3,957	2,220	(1,737)	(44)%	3
Fixtures, fittings and furniture	18	29	11	61%	4
Computers and telecommunications	917	2,227	1,310	143%	5
Total plant and equipment	4,892	4,476	(416)	(9)%	
Infrastructure					
Roads	18,868	19,532	664	4%	6
Bridges	1,794	541	(1,253)	(70)%	7
Footpaths and cycleways	2,106	1,868	(238)	(11)%	8
Drainage	1,495	1,312	(183)	(12)%	9
Recreational, leisure and community facilities	9,261	9,429	168	2%	
Parks, open space and streetscapes	18,445	5,505	(12,940)	(70)%	10
Off street car parks	505	798	293	58%	11
Other infrastructure	4,947	4,837	(110)	(2)%	
Total infrastructure	57,421	43,822	(13,599)	(24)%	
Total capital works expenditure	89,638	68,166	(21,472)	(24)%	
Represented by:					
New asset expenditure	25,728	14,834	(10,894)	(42)%	
Asset renewal expenditure	27,752	20,716	(7,036)	(25)%	
Asset expansion expenditure	10,127	7,154	(2,973)	(29)%	
Asset upgrade expenditure	26,031	25,462	(569)	(2)%	
Total capital works expenditure	89,638	68,166	(21,472)	(24)%	

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget (continued)

(i) Explanation of material variations

Variance Explanation

Ref

1. Supply and labour issues associated with Covid-19 have impacted the delivery of projects across this program. The variance also includes carry forward of the budget to 2022-23 to deliver projects including the Civic Centre Redevelopment (\$1.0m), Pinks Reserve Stadium Improvements (\$0.3m) and Kimberley Reserve Sporting Pavilion (\$0.3m).
2. Lower expenditure in the Building Minor Works Program (\$1.3m) and Aquatics Renewal works (\$0.2m).
3. Purchases for the Fleet replacement program lower than expected due to delays and supply shortage in the industry.
4. Additional automated external defibrillators installed at Council sites.
5. Higher than budgeted costs related to the YRConnect project (\$1.7m) offset by lower expenditure for Software (\$0.1) and Hardware (\$0.3) purchases.
6. Roads for the Community Initiative (\$0.8m) progressing in advance of budget offset by lower costs in the Roads Resurfacing Program (\$0.3m).
7. Delay in tendering for Cement Creek Rd Bridge, East Warburton. Works to be undertaken in 2022-23.
8. Includes carry forward of Warburton Highway, Wandin North project (\$0.2m).
9. Lower expenditure for Water Sensitive Urban Design Renewals (\$0.1m) and material shortages impacted the Drainage Rehabilitation program (\$0.1m).
10. Lower than expected expenditure for major trail projects including Yarra Valley Trail (\$6.0m) due to planning approval (appeal lodged with VCAT), Ridgewalk (\$3.7m) due to storm impacts, resourcing and complexity of procurement and Warburton Mountain Bike (\$2.6m) due to the Environmental Effects Statement hearing, awaiting decision from the Planning Minister. Township improvement projects in Belgrave, Sassafras and Healesville (\$0.8m).
11. Monbulk Recreation Reserve Car Park (originally budgeted in 2020-21) delivered in conjunction with external funding.

(*) Includes expenditure on software (\$2.6m). Refer to note 5.2(b) for movement in Intangibles (software).

Notes to the Financial Statements

for the year ended 30 June 2022

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 Chief Executive Officer (CEO) works closely with Council advocating on behalf of the municipality on issues of community importance and ensuring that the Council's affairs are transparent, effective and aligned to the Council vision and needs of the community. This office is responsible for Transformation, Digital & Data, Organisational Strategy, Advocacy, Corporate Planning and Performance and the Civic Centre Redevelopment.

The Corporate Services directorate provides services relating to a number of the internal functions and activities of the organisation. This directorate is responsible for People and Culture (including Human Resources, Payroll, Organisational Development and Workplace Relations), Financial Services (including Finance, Procurement, Risk, Governance and Rating Services) and Information Services (including Information Technology, Enterprise Systems and Information Management). This directorate also includes the Customer, Communications & Engagement teams, who operate Council's Contact Centre, Community Links front counter support, Customer feedback and support services, Community Engagement activities, as well as internal and external Communications.

Environment and Infrastructure

The Environment and Infrastructure directorate is responsible for Infrastructure Services, Recreation, Projects and Parks, Sustainable Environment and Facilities, and Assets and Capital Programming. Key services include the management and maintenance of Council's facilities, infrastructure and parks, strategic asset management, waste management, protection and enhancement of natural assets within the municipality and management of Council's capital works program.

Communities

The Communities directorate has responsibility for providing Community Support Services (including early years services, family and children services, youth services, immunisation, and healthy ageing services), Community Wellbeing (including Community Safety, Emergency Management, Environment Health, Indigenous Development, and Health and Wellbeing), Creative and Connected Communities (including operation and management of Council's cultural facilities, community and cultural development, and community building) and Social Infrastructure planning.

Planning, Design and Development

The Planning, Design and Development directorate has responsibility for providing Planning and Building Services (including Council's Statutory Planning and Building and Development Compliance services), Design and Place (including Strategic Planning, Urban Design and Landscape Architecture), Economic Development Investment and Attraction and Strategic Projects.

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.

Recovery

The Recovery Directorate is a temporary structure that will exist until the end of December 2022, that was created to support the Yarra Ranges community in their immediate needs associated with the COVID 19 pandemic, but also the impacts of the violent June 2021 storms. This teamwork with Councillors, our community, community based organisations and across the Council to support impacted communities with re-establishing their sense of stability in their economic, infrastructure and community networks as well as their individual lives through clean up, counselling and rebuilding support. Beyond December 2022 there will still be work to do which will be transitioned back into the standard organisational structures.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.2. Analysis of Council results by program (continued)

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

Functions/activities	Income \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income \$ '000	Total assets \$ '000
2022					
Office of the CEO and Corporate Services	634	27,027	(26,393)	1	157,765
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, Design and Development	4,310	10,961	(6,651)	675	5,206
Organisational Finance	180,065	34,954	145,111	20,446	–
Recovery	12,963	17,507	(4,544)	12,953	1,124
Total functions and activities	248,569	211,542	37,027	75,713	1,427,869
2021					
Office of the CEO and Corporate Services	9,257	36,905	(27,648)	8,939	112,337
Environment and Infrastructure	20,180	79,240	(59,060)	17,252	1,052,700
Communities	15,410	32,456	(17,046)	11,262	81,304
Planning, Design and Development	3,530	10,070	(6,540)	75	4,537
Organisational Finance	166,962	31,288	135,674	13,454	–
Recovery	133	2,086	(1,953)	135	–
Total functions and activities	215,472	192,045	23,427	51,117	1,250,878

Notes to the Financial Statements

for the year ended 30 June 2022

Note 3. Funding for the delivery of our services

	2022 \$ '000	2021 \$ '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 land, buildings and any other improvements.		
The valuation base used to calculate general rates for 2021/22 was \$45,905million (2020/21: \$43,860million).		
The 2021-22 general rate in the CIV dollar was \$0.002829 (2020-21 \$0.002894).		
General rates	131,138	128,864
Covid-19 rates waiver	–	(3,255)
Special rates and charges	1,518	–
Waste management charge	22,207	19,599
Supplementary rates and rate adjustments	1,205	567
Interest on rates	1,629	1,488
Total rates and charges	157,697	147,263

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2021 and the valuation will be applied to the rating year commencing 1 July 2021. Council's rate revenue increase complied with the Victorian Government rate cap of 1.5% set for 2021/22.

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	711	325
Town planning fees	1,655	1,595
Court recoveries	216	223
Other	88	243
Total statutory fees and fines	2,670	2,386

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.

Council's income from statutory fees and fines were significantly lower in 2020/21 due to longer restrictions in place for Covid-19. This negatively impacted on revenue received from parking infringements and planning applications and scheme amendments due to reduced level of activity. With restrictions lifted particularly in the second half of 2021/22, these activities have resumed normal operations resulting in increased income compared to the last financial year.

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
3.3 User fees		
Registration and other permits	1,514	1,209
Child care/children's programs	1,086	1,047
Animal control	1,260	1,276
Aged and health services	1,062	866
Leisure centre and recreation	395	241
Other fees and charges	627	513
Building services	616	575
Total user fees	6,560	5,727
User fees by timing of revenue recognition		
User fees recognised at a point in time	6,560	5,727
Total user fees	6,560	5,727

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.

With restrictions lifted in the second half of 2021-22 and activities resuming normal operations, user fees from Council's recreational, cultural and community facilities including child care services have seen an increase in 2021-22 compared to the previous year.

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	44,031	30,334
State funded grants	31,682	20,783
Total grants received	75,713	51,117
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	20,446	13,448
Aged care	3,745	2,857
Family and children	2,055	2,362
Recurrent - State Government		
Aged care	3,629	746
Maternal and child health	2,314	2,090
School crossing supervisors	611	634
Family and children	812	808
Community safety	108	619
Environmental planning	-	591
Community health	29	16
Recreation	34	120
Total recurrent operating grants	33,783	24,291
Non-recurrent - Commonwealth Government		
Family and children	-	8
Non-recurrent - State Government		
Environmental planning	1,387	1,481
Community safety	91	35
Working for Victoria	-	8,551
Family and children	277	619
Natural disaster events	12,926	653
Community health	11	119
Recreation	-	124
Total non-recurrent operating grants	14,692	11,590
Total operating grants	48,475	35,881
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	815	2,146
Roads for the community initiative	7,704	4,087
Total recurrent capital grants	8,519	6,233
Non-recurrent - Commonwealth Government		
Buildings	1,330	2,601
Recreation, leisure and community	2,331	907
Footpaths and cycleways	192	1,386
Off street carparks	237	114

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
Roads	4,859	418
Parks, open space and streetscape	317	–
Non-recurrent - State Government		
Buildings	4,375	851
Drainage	–	323
Roads	1,020	73
Off street carparks	4	78
Recreation, leisure and community	3,522	1,971
Parks, open space and streetscape	139	281
Bridges	24	–
Other	369	–
Total non-recurrent capital grants	18,719	9,003
Total capital grants	27,238	15,236

(c) Unspent grants received on condition that they be spent in a specific manner:**Operating**

Balance at start of year	6,714	4,629
Received during the financial year and remained unspent at balance date	6,850	2,840
Received in prior years and spent during the financial year	(3,874)	(755)
Balance at year end	9,690	6,714

Capital

Balance at start of year	32,859	10,289
Received during the financial year and remained unspent at balance date	5,622	25,902
Received in prior years and spend during the financial year	(6,956)	(3,332)
Balance at year end	31,525	32,859

Addendum

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

(d) Recognition of grant income

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
Income recognised under AASB 1058 Income of Not-for-Profit Entities		
General purpose	20,446	13,448
Specific purpose grants to acquire non-financial assets	27,238	15,236
Other specific purpose grants	18,339	15,719
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	9,690	6,714
	75,713	51,117

(*) Council received 75% of its 2022-23 Victorian Grants Commission allocation in 2021-22

3.5 Contributions

Monetary contributions

Contributions monetary - resort and recreation fees	2,577	2,077
Contributions monetary - operating	326	363
Contributions monetary - capital	504	5
Total monetary contributions	3,407	2,445

Non-monetary contributions

Non-monetary	279	4,112
Total non-monetary contributions	279	4,112

Total contributions

	3,686	6,557
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Contributions of non monetary assets were received in relation to the following asset classes.

Drains	–	2,595
Roads	4	1,339
Footpaths	25	3
Land under roads	–	175
Land	250	–
Total non-monetary contributions	279	4,112

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 2022

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

	2022 \$ '000	2021 \$ '000
3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Property, infrastructure, plant and equipment		
Proceeds of sale	828	453
Written down value of assets disposed	(3,578)	(2,115)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(2,750)	(1,662)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(2,750)	(1,662)

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	342	162
Rent	1,037	1,081
Cost recovery and reimbursements	702	918
Total other income	2,081	2,161

Interest is recognised as it is earned.

The higher interest income earned in 2021-22 is due to the higher opening cash balance (2022: \$65m, 2021: \$51m) and net inflows of \$19m over the financial year.

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 2022

Note 4. The cost of delivering services

	2022 \$ '000	2021 \$ '000
4.1 Employee costs		
(a) Employee costs		
Wages and salaries	61,024	62,705
Superannuation	6,516	6,224
Other employee costs	1,492	1,521
WorkCover	952	1,116
Fringe benefits tax	351	350
Total employee costs	70,335	71,916
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	202	235
	202	235
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,121	3,280
Employer contributions - other funds	3,193	2,709
Total accumulation funds	6,314	5,989
Employer contributions payable at reporting date	262	200
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 2022

Note 4. The cost of delivering services (continued)

	2022 \$ '000	2021 \$ '000
4.2 Materials and services		
Major contracts payments*	41,258	33,273
Other contract payments	15,225	20,760
Storms Recovery	13,157	1,966
Office administration	7,295	5,089
Consultants	3,879	3,296
Utilities	2,979	2,306
Building maintenance	5,264	5,142
Information technology	5,628	4,128
Community seminars and programs	1,123	575
General maintenance	2,255	1,942
Other materials and services	484	358
Total materials and services	98,547	78,835
*Major contract payments		
Garbage collection and disposal	11,247	9,038
Contracted services for programmed maintenance	7,197	7,218
General recycling service	4,207	3,589
Green waste collection and disposal	3,457	3,410
Hard waste service	3,153	1,911
Trees reactive maintenance	6,210	4,430
Aquatic facility management	2,550	1,657
Insurance	1,798	1,434
Building Maintenance – minor works	1,439	586
Total major contract payments	41,258	33,273

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 2022

Note 4. The cost of delivering services (continued)

	2022 \$ '000	2021 \$ '000
4.3 Depreciation		
Property		
Land improvements	261	241
Heritage buildings	136	129
Buildings - specialised	7,557	7,590
Buildings - non specialised	36	98
Building improvements	322	325
Leasehold improvements	61	61
Total depreciation - property	8,373	8,444
Plant and equipment		
Plant machinery and equipment	1,612	1,477
Fixtures fittings and furniture	131	188
Computers and telecomms	416	242
Total depreciation - plant and equipment	2,159	1,907
Infrastructure		
Roads	8,325	8,220
Bridges	909	476
Footpaths and cycleways	1,704	1,623
Drainage	2,784	2,887
Recreational, leisure and community	3,082	3,064
Parks open spaces and streetscapes	1,333	1,074
Off street car parks	691	677
Other infrastructure	413	414
Total depreciation - infrastructure	19,241	18,435
Total depreciation	29,773	28,786

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

4.4 Amortisation - Intangible assets

Intangible assets	185	152
Total Amortisation - Intangible assets	185	152

Refer to note 5.2(b) for a more detailed breakdown of amortisation charges and accounting policy

4.5 Amortisation - Right of use assets

Property	347	380
Vehicles	1,447	150
Information technology	66	64
Total Amortisation - Right of use assets	1,860	594

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 4. The cost of delivering services (continued)

	2022 \$ '000	2021 \$ '000
4.6 Bad and doubtful debts		
Other debtors	124	205
Total bad and doubtful debts	124	205
Movement in provisions for doubtful debts		
Balance at the beginning of the year	274	286
New provisions recognised during the year	16	6
Amounts already provided for and written off as uncollectible	(5)	(18)
Balance at end of year	285	274
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.		
4.7 Borrowing costs		
Interest - Borrowings	411	595
Total borrowing costs	411	595
Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and interest on borrowings		
4.8 Finance Costs - Leases		
Interest - Lease Liabilities	232	112
Total finance costs	232	112
4.9 Other expenses		
Council contributions and grants	6,433	8,307
Operating lease rentals	350	406
Councillors' allowances	399	362
Councillors other expenses and reimbursements	19	21
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	57	59
Auditors' remuneration - Internal Audit	67	33
Total other expenses	7,325	9,188

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position

	Note	2022 \$ '000	2021 \$ '000
5.1 Financial assets			
(a) Cash and cash equivalents			
Current			
Deposits at call		7,500	7,500
Cash at bank		77,170	58,057
Cash on hand		4	4
Total current cash and cash equivalents		84,674	65,561
(b) Other financial assets			
External restrictions			
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
Trust funds and deposits	5.3	16,036	2,428
Museum of Lilydale Gift Fund		22	22
Funding received in advance held to deliver capital projects	5.3	31,525	32,859
Funding received in advance - operating	5.3	9,690	6,714
Total restricted funds		57,273	42,023
Total unrestricted cash and cash equivalents		27,401	23,538
Intended allocations			
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:			
Cash held to fund carried forward capital works		5,576	12,734
Development of recreational land	9.1	12,909	10,705
Government grants at balance date	3.4	2,088	2,923
ERLC Asset Reserve Fund	6.3	2,000	—
Total funds subject to intended allocations		22,573	26,362

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 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
(c) Trade & Other Receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	28,435	25,981
Rates Clearing	(28)	(10)
Special rate and charges	333	381
Environmental upgrade agreement receivables	662	752
Net GST receivables	2,615	1,747
Infringement debtors	1,445	1,141
<i>Non-statutory receivables</i>		
Other debtors	3,603	4,752
<i>Less provision for doubtful debts</i>		
Provision for doubtful debts - other debtors	(97)	(102)
Provision for doubtful debts - infringements	(75)	(59)
Provision for doubtful debts - rates debtors	(113)	(113)
Total current trade and other receivables	36,780	34,470
Non-Current		
<i>Statutory receivables</i>		
Special rates and charges	1,088	1,365
Total non-current trade and other receivables	1,088	1,365
Total trade and other receivables	37,868	35,835

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)	1,278	1,198
Past due by up to 30 days	86	1,598
Past due between 31 and 180 days	188	368
Past due between 181 and 365 days	154	36
Past due by more than 1 year	1,897	1,552
Total trade and other receivables	3,603	4,752

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$96,852 (2021: \$101,665) were impaired. The amount of the provision raised against these debtors was \$96,852 (2021: \$101,665). 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	26	15
Past due by more than 1 year	71	87
Total impairment of trade and other receivables	97	102

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000	
5.2 Non-financial assets			
(a) Other assets			
Current			
Prepayments	1,564	2,151	
Accrued income	13,779	3,267	
Total current other assets	15,343	5,418	
(b) Intangible assets			
Software	5,071	4,457	
Intangible assets - Accumulated Depreciation	(4,486)	(4,302)	
Work in Progress - Intangibles	4,135	–	
Total intangible assets	4,720	155	
	Software	Work in Progress -	Total
	\$ '000	Intangibles	\$ '000
		\$ '000	\$ '000
Movement in gross carrying amount			
Gross Carrying Amount			
Balance at 1 July 2021	4,457	–	4,457
Additions from internal developments	614	2,632	3,246
Transfers in	–	2,129	2,129
Transfers out	–	(626)	(626)
Balance at 30 June 2022	5,071	4,135	9,206
Accumulated amortisation and impairment			
Balance at 1 July 2021	4,302	–	4,302
Amortisation expense	184	–	184
Balance at 30 June 2022	4,486	–	4,486
Net book value at 30 June 2021	155	–	155
Net book value at 30 June 2022	585	4,135	4,720

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 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '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	14,243	2,159
Accrued expenses	6,721	10,565
Prepaid income	8,253	1,515
Loan interest accrued	4	10
Total current trade and other payables	29,221	14,249

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.

The significantly lower 2020-21 balance is due to all Trade Creditors being paid prior to 30 June to facilitate the financial system migration on 1 July 2021.

(b) Trust funds and deposits

Current		
Refundable deposits	2,583	1,612
Retention amounts	55	76
Fire services property levy	12,736	(11)
Environmental upgrade agreement payables	662	751
Total current trust funds and deposits	16,036	2,428

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. During 2021-22, Council entered into EUAs with 2 business organisations and \$662k were outstanding as receivable, as shown under Note 5.1(c), and payable as shown in the above Note 5.3 (b) as at 30 June 2022. At the end of June 2022, there were 7 EUA charges in operation and no outstanding EUAs had fallen due and not paid.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
(c) Unearned income/revenue		
Current		
Grants received in advance:		
Grants received in advance - operating	9,690	6,714
Grants received in advance - capital	31,525	32,859
Total grants received in advance	41,215	39,573
Total unearned income/revenue	41,215	39,573

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	3,184	3,838
	3,184	3,838
Non-current		
Borrowings - secured	3,111	6,295
	3,111	6,295
Total	6,295	10,133

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	3,184	3,838
Later than one year and not later than five years	3,111	6,295
Later than five years	-	-
	6,295	10,133

Aggregate carrying amount of interest-bearing loans and borrowings:

Current	3,184	3,838
Non-current	3,111	6,295
Total interest-bearing loans and borrowings	6,295	10,133

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 2022

Note 5. Our financial position (continued)

	Employee provisions \$ '000	Landfill restoration \$ '000	Special rates and charges \$ '000	Other \$ '000	Total \$ '000
5.5 Provisions					
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
2021					
Balance at the beginning of the financial year	17,724	3,948	430	6	22,108
Additional provisions	3,472	2,364	–	–	5,836
Amounts used	(2,081)	(657)	(32)	–	(2,770)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(53)	(26)	–	–	(79)
Balance at the end of the financial year	19,062	5,629	398	6	25,095

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	6,629	6,419
Long service leave	1,103	1,094
Other entitlements	119	114
	<u>7,851</u>	<u>7,627</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	23	27
Long service leave	9,929	9,843
	<u>9,952</u>	<u>9,870</u>
Total current employee provisions	<u>17,803</u>	<u>17,497</u>
Non-Current		
Long service leave	1,365	1,565
Total Non-Current Employee Provisions	<u>1,365</u>	<u>1,565</u>
Aggregate Carrying Amount of Employee Provisions:		
Current	17,803	17,497
Non-current	1,365	1,565
Total Aggregate Carrying Amount of Employee Provisions	<u>19,168</u>	<u>19,062</u>
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	1.25%	2.00%
Weighted average discount rates	3.69%	1.49%

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '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	2,102	1,663
Total current	2,102	1,663
Non-current		
Non-current	3,554	3,966
Total non-current	3,554	3,966
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	2.00%	2.00%
Weighted average discount rates	2.65%	1.49%
(c) Other provisions		
Current		
Special rates and charges	77	86
Other	456	6
	533	92
Non-Current		
Special rates and charges	248	312
	248	312
Summary of provisions		
Current	20,438	19,252
Non-current	5,167	5,843
Total provisions	25,605	25,095

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
5.6 Financing arrangements		
The Council has the following funding arrangements in place as at 30 June 2022.		
Bank overdraft	–	1,500
Credit card facilities	400	400
Interest bearing borrowings	6,295	10,133
Total Facilities	6,695	12,033
Used facilities	6,362	10,204
Used facilities	6,362	10,204
Unused facilities	333	1,829

During the financial year, the municipality identified that it no longer required an overdraft, and this was closed in January 2022.

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 2022

Note 5. Our financial position (continued)

	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
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.					
2022					
Operating					
Waste Management	25,369	10,657	5,243	—	41,269
Buildings maintenance	2,498	—	—	—	2,498
Open space management	2,140	1,485	1,342	—	4,967
Consultancies	2,937	2,083	106	23	5,149
Other	7,244	5,622	11,741	6,631	31,238
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
2021					
Operating					
Waste Management	11,410	11,408	2,852	—	25,670
Buildings maintenance	8,508	—	—	—	8,508
Open space management	4,770	587	345	—	5,702
Consultancies	15,120	1,209	402	—	16,731
Other	—	—	—	—	—
Total	39,808	13,204	3,599	—	56,611
Capital					
Buildings	14,655	2,000	1,499	—	18,154
Roads	4,761	355	—	—	5,116
Other	28,733	4,708	2,032	3	35,476
Total	48,149	7,063	3,531	3	58,746
Total Commitments	87,957	20,267	7,130	3	115,357

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

5.8 Leases

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

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

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

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

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

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

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

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

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

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

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

There are no significant leases of this nature.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

(a) Right-of-Use Assets

	Property \$ '000	Vehicles \$ '000	Other \$ '000	Total \$ '000
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
2021				
Balance at 1 July	1,112	316	166	1,594
Additions	29	638	–	667
Amortisation charge	(380)	(150)	(63)	(593)
Balance at 30 June	761	804	103	1,668
			2022 \$ '000	2021 \$ '000

(b) Lease Liabilities

Maturity analysis - contractual undiscounted cash flows

Less than one year	1,840	451
One to five years	1,617	1,001
More than five years	1,064	296
Total undiscounted lease liabilities as at 30 June:	4,521	1,748

Lease liabilities included in the Balance Sheet at 30 June:

Current	1,694	451
Non-current	1,944	1,297
Total lease liabilities	3,638	1,748

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:

Short-term leases	–	163
Leases of low value assets	200	601
Total	200	764

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

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

Payable:

Within one year	200	194
Later than one year but not later than five years	–	115
Later than five years	–	41
Total lease commitments	200	350

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage

6.1 Non-current assets classified as "held for sale"

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

Council did not have any non-current assets classified as held for sale as at 30 June 2022 (2021:Nil).

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Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	Carrying amount 30 June 2021 \$ '000	Additions \$ '000	Contributions \$ '000	Revaluation \$ '000	Depreciation \$ '000	Disposal \$ '000	Transfers \$ '000	Impairment \$ '000	Carrying amount 30 June 2022 \$ '000
Property	572,630	5,771	250	38,066	(8,373)	–	11,709	(656)	619,397
Plant and equipment	11,940	3,206	–	–	(2,159)	(324)	3,214	–	15,877
Infrastructure	470,399	5,682	29	73,770	(19,241)	(3,254)	24,150	–	551,535
Work in progress	81,872	50,875	–	–	–	–	(41,202)	–	91,545
Total	1,136,841	65,534	279	111,836	(29,773)	(3,578)	(2,129)	(656)	1,278,354

(*) Note: The Work in Progress balance disclosed in Note 6.2 does not include intangible (Software) expenditure. Refer to Note 5.2(b) for disclosure of movement in Intangibles.

Summary of Work in Progress	Opening WIP \$ '000	Additions \$ '000	Transfers \$ '000	Closing WIP \$ '000
Property	19,347	12,140	(11,709)	19,778
Plant and equipment	5,448	875	(5,332)	991
Infrastructure	57,077	37,860	(24,161)	70,776
Total	81,872	50,875	(41,202)	91,545

Notes to the Financial Statements for the year ended 30 June 2022

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 2021	329,317	58,155	6,718	394,190	5,436	172,244	822	5,127	1,819	185,448	19,347	598,985
Accumulated depreciation at 1 July 2021	–	–	(4,189)	(4,189)	–	–	–	(2,153)	(666)	(2,819)	–	(7,008)
Carrying amount - 1 July 2021	<u>329,317</u>	<u>58,155</u>	<u>2,529</u>	<u>390,001</u>	<u>5,436</u>	<u>172,244</u>	<u>822</u>	<u>2,974</u>	<u>1,153</u>	<u>182,629</u>	<u>19,347</u>	<u>591,977</u>
Movements in fair value												
Additions	–	–	78	78	–	4,810	–	883	–	5,693	12,140	17,911
Contributions	250	–	–	250	–	–	–	–	–	–	–	250
Revaluation	16,394	21,672	–	38,066	–	–	–	–	–	–	–	38,066
Impairment losses recognised in operating result	–	–	–	–	–	(686)	–	–	–	(686)	–	(686)
Transfers	–	–	847	847	–	10,860	–	2	–	10,862	(11,709)	–
Total movements in fair value	<u>16,644</u>	<u>21,672</u>	<u>925</u>	<u>39,241</u>	<u>–</u>	<u>14,984</u>	<u>–</u>	<u>885</u>	<u>–</u>	<u>15,869</u>	<u>431</u>	<u>55,541</u>
Movements in accumulated depreciation												
Depreciation and amortisation	–	–	(261)	(261)	(136)	(7,557)	(36)	(322)	(61)	(8,112)	–	(8,373)
Impairment losses recognised in operating result	–	–	–	–	–	30	–	–	–	30	–	30
Total movements in accumulated depreciation	<u>–</u>	<u>–</u>	<u>(261)</u>	<u>(261)</u>	<u>(136)</u>	<u>(7,527)</u>	<u>(36)</u>	<u>(322)</u>	<u>(61)</u>	<u>(8,082)</u>	<u>–</u>	<u>(8,343)</u>
At fair value 30 June 2022	345,961	79,827	7,643	433,431	5,436	187,228	822	6,012	1,819	201,317	19,778	654,526
Accumulated depreciation at 30 June 2022	–	–	(4,450)	(4,450)	(136)	(7,527)	(36)	(2,475)	(727)	(10,901)	–	(15,351)
Carrying amount - 30 June 2022	<u>345,961</u>	<u>79,827</u>	<u>3,193</u>	<u>428,981</u>	<u>5,300</u>	<u>179,701</u>	<u>786</u>	<u>3,537</u>	<u>1,092</u>	<u>190,416</u>	<u>19,778</u>	<u>639,175</u>

Notes to the Financial Statements

for the year ended 30 June 2022

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 2021	15,783	3,094	3,257	3,865	25,999	5,448	31,447
Accumulated depreciation at 1 July 2021	(8,971)	(2,229)	(2,859)	–	(14,059)	–	(14,059)
Carrying amount - 1 July 2021	6,812	865	398	3,865	11,940	5,448	17,388
Movements in fair value							
Additions	1,482	1,693	–	31	3,206	875	4,081
Disposal	(1,271)	–	–	–	(1,271)	–	(1,271)
Transfers	1,804	15	1,395	–	3,214	(5,332)	(2,118)
Total movements in fair value	2,015	1,708	1,395	31	5,149	(4,457)	692
Movements in accumulated depreciation							
Depreciation and amortisation	(1,612)	(131)	(416)	–	(2,159)	–	(2,159)
Accumulated depreciation of disposals	947	–	–	–	947	–	947
Total movements in accumulated depreciation	(665)	(131)	(416)	–	(1,212)	–	(1,212)
At fair value 30 June 2022	17,798	4,802	4,652	3,896	31,148	991	32,139
Accumulated depreciation at 30 June 2022	(9,636)	(2,360)	(3,275)	–	(15,271)	–	(15,271)
Carrying amount - 30 June 2022	8,162	2,442	1,377	3,896	15,877	991	16,868

Notes to the Financial Statements

for the year ended 30 June 2022

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 2021	389,318	35,141	82,521	235,705	92,286	28,222	28,483	13,258	904,934	57,077	962,011
Accumulated depreciation at 1 July 2021	(182,244)	(17,430)	(48,521)	(105,729)	(48,673)	(14,299)	(10,200)	(7,439)	(434,535)	–	(434,535)
Carrying amount - 1 July 2021	207,074	17,711	34,000	129,976	43,613	13,923	18,283	5,819	470,399	57,077	527,476
Movements in fair value											
Additions	1,364	–	307	2,288	553	807	363	–	5,682	37,860	43,542
Contributions	4	–	25	–	–	–	–	–	29	–	29
Revaluation	–	32,987	–	77,166	–	–	(2,704)	–	107,449	–	107,449
Disposal	(6,128)	(24)	(385)	(100)	(56)	(806)	(1,083)	–	(8,582)	–	(8,582)
Transfers	8,501	–	1,862	3,587	4,607	3,742	1,850	–	24,149	(24,161)	(12)
Total movements in fair value	3,741	32,963	1,809	82,941	5,104	3,743	(1,574)	–	128,727	13,699	142,426
Movements in accumulated depreciation											
Depreciation and amortisation	(8,325)	(909)	(1,704)	(2,784)	(3,082)	(1,333)	(691)	(413)	(19,241)	–	(19,241)
Accumulated depreciation of disposals	4,168	5	346	44	42	615	108	–	5,328	–	5,328
Accumulated depreciation of revaluation	–	(17,340)	–	(18,817)	–	–	2,478	–	(33,679)	–	(33,679)
Transfers	–	–	–	–	–	–	–	–	–	–	–
Total movements in accumulated depreciation	(4,157)	(18,244)	(1,358)	(21,557)	(3,040)	(718)	1,895	(413)	(47,592)	–	(47,592)
At fair value 30 June 2022	393,059	68,105	84,330	318,648	97,389	31,965	26,909	13,258	1,033,663	70,776	1,104,439
Accumulated depreciation at 30 June 2022	(186,401)	(35,675)	(49,879)	(127,286)	(51,713)	(15,017)	(8,305)	(7,852)	(482,128)	–	(482,128)
Carrying amount - 30 June 2022	206,658	32,430	34,451	191,362	45,676	16,948	18,604	5,406	551,535	70,776	622,311

Notes to the Financial Statements

for the year ended 30 June 2022

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.

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 2022

Note 6. Assets we manage (continued)

Land under roads

AASB 1051 - Land Under Roads provides four options (as below) to recognise Land Under Roads:

- (i) recognise all land under roads at fair value (preferred option)
- (ii) recognise all land under roads at (deemed) cost
- (iii) recognise land under roads acquired after 1 July 2008 at fair value
- (iv) recognise land under roads acquired after 1 July 2008 at (deemed) cost

Council has elected to use the option to recognise land under roads acquired after 1 July 2008 at (deemed) cost, which is calculated based on the site value of the municipality per m2 discounted by 90% for englobo (undeveloped and / or unserved) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services.

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

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the costs are 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

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 unserved) 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.

Valuation of Council's land and building has been conducted in June 2022 by Council's qualified independent valuer - Herron Todd White Ltd. Details of Council's land and buildings, information about the fair value hierarchy as at 30 June 2022 and the date of the latest valuation is detailed in the following table. Buildings valuation had an insignificant movement of \$2,492,800 and no adjustment recorded for 2021-22.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

	Level 1 2022 \$ '000	Level 2 2022 \$ '000	Level 3 2022 \$ '000	Date of valuation
Land	–	79,827	–	30/06/22
Specialised land	–	–	345,961	30/06/22
Land improvements	–	–	3,193	30/06/16
Heritage buildings	–	–	5,300	30/06/22
Buildings	–	–	179,701	30/06/22
Specialised buildings	–	–	786	30/06/22
Building improvements	–	–	3,537	N/A
Leasehold improvements	–	–	1,092	N/A
Total	–	79,827	539,570	

Valuation of Infrastructure

Council's drainage, offstreet carparks and bridges assets were valued at 30 June 2022. Council's Roads assets were valued at June 2019 and Footpaths & Cycleways valued at June 2020. 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. Details of Council's infrastructure, information about the fair value hierarchy as at 30 June 2022 and the date of the current valuation is detailed in the following table:

	Level 1 2022 \$ '000	Level 2 2022 \$ '000	Level 3 2022 \$ '000	Date of valuation
Roads	–	–	206,658	30/06/19
Footpaths and cycleways	–	–	34,451	30/06/20
Drainage	–	–	191,362	30/06/22
Bridges	–	–	32,430	30/06/22
Recreational, leisure and community	–	–	45,676	30/06/18
Parks, open space & streetscapes	–	–	16,948	30/06/16
Off street car parks	–	–	18,604	30/06/22
Other Infrastructure	–	–	5,406	30/06/16
Total	–	–	551,535	

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 \$1,650 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 \$161 to \$16,640 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 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.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

Reconciliation of specialised land

	2022 \$ '000	2021 \$ '000
Land under roads	296	255
Parks and reserves	345,665	355,085
Total specialised land	345,961	355,340

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.

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Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

	Note	2022 \$ '000	2021 \$ '000
6.3 Investments in associates			
Investments in associates accounted for by the equity method are:			
Eastern Regional Library Corporation		3,561	5,400
Total investments in associates		3,561	5,400
Eastern Regional Library Corporation			
On 1 July 1996 the Eastern Regional Library Corporation (ERL) commenced operations. Yarra Ranges Shire Council recognises its interest in the net assets of the ERL as an investment in accordance with AASB 128 'Investments in Associates'. In 2022 Council's interest was 38.72% of net assets (2021 38.72%). This is based on the audited statements of the ERL.			
Fair value of Council's investment in Eastern Regional Library Corporation		3,561	5,400
Council's share of accumulated surplus/(deficit)			
Council's share of accumulated surplus/(deficit) at start of year		5,400	5,139
Distribution of accumulated surplus		(2,000)	–
Reported surplus/(deficit) for year		161	261
Council's share of accumulated surplus/(deficit) at end of year		3,561	5,400
Movement in carrying value of specific investment			
Carrying value of investment at start of year		5,400	5,139
Distribution of accumulated surplus	5.1	(2,000)	–
Share of surplus/(deficit) for year		161	261
Carrying value of investment at end of year		3,561	5,400
Council's Share of Expenditure Commitments			
Lease commitments		28	72
Council's Share of Expenditure Commitments		28	72

Associates are all entities over which Council has significant influence but not control or joint control. Council's investment in associates is accounted for by the equity method as Council has the ability to influence rather than control the operation of the entity. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in Council's share of the net assets of the entity. Council's share of the financial result of the entity is recognised in the Comprehensive Income Statement.

ERL made a distribution of its accumulated surplus to member councils in 2021-22 due to investments returns showing a steady decline over the last 12 to 18 months. The distribution of \$2m 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. The \$2m distribution is disclosed in note 5.1 as an intended allocation.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 7. People and relationships

7.1 Council and key management remuneration

(a) Related Parties*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 Shire 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 from 9 November 2021 to 30 June 2022, Councillor from 1 July 2021 to 8 November 2021)
 Johanna Skelton (Deputy Mayor from 9 November 2021 to 30 June 2022, Councillor from 1 July 2021 to 8 November 2021)
 Andrew Fullagar (Councillor from 1 March 2022 to 30 June 2022)
 Cathrine Burnett-Wake (Councillor from 1 July 2021 to 6 November 2021)
 David Eastham (Deputy Mayor from 1 July 2021 to 8 November 2021, Councillor from 9 November 2021 to 30 June 2022)
 Fiona McAllister (Mayor from 1 July 2021 to 08 November 2021, Councillor from 9 November to 30 June 2022)
 Len Cox (Councillor from 1 July 2021 to 30 June 2022)
 Richard Higgins (Councillor from 1 July 2021 to 30 June 2022)
 Sophie Todorov (Councillor from 1 July 2021 to 30 June 2022)
 Timothy Heenan (Councillor from 1 July 2021 to 30 June 2022)

Chief Executive Officer and other key management personnel

Chief Executive Officer - Tamara Rose (from 1 July 2021 to 30 June 2022)
 Director Planning, Design & Development - Kathleen McClusky (from 1 July 2021 to 30 June 2022)
 Director Communities - Jane Price (from 1 July 2021 to 30 June 2022)
 Director Corporate Services - Andrew Hilson (from 1 July 2021 to 30 June 2022)
 Director Recovery - Jane Sinnamon (from 1 July 2021 to 30 June 2022)
 Director Environment & Infrastructure - Mark Varmalis (from 1 July 2021 to 30 June 2022)

	2022 No.	2021 No.
Total Number of Councillors	10	13
Total of Chief Executive Officer and other Key Management Personnel	6	5
Total Number of Key Management Personnel	16	18

Notes to the Financial Statements

for the year ended 30 June 2022

Note 7. People and relationships (continued)

	2022 \$ '000	2021 \$ '000
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits	2,112	1,855
Post employment benefits	161	167
Long-term benefits	43	22
Total	2,316	2,044

	2022 No.	2021 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	4
\$20,000 - \$29,999	1	4
\$30,000 - \$39,999	5	3
\$40,000 - \$49,999	1	-
\$60,000 - \$69,999	-	1
\$90,000 - \$99,999	-	1
\$110,000 - \$119,999	1	-
\$270,000 - \$279,999	1	-
\$300,000 - \$309,999	3	4
\$310,000 - \$319,999	1	-
\$400,000 - \$409,999	1	1
	16	18

(d) Senior Officer Remuneration

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

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

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

	2022 No.	2021 No.
Income Range:		
\$150,000 - \$159,999	1	1
\$160,000 - \$169,999	-	2
\$170,000 - \$179,999	3	4
\$180,000 - \$189,999	3	5
\$190,000 - \$199,999	3	2
\$200,000 - \$209,999	5	1
\$210,000 - \$219,999	5	3
\$220,000 - \$229,999	2	-
\$230,000 - \$239,999	1	-
	23	18

Notes to the Financial Statements

for the year ended 30 June 2022

Note 7. People and relationships (continued)

	2022 \$ '000	2021 \$ '000
Total Remuneration for the reporting year for Senior Officers included above amounted to:	4,599	3,369

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	3,842	3,648
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There were 4 transactions that occurred during the current period with one related party as contributions to the Eastern Regional Libraries. The total of these transactions was \$3,842,254.

(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 2022

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 are 2 major subdivisions and other developments underway as at 30 June 2022, 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 19 outstanding claims as at 30 June 2022 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 2021-22. 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.

Bank guarantees

The amount disclosed for financial guarantee in this note is the outstanding amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee. As at 30 June 2022, Council has provided bank guarantees for community groups totalling \$76.59 (2021: \$17,419). The bank guarantees are secured via a mortgage over Council rates. At balance date Council has received assurances from the clubs that they are continuing to meet all repayments in accordance with the requirements of the loan agreement.

Community organisation	Financial institution	Purpose	Original loan amount	Amount outstanding 30 June 2022	Year loan commenced
Montrose Football Club	Bendigo Bank	Assist with development of club	\$25,000	\$76.59	2014-2015

Financial guarantee contracts are not recognised as a liability in the Balance Sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 8. Managing uncertainties (continued)

Eastern Regional Waste Management Group – Provision for Rehabilitation of Narre Warren Landfill

Yarra Ranges Shire Council is a member of the Narre Warren Landfill User Group (NWUG) which has created a provision for the site rehabilitation at Narre Warren landfill. Yarra Ranges Shire Council has shared responsibility with the other members of the NWUG for the rehabilitation works. If costs exceed the provision, additional funding may be required as a contribution from the member councils of the former Eastern Regional Waste Management Group (Least Waste) who managed the works on behalf of NWUG. As of 30 June 2022, NWUG held \$1,534,308.12 (2021: \$1,641,314.65) in trust for future liabilities. If this amount is insufficient to cover the liability, Council's share of the additional liability will be limited to 3.68% no change from last year. The landfill rehabilitation works were completed in prior years and have been handed back to City of Casey. City of Casey manage the ongoing rehabilitation and works required from the Provisional fund. There was no financial contribution made for the 2021-22 financial year.

Extreme Weather Event June 2021

Yarra Ranges community experienced a Severe Weather Event Wednesday 9 June 2021. This was noted in the 2021 Financial Statements, however the impact on the region and the financial implications were not known at the time of preparing the 2021 Financial Statements. Costs incurred have been recognised in the 2022 Financial Statements. 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. Assessment of claims is six months in arrears, so an estimate of revenue from the likely outcome of those claims has been made and included in the 2022 Financial Statements.

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;
- Bushfire Recovery Victoria (BRV) funding under a separate funding agreement for a Special Storm Branch Kerbside 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 Fairness, Families and Housing (DFFH).

Revenue has been recorded in the 2022 Financial Statements to the extent that the programs funded above have been delivered.

Additional information is provided in Note 11.

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. Council assesses the impact of these new standards. As at 30 June 2022 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 2022

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 2022

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 + 2 % and - 0.5 % in market interest rates (AUD) from year-end rates of 0.85% 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 2022

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.

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

Impairment of assets

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 8. Managing uncertainties (continued)

8.5 Events occurring after balance date

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

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Notes to the Financial Statements

for the year ended 30 June 2022

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			
2022			
Property			
Land - specialised	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
2021			
Property			
Land - specialised	273,510	13,383	286,893
Land and land improvements	1,716	–	1,716
Buildings	51,064	8,080	59,144
	326,290	21,463	347,753
Other - P&E	1,951	–	1,951
	1,951	–	1,951
Infrastructure			
Roads	114,364	–	114,364
Bridges	7,461	–	7,461
Footpaths and cycleways	13,954	–	13,954
Drainage	58,254	–	58,254
Recreational, leisure and community facilities	18,609	–	18,609
Parks, open space and streetscapes	2,110	–	2,110
Offstreet car parks	12,277	–	12,277
Other infrastructure	1,985	–	1,985
	229,014	–	229,014
Total asset revaluation reserves	557,255	21,463	578,718

Notes to the Financial Statements

for the year ended 30 June 2022

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				
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
2021				
Public open space / development of recreational land	8,886	2,936	(1,117)	10,705
Total Other reserves	8,886	2,936	(1,117)	10,705

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.

	2022 \$ '000	2021 \$ '000
Summary of reserves		
Asset Revaluation Reserve	689,898	578,718
Other Reserves	12,909	10,705
Total Reserves	702,807	589,423

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Other matters (continued)

	2022 \$ '000	2021 \$ '000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	37,027	23,427
Depreciation/amortisation	31,818	29,533
Net loss on disposal of property, infrastructure, plant and equipment	2,750	1,662
Contributions - Non-monetary assets	(279)	(4,112)
Share of net profits of associates and joint ventures	(162)	(261)
Finance cost	643	707
Write-offs of property, plant & equipment	-	9
Bad debts written off	124	205
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(2,157)	(3,982)
(Increase)/decrease in prepayments	587	(82)
(Increase)/decrease in accrued income	(10,512)	921
Increase/(decrease) in trade and other payables	15,096	26,895
Increase/(decrease) in provisions	510	2,985
Increase/(decrease) in trust funds	13,608	(307)
Increase/(decrease) in Unearned income /revenue	1,642	-
Net cash provided by/(used in) operating activities	90,695	77,600

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 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%)).

Defined Benefit

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

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

Funding Arrangements

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

As at 30 June 2021, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Other matters (continued)

The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 109.8%. The financial assumptions used to calculate the VBI were:

Net investment returns 4.75% pa
Salary information 2.75% pa
Price inflation (CPI) 2.25% pa.

As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. It is expected to be completed by 31 October 2022.

Vision Super has advised that the VBI at 30 June 2022 was 102.2%. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). The financial assumptions used to calculate this VBI were:

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

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 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 2021 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 2022, this rate was 10.0% of members' salaries (9.5% in 2020/21). 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 2020 triennial valuation.

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

(b) Funding calls

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

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

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

The 2021 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 2021 and the last full investigation was conducted as at 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Other matters (continued)

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

	2021 (Interim) \$m	2020 (Triennial) \$m
- A VBI Surplus	214.7	100.0
- A total service liability surplus	270.3	200.0
- A discounted accrued benefits surplus	285.2	217.8

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 2021.

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 2021.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2021.

Council was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020).

The 2022 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2022 are detailed below:

Scheme	Type of scheme	Rate	2022 \$ '000	2021 \$ '000
Vision Super	Defined benefit	10% (2021: 9.5%)	202	235
Vision Super	Accumulation	10% (2021: 9.5%)	3,121	3,280
Other funds	Accumulation	10% (2021: 9.5%)	3,193	2,709

Note 10. Changes in accounting policies

There have been no changes to accounting policies in the 2021-22 year.

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

Notes to the Financial Statements

for the year ended 30 June 2022

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.

	2022 \$ '000	2021 \$ '000
Expenditure incurred is as follows:		
Contractors	13,116	1,914
Employee costs	3,456	48
General materials and services	37	52
Total natural disaster events	16,609	2,014

Grant funding assistance received for natural disaster events are disclosed in note 3.4.

Yarra Ranges community experienced a Severe Weather Event Wednesday 9 June 2021. This was noted in the 2021 Financial Statements, however the impact on the region and the financial implications were not known at the time of preparing the 2021 Financial Statements. Costs incurred have been recognised in the 2022 Financial Statements. 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. Assessment of claims is six months in arrears, so an estimate of revenue from the likely outcome of those claims has been made and included in the 2022 Financial Statements.