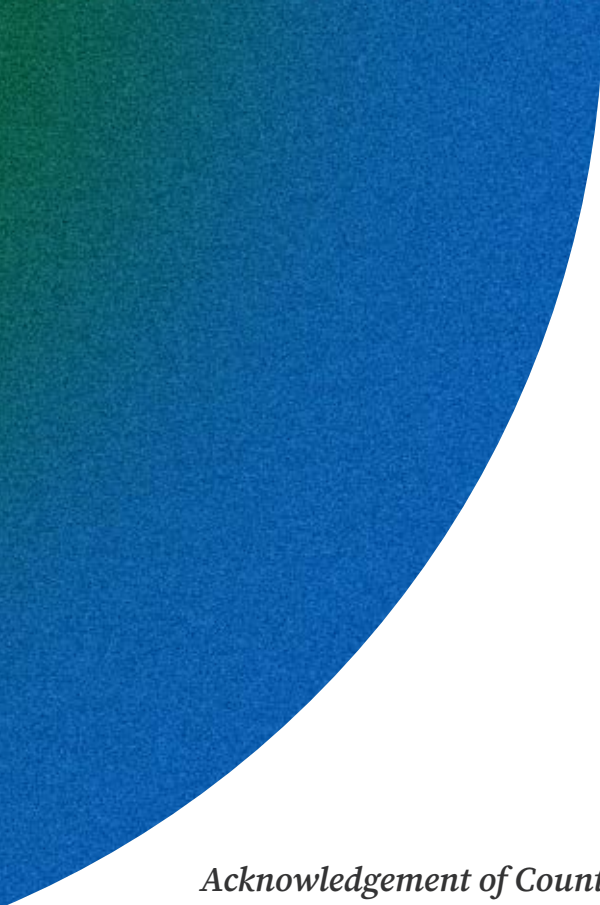
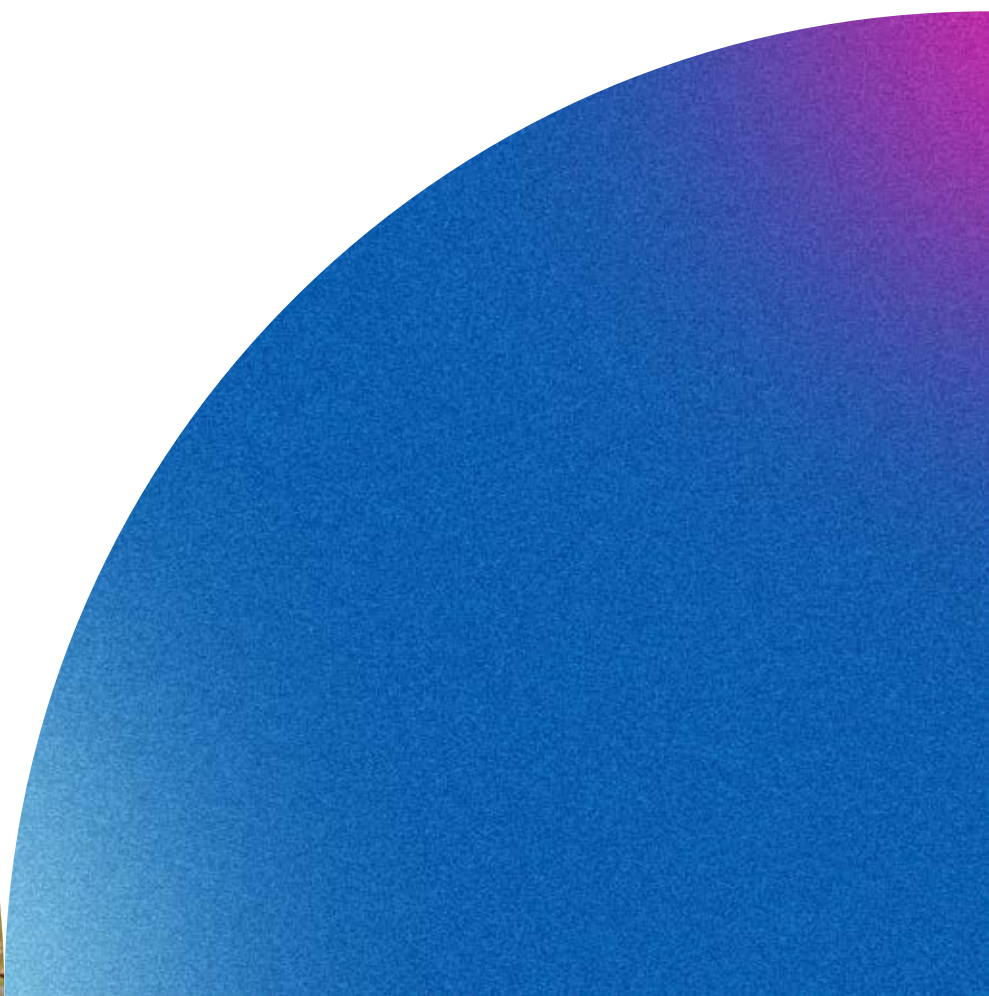




Hobsons Bay City Council Annual Financial Report

*For the year ended
30 June 2023*





Acknowledgement of Country

Council acknowledges the Bunurong People of the Kulin Nation as the Traditional Owners of these municipal lands and waterways, and pay our respects to Elders past and present.

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Certification of the Financial Statements

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



Hamish Munro, CPA
Principal Accounting Officer

Dated : 12 September 2023
Altona

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

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

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify the financial statements in their final form.



Antoinette Briffa
Mayor

Dated : 12 September 2023
Altona



Jonathon Marsden
Councillor

Dated : 12 September 2023
Altona

Aaron van Egmond
Chief Executive Officer

Dated : 12 September 2023
Altona



Independent Auditor's Report

To the Councillors of Hobsons Bay City Council

Opinion	<p>I have audited the financial report of Hobsons Bay City Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2023 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • statement of capital works for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2023 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 4 of the <i>Local Government Act 2020</i>, the <i>Local Government (Planning and Reporting) Regulations 2020</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the <i>Local Government Act 2020</i> and the <i>Local Government (Planning and Reporting) Regulations 2020</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report


As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
20 September 2023


Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Rates and charges	3.1	125,808	119,661
Statutory fees and fines	3.2	5,623	4,900
User fees	3.3	5,071	3,199
Grants - operating	3.4	12,061	11,388
Grants - capital	3.4	9,470	13,729
Contributions - monetary	3.5	4,844	4,538
Contributions - non monetary	3.5	7,510	295
Fair value adjustments for assets held for resale	6.1	935	-
Fair value adjustments for investment property	6.3	315	-
Other income	3.7	4,474	2,945
Total income		176,112	160,655
Expenses			
Employee costs	4.1	57,881	55,384
Materials and services	4.2	52,619	49,410
Depreciation	4.3	28,774	24,214
Amortisation - right of use assets	4.4	241	340
Bad and doubtful debts - allowance for impairment losses	4.5	791	936
Borrowing costs	4.6	608	372
Net loss on disposal of property, infrastructure, plant and equipment	3.6	4,253	165
Finance costs - leases	4.7	26	16
Other expenses	4.8	908	1,026
Total expenses		146,102	131,863
Surplus for the year		30,010	28,792
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.2	6,794	117,041
Total other comprehensive income		6,794	117,041
Total comprehensive result		36,804	145,833

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

Balance Sheet As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	25,599	10,922
Trade and other receivables	5.1	19,195	18,565
Other financial assets	5.1	20,001	35,001
Inventories	5.2	27	19
Prepayments	5.2	1,225	792
Other assets	5.2	213	67
Total current assets		66,260	65,366
Non-current assets			
Trade and other receivables	5.1	119	193
Other financial assets	5.1	1	-
Property, infrastructure, plant and equipment	6.2	1,540,304	1,504,781
Right-of-use assets	5.8	651	83
Investment property	6.3	14,880	14,565
Non-current assets classified as held for sale	6.1	2,789	1,854
Total non-current assets		1,558,743	1,521,476
Total assets		1,625,003	1,586,842
Liabilities			
Current liabilities			
Trade and other payables	5.3	14,785	20,422
Trust funds and deposits	5.3	10,172	10,068
Unearned income/revenue	5.3	3,926	4,693
Provisions	5.5	12,276	12,305
Interest-bearing liabilities	5.4	1,452	588
Lease liabilities	5.8	109	179
Total current liabilities		42,721	48,255
Non-current liabilities			
Provisions	5.5	1,057	1,016
Interest-bearing liabilities	5.4	17,715	11,412
Lease liabilities	5.8	569	22
Total non-current liabilities		19,341	12,450
Total liabilities		62,062	60,704
Net assets		1,562,941	1,526,138
Equity			
Accumulated surplus		623,150	598,763
Reserves	9.1	939,791	927,375
Total Equity		1,562,941	1,526,138

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

Statement of Changes in Equity For the Year Ended 30 June 2023

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2023					
Balance at beginning of the financial year		1,526,138	598,763	901,745	25,630
Surplus for the year		30,010	30,010	-	-
Net asset revaluation increment	6.2	6,794	-	6,794	-
Transfers to other reserves	9.1	-	(19,673)	-	19,673
Transfers from other reserves	9.1	-	14,051	-	(14,051)
		<u>1,562,941</u>	<u>623,150</u>	<u>908,539</u>	<u>31,252</u>
Balance at end of the financial year		1,562,941	623,150	908,539	31,252

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2022					
Balance at beginning of the financial year		1,376,325	561,052	784,704	30,569
Opening balance adjustment		3,981	3,981	-	-
Adjusted opening balance		<u>1,380,306</u>	<u>565,033</u>	<u>784,704</u>	<u>30,569</u>
Surplus for the year		28,792	28,792	-	-
Net asset revaluation increment		117,041	-	117,041	-
Transfers to other reserves	9.1	-	(13,818)	-	13,818
Transfers from other reserves	9.1	-	18,756	-	(18,756)
		<u>145,832</u>	<u>33,730</u>	<u>117,041</u>	<u>(4,939)</u>
Balance at end of the financial year		1,526,138	598,763	901,745	25,630

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

Statement of Cash Flows For the Year Ended 30 June 2023

		2023 Inflows/ (Outflows) \$'000	2022 Inflows/ (Outflows) \$'000
	Note		
Cash flows from operating activities			
Rates and charges		124,441	117,520
Statutory fees and fines		4,657	4,128
User fees		6,381	5,614
Grants - operating		12,283	11,388
Grants - capital		8,481	11,034
Contributions - monetary		4,844	4,541
Interest received		1,058	108
Trust funds and deposits taken		837	3,323
Other receipts		3,308	3,443
Net GST refund/(payment)		10,035	8,329
Employee costs		(57,868)	(55,903)
Materials and services		(70,206)	(56,199)
Trust funds and deposits repaid		(716)	(698)
Net cash provided by operating activities	9.2	47,535	56,628
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(54,435)	(53,049)
Proceeds from sale of property, infrastructure, plant and equipment		311	59
Proceeds from sale of investments		15,000	5,000
Net cash provided used in investing activities		(39,124)	(47,990)
Cash flows from financing activities			
Finance costs		(543)	(372)
Proceeds from borrowings		8,000	7,000
Repayment of borrowings		(833)	(9,200)
Interest paid - lease liability		(26)	(16)
Repayment of lease liabilities		(332)	(195)
Net cash provided by financing activities		6,266	(2,783)
Net increase (decrease) in cash and cash equivalents		14,677	5,855
Cash and cash equivalents at the beginning of the financial year		10,922	5,067
Cash and cash equivalents at the end of the financial year		25,599	10,922

Financing arrangements 5.6

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

Statement of Capital Works For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Property			
Buildings		16,475	13,976
Heritage buildings		103	165
Total buildings		16,577	14,141
Total property		16,577	14,141
Plant and equipment			
Heritage plant and equipment		44	5
Plant, machinery and equipment		1,241	1,219
Fixtures, fittings and furniture		2,149	1,818
Computers and telecommunications		780	823
Library books		807	893
Total plant and equipment		5,021	4,758
Infrastructure			
Roads		11,421	10,806
Bridges		37	256
Footpaths and cycleways		4,325	3,811
Drainage		3,408	1,678
Recreational, leisure and community facilities		1,886	7,276
Waste management		472	276
Parks, open space and streetscapes		7,449	9,886
Off street car parks		1,434	271
Other infrastructure		2,981	1,585
Total infrastructure		33,413	35,845
Total capital works expenditure		55,011	54,744
Represented by:			
New asset expenditure		15,829	10,565
Asset renewal expenditure		15,259	17,783
Asset upgrade expenditure		23,924	26,396
Total capital works expenditure		55,011	54,744

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

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

Note 1 OVERVIEW

Introduction

Hobsons Bay City Council was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate. The Council's main office is located at 115 Civic Parade, Altona.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

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

Significant accounting policies

1.1 Basis of accounting

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

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

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

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.

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3)
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- whether or not AASB 1059 Service Concession Arrangements: Grantors is applicable
- other areas requiring judgements

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

Goods and Services Tax (GST)

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

1.2 Impact of Covid-19

During 2022-23 the COVID-19 pandemic had a diminished effect on Council's operations and operations had resumed to a state of normalcy. Council has noted the following impact upon its financial operations:

Additional revenue for a COVID CALD partnership was recognised (\$282,000) and corresponding expenditure (\$122,000) was incurred in 2022-23.

Revenue for outdoor furniture activation was recognised (\$475,000) and expenditure incurred (\$334,000).

Infringement fees, fines, user fees and charges have returned to pre-COVID levels.

Revenue foregone such as COVID Rates Waivers have reduced by \$566,000.

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

Note 2 ANALYSIS OF OUR RESULTS

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 lower of ten percent or one million dollars where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

2.1.1 Income and expenditure

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Income					
Rates and charges	123,550	125,808	2,258	1.8%	1
Statutory fees and fines	4,551	5,623	1,072	23.6%	2
User fees	5,438	5,071	(367)	(6.7%)	3
Grants - operating	10,359	12,061	1,702	16.4%	4
Grants - capital	6,183	9,470	3,287	53.2%	5
Contributions - monetary	6,759	4,844	(1,915)	(28.3%)	6
Contributions - non monetary	-	7,510	7,510	-	7
Fair value adjustments for assets held for resale		935	935	-	8
Fair value adjustments for investment property	-	315	315	-	9
Other income	3,475	4,474	999	28.8%	10
Total income	160,315	176,112	15,797	9.9%	
Expenses					
Employee costs	58,119	57,881	238	0.4%	11
Materials and services	50,069	52,619	(2,550)	(5.1%)	12
Depreciation	23,519	28,774	(5,255)	(22.3%)	13
Amortisation - right of use assets	463	241	222	47.8%	14
Bad and doubtful debts - allowance for impairment losses	314	791	(477)	(152.1%)	15
Borrowing costs	527	608	(81)	(15.4%)	16
Loss on disposal of property, infrastructure, plant and equipment	(50)	4,253	(4,303)	8605.5%	17
Finance costs - leases	24	26	(2)	(7.8%)	
Other expenses	991	908	83	8.4%	18
Total expenses	133,976	146,102	(12,126)	(9.1%)	
Surplus for the year	26,339	30,010	3,671	13.9%	

(i) Explanation of material variations

- Rates and charges** were \$2.258 million over budget. The main increases related to the amount originally raised as rates (\$610,000) and supplementary rates throughout the year (\$491,000), which are both related to strong property development. Increased income was also received for interest on rates (\$428,000), payments in lieu of rates – including an adjustment associated with the prior year (\$379,000), and waste charges (\$257,000). Reductions in rates waivers (\$79,000) and rebates (\$14,000) also contribute to the increased income.
- Statutory fees and fines** were \$1.072 million over budget. The most significant increase related to parking infringements - largely offset by an increase to the doubtful debts provision (\$873,000), increased demand in town planning application fees (\$86,000), animal registrations (\$56,000) and road management fees (\$32,000).

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

- 3 **User fees** were \$367,000 under budget. The most significant decrease related to the removal of additional revenue budgeted for residential parking permits (\$871,000) and the delay of paid parking at Altona beach (\$150,000). Other decreases related to road opening reinstatements (\$107,000), building information fees (\$42,000) and renewable energy certificates (\$36,000). Increased income was received for Laverton Hub casual hire (\$162,000), food safety permits (\$150,000), property insurance premium tenant reimbursements (\$140,000), venue facilities hire – offset against an increase in materials and services (\$109,000), town planning fees (\$99,000) and Planned Activity Groups (\$59,000).
- 4 **Operating grants** were \$1.702 million over budget. The most significant increase related to the prepayment of the 2023-24 Financial Assistance Grant (\$1.633 million). Significant increases are also related to income deferred from 2021-22, including COVID Culturally and Linguistically Diverse Local Partnerships (\$282,000), On the Road Again (\$160,000), Women in Building (\$96,000), Coastal Planning for Sea Level Rise (\$30,000) and the Freeza program (\$26,000). Other significant increases were due to new funding for statutory planning file digitisation (\$127,000), COVID 19 Rapid Antigen Program (\$90,000), Kindergarten Infrastructure Service Plan (\$82,000), Early Years CALD Outreach (\$70,000), the school crossing subsidy (\$66,000), preschool field officer (\$62,000) and the weed management program (\$170,000). The most significant decrease related to the Recycling 2.0 project - transferred to capital grants and some funding deferred until 2023-24 (\$660,000). Other decreased funding was also due to the centre based respite (\$359,000), cottage respite (\$240,000), Planned Activity Group Centres (\$49,000) and school focus youth services (\$35,000).
- 5 **Capital grants** were over budget by \$3.287 million due to income originally budgeted to be received in 2021-22 that was received in 2022-23 (\$2.6 million) and an increase in unbudgeted capital grants (\$2.617 million). These were offset against income that will be carried over to next year's program (\$1.930 million).
- 6 **Monetary contributions** were under budget by \$1.915 million. Developer contributions for Precinct 15 in Altona North have been delayed until 2023-24 (\$1.761 million), open space contributions (\$353,000) and the Port Phillip Woollen Mills developer contribution plan (\$35,000). Unbudgeted monetary contributions included capital works contributions in relation to West Gate Tunnel open space enhancements (\$136,000), the unsealed laneway upgrade program (\$34,000), cultural asset maintenance insurance (\$21,000), road rehabilitation (\$20,000), Dugman reserve feasibility masterplan (\$10,000) and cricket nets (\$3,000).
- 7 **Non-monetary contributions** of \$7.510 million is the value of road, drain, footpath and cycleway assets that have been completed by developers where ownership and future maintenance has been handed over to Council. This is a non-cash item that has minimal impact on funding in 2022-23 or ongoing financial operations.
- 8 **Fair value adjustments of the value of assets held for resale** (\$935,000) are undertaken as part of the Council's ongoing asset revaluation processes. This is a non-cash item that has minimal impact on funding in 2022-23.
- 9 **Fair value adjustments of the value of investment properties** (\$315,000) are undertaken as part of the Council's ongoing asset revaluation processes. This is a non-cash item that has minimal impact on funding in 2022-23 or ongoing financial operations.
- 10 **Other income** was over budget by \$999,000. Increased income relates to interest on investments - resulting from higher interest rates and cash reserves (\$805,000), property services rental income (\$142,000) and Williamstown Town Hall rental income (\$86,000). The most significant decreases relate to sports facility seasonal rental (\$28,000) and market community bookings (\$20,000).
- 11 **Employee costs** were under budget by \$238,000. The most significant saving is the result of vacancies (\$668,000). The most significant increase relates to the Community Learning and Service Centres (Council+ program) to make it easier for the community to access Council services and interact through various service centres across the municipality (\$797,000). Other increases include strategy, sustainability and economy project management costs (\$121,000), Esplanade activation (\$130,000) and planning and building major projects (\$113,000). Increases offset against increased income or reductions in materials and services relate to aged care and assessment services (\$156,000), building and construction regulations (\$59,000), agency asset engineering (\$74,000), and extending the Community Space Planner position which is funded from the open space and recreation reserve (\$73,000).
- 12 **Materials and services** were over budget by \$2.550 million. The most significant increase related to the inclusion of projects related to the IT Strategy, which were carried over from 2021-22 or bought forward from 2023-24 (\$1.694 million). There was also an increase in operational projects transferred from the Capital Works Program that do not add to Council's asset base. These are a transfer of costs rather than an additional cost (\$1.371 million). Increases related to income deferred from 2021-22 include expenditure associated with the On the Road Again program (\$149,000) and COVID-19 Culturally And Linguistically Diverse local partnership program (\$122,000). Increases have also been included for additional funding received for the statutory planning file digitisation project (\$92,000) and developer contribution plans (\$40,000). The most significant unfunded increases related to COVID-19 cleaning requirements (\$270,000), sports management water costs (\$241,000), online collection costs (\$221,000), workshop operations (\$215,000), road and drain administration contracts (\$214,000), repayment of unspent Support for Carers funding (\$197,000), insurance premiums (\$177,000), IT telecommunications and operations (\$147,000), recruitment services (\$113,000), street lighting (\$96,000) and fuel costs (\$92,000). Decreased expenditure in-line with similar income decreases include Centre Based respite (\$426,000) and Cottage respite (\$318,000).
- 13 **Depreciation** was over budget by \$5.255 million, generally due to purchases and revaluations that occurred late in the last financial year. In particular, the Parks, open space and streetscapes and Recreation, leisure and community facility asset classes were revalued for the first time in 2021-22. This is a non-cash item that has minimal impact on funding in 2022-23 or ongoing financial
- 14 **Amortisation** costs were under budget by \$222,000. The most significant variances reflect leases which reached the end of their term but have not been renewed for photocopiers (\$122,000) and information technology (\$97,000).
- 15 **Bad and Doubtful Debts** were over budget by \$477,000. This generally relates to the continued collection delays at Fines Victoria for unpaid parking fines - offset by an increase to associated income (\$400,000). There is also an increased doubtful debt in relation to property services (\$59,000).
- 16 **Borrowing costs** were over budget by \$81,000 due to increasing interest rates and the need to take out new borrowings earlier than anticipated.
- 17 There was a **net loss on disposal of property, infrastructure, plant and equipment** of \$4.303 million compared to the budgeted profit of \$50,000. The loss generally relates to the write-off of assets replaced as part of Council's capital works program. This includes drainage (\$1.615 million), roads (\$1.298 million), buildings (\$800,000), off-street carparks (\$268,000), footpaths and cycleways (\$239,000) and parks and open space (\$214,000) assets.
- 18 **Other expenses** were \$83,000 under budget mainly due to reduced telecommunication rentals (\$84,000) and internal audit fees (\$50,000). These were offset against rental increases for the Williamstown Historical Society (\$24,000) and Woods Street Arts (\$9,000).

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

2.1.2 Capital works

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Property					
Buildings	20,707	16,475	(4,232)	(20.4%)	1
Heritage buildings	30	103	73	242.1%	
Total buildings	20,737	16,577	(4,160)	(20.1%)	
Total property	20,737	16,577	(4,160)	(20.1%)	
Plant and equipment					
Heritage plant and equipment	37	44	7	19.5%	
Plant, machinery and equipment	3,745	1,241	(2,504)	(66.9%)	2
Fixtures, fittings and furniture	-	2,149	2,149	-	3
Computers and telecommunications	750	780	30	4.0%	
Library books	850	807	(43)	(5.0%)	
Total plant and equipment	5,382	5,021	(361)	(6.7%)	
Infrastructure					
Roads	14,170	11,421	(2,749)	(19.4%)	4
Bridges	575	37	(538)	(93.6%)	5
Footpaths and cycleways	2,365	4,325	1,960	82.9%	6
Drainage	5,154	3,408	(1,746)	(33.9%)	7
Recreational, leisure and community facilities	3,073	1,886	(1,187)	(38.6%)	8
Waste management	1,150	472	(678)	(59.0%)	9
Parks, open space and streetscapes	8,033	7,449	(584)	(7.3%)	10
Off street car parks	1,437	1,434	(3)	(0.2%)	
Other infrastructure	885	2,981	2,096	236.9%	11
Total infrastructure	36,842	33,413	(3,429)	(9.3%)	
Total capital works expenditure	62,961	55,011	(7,950)	(12.6%)	
Represented by:					
New asset expenditure	13,003	15,829	2,826	21.7%	12
Asset renewal expenditure	24,336	15,259	(9,077)	(37.3%)	13
Asset upgrade expenditure	25,622	23,924	(1,698)	(6.6%)	14
Total capital works expenditure	62,961	55,011	(7,950)	(12.6%)	

(i) Explanation of material variations

Variance Ref	Item & explanation
1	Buildings were under budget by \$4.232 million. Projects totalling \$2.57 million were delayed due to contractor availability, extended community consultation, supply chain issues and labour shortages. Projects now expected to be completed in the next financial year include the Altona North Childrens Centre expansion (\$1 million), multipurpose pavilion at Dennis Reserve (\$775,000), female friendly pavilion at HC Kim Reserve (\$535,000) and the Brooklyn Hall redevelopment (\$300,000). Other building projects were under budget because the expenditure was re-allocated to fixtures, fittings and furniture. This includes the Altona Meadows Library renewal and energy efficiency upgrades (\$474,000), Brooklyn Hall (\$357,000), JT Gray Reserve pavilion (\$261,000), and Donald McLean Reserve pavilion
2	Plant, machinery and equipment was under budget by \$2.504 million reflecting the significant delays in sourcing new vehicles and plant. Additional purchases of \$1.33 million are now expected to occur in the next financial year.
3	Fixtures, Furniture and Fittings expenditure of \$2.149 million was allocated to buildings in the original budget. The specific allocation between these asset categories was unknown at the time of developing the budget.

Notes to the Financial Report

For the Year Ended 30 June 2023

- 4 **Roads** were under budget by \$2.749 million, mainly due to projects totalling \$2.352 million that were delayed and are now expected to be completed in the next financial year. This includes road resurfacing on Hall Street (\$1 million), road rehabilitation and cycling infrastructure upgrade on Railway Avenue, Laverton (\$700,000), Blackspot Funding for traffic treatment works on Railway Avenue, Laverton (\$335,000), kerb and channel renewal on Coogee Lane, Williamstown
- 5 **Bridges** were under budget by \$538,000 mainly due to projects that were delayed due to design works and are now expected to be completed in the next financial year. This includes road bridge renewal work at Churchill Street, Williamstown North Road Bridge Renewal (\$200,000) and Maddox Road, Williamstown North (\$65,000). It also includes footbridge renewal work at Newport Lakes (\$40,000) and W.G Cresser Reserve (\$20,000).
- 6 **Footpaths and cycleways** were \$1.96 million over budget. Additional expenditure of \$1.165 million was required to complete projects delayed from the previous financial year. This includes the Altona seawall shared trail (\$825,000), stage 3 of Kororoit Creek shared trails (\$250,000), Railway Avenue, Altona Meadows footpath underpass (\$50,000) and design of the Laverton Creek boardwalk and viewing platforms (\$40,000). Projects over budget due to cost escalations include footpaths at Mills Street, Altona North (\$57,000), Civic Parade, Altona (\$36,000), Melbourne Road, Williamstown (\$26,000), Bent Street, Altona (\$25,000) and Marion Street (West), Altona North (\$24,000).
- 7 **Drainage** was \$1.746 million under budget. Projects totalling \$385,000 were delayed due to supply chain issues and contractor availability. Projects now expected to be completed in the 2023-24 financial year include Cherry Creek stormwater harvesting (\$155,000), pipe renewals at Maidstone Street, Altona (\$45,000), Shellard Street, Newport (\$45,000), Millers Road, Altona North (\$40,000) and Keen Street, Newport (\$40,000). A number of drainage projects were not delivered because of latent conditions or contamination and have been deferred to later years of the capital works program. This includes the drainage upgrade at Hudsons Road, Spotswood (\$1.2 million) and pipe renewals at Grieve Parade, Altona (\$87,000) and Melbourne Road, Spotswood (\$56,000).
- 8 **Recreational, leisure and community** facilities were under budget by \$1.187 million. Recreational, leisure and community facilities projects that were under budget because \$1.537 million expenditure was re-allocated to Parks, open space and streetscapes. Projects totalling \$892,000 were delayed and are now expected to be completed in the next financial year. This includes HC Kim Reserve (\$385,000), Williamstown tennis courts (\$250,000), WJ Irwin Reserve (\$200,000), Laverton Bowls Club (\$90,000), JT Gray Reserve (\$70,000), Fearon Reserve (\$40,000), Liston Tennis Club (\$30,000) and the Laverton Magpies Football Club (\$30,000). These are offset against projects that were over budget which includes Weaver Reserve (\$266,000), Altona Sports Centre (\$164,000), Donald McLean pavilion (\$151,000), HD Graham reserve (\$147,000) and the scoreboard at KC White reserve (\$104,000).
- 9 **Waste Management** was under budget by \$678,000 mainly due to projects that were delayed and are now expected to be completed in the next financial year. This includes standardisation of public bins (\$135,000) and kerbside services for glass, food organics and garden organics (\$500,000).
- 10 **Parks, open space and streetscapes** was under budget by \$584,000. Projects totalling \$3.236 million were delayed due to design work and obtaining approval from external stakeholders. Projects now expected to be completed in the next financial year include greening Brooklyn (\$515,000), Croft Reserve (\$380,000), Bruce Comben (\$320,000), Ginifer Reserve (\$317,000), Copley Reserve (\$300,000), Woods Street and Lohse Street Village master plan (\$250,000) and Bruce Street Reserve (\$210,000). There was also \$1.537 million spent that was allocated to Recreational, leisure and community facilities in the original budget. The specific allocation between these asset categories was unknown at the time of developing the budget.
- 11 **Other Infrastructure** was over budget by \$2.096 million mainly due projects added during the year. This includes Victoria Street, Williamstown bicycle improvement program (\$1.159 million), Merton Street traffic calming works (\$376,000), Mason Street, bicycle connectivity and pedestrian improvements (\$135,000) and Altona Green Primary traffic safety (\$130,000).
- 12,13,14 Variations to the classification of **New, Renewal and Upgrade** expenditure compared to the budget are the result of the above changes and the classification of asset expenditure to the appropriate category.

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

2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

Corporate Services

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

Sustainable Communities

Sustainable communities provides high quality community focused programs, service delivery and communication to residents. Sustainable communities is comprised of community care, community development, family and children's services, public health, waste services and social planning and investment.

The planning services area of Sustainable communities includes the assessment of city development, health, planning strategy and urban growth.

Infrastructure and City Services

City services is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, environment and waste, city works, parks and gardens, emergency management and municipal resources.

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

		Income	Expenses	Surplus	Grants included in income	Total assets
		\$'000	\$'000	\$'000	\$'000	\$'000
2023	Corporate Services	48,188	39,110	9,078	1,115	51,278
	Sustainable Communities	56,041	47,092	8,949	8,701	137,442
	Infrastructure & City Services	71,883	59,900	11,983	11,715	1,436,283
		176,112	146,102	30,010	21,531	1,625,003
		Income	Expenses	Surplus	Grants included in income	Total assets
		\$'000	\$'000	\$'000	\$'000	\$'000
2022	Corporate Services	39,122	32,372	6,750	1,818	47,396
	Sustainable Communities	52,031	45,005	7,026	6,214	132,359
	Infrastructure & City Services	69,502	54,486	15,016	17,084	1,407,087
		160,655	131,863	28,792	25,116	1,586,842

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

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES

3.1 Rates and charges	2023 \$'000	2022 \$'000
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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 sum which their property might be expected to realise at the time of valuation if offered for sale on any reasonable terms and conditions.

The valuation base used to calculate general rates for 2022/23 was \$40,896 million (2021/22 \$37,699 million). The 2022/23 residential rate in the dollar was 0.209745 cents (0.222200 cents 2021/22). Differential rating factors are used for the purpose of applying variable rates according to land use.

General rates	111,237	107,408
Waste management charge	12,069	10,740
Supplementary rates and rate adjustments	891	458
Interest on rates and charges	878	701
Revenue in lieu of rates	733	354
Total rates and charges	125,808	119,661

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

Annual rates and charges are recognised as revenues throughout the year, proportionately each month, after 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	2,847	2,078
Town planning fees	1,871	1,966
Permits	791	726
Land information certificates	99	123
Court recoveries	15	7
Total statutory fees and fines	5,623	4,900

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.

3.3 User fees

Parking	974	753
Registration and other permits	919	47
Other fees and charges	659	369
Facilities	602	292
Aged and health services	516	438
Town Planning	444	235
Roads and Drains	400	405
Building services	285	475
Leisure centre and recreation	212	137
Child care/children's programs	61	48
Total user fees	5,071	3,199

User fees by timing of revenue recognition

User fees recognised over time	-	-
User fees recognised at a point in time	5,071	3,199
Total user fees	5,071	3,199

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

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

	2023 \$'000	2022 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	7,315	8,304
State funded grants	14,216	16,813
Total grants received	21,531	25,117
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	3,984	3,817
Aged and community care	1,591	1,562
Food services	321	345
Recreation	-	30
<i>Recurrent - State Government</i>		
Family Youth and children	1,921	1,847
Recreation	689	728
Libraries	676	687
Infrastructure	555	280
School crossing supervisors	399	333
Public health	133	115
Beach cleaning	119	95
Aged Care	68	41
Other	7	14
Food Services	-	123
Total recurrent operating grants	10,463	10,017
<i>Non-recurrent - Commonwealth Government</i>		
Other	91	33
Family Youth and Children	-	154
Infrastructure	-	80
<i>Non-recurrent - State Government</i>		
Other	812	656
Recreation	286	143
Family Youth and Children	184	44
Libraries	138	-
Recycling	59	116
Aged care	27	79
Public Health	-	66
Total non-recurrent operating grants	1,597	1,371
Total operating grants	12,061	11,388
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	477	477
Total recurrent capital grants	477	477
<i>Non-recurrent - Commonwealth Government</i>		
Infrastructure	491	1,633
Recreation	360	173
<i>Non-recurrent - State Government</i>		
Infrastructure	4,678	3,555
Recreation	2,383	7,815
Waste	509	-
Libraries	421	76
Families Youth and children	150	-
Total non-recurrent capital grants	8,993	13,252
Total capital grants	9,470	13,729

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

(c) Recognition of grant income

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

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

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies *AASB 1058 Income of 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.

	2023 \$'000	2022 \$'000
Income recognised under AASB 1058 Income of Not-for-Profit Entities		
General purpose	3,984	3,817
Specific purpose grants to acquire non-financial assets	9,470	13,729
Other specific purpose grants	6,258	2,782
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	1,819	4,789
	<u>21,531</u>	<u>25,117</u>

(d) Unspent grants received on condition that they be spent in a specific manner

Operating

Balance at start of year	2,683	2,362
Received during the financial year and remained unspent at balance date	1,036	851
Received in prior years and spent during the financial year	(536)	(530)
Balance at year end	<u>3,183</u>	<u>2,683</u>

Capital

Balance at start of year	1,117	4,784
Received during the financial year and remained unspent at balance date	180	475
Received in prior years and spent during the financial year	(1,117)	(4,142)
Balance at year end	<u>180</u>	<u>1,117</u>

Unspent grants are determined and disclosed on a cash basis.

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

	2023	2022
	\$'000	\$'000
3.5 Contributions		
Monetary	4,844	4,538
Non-monetary	7,510	295
Total contributions	12,354	4,833

Contributions of non monetary assets were received in relation to the following asset classes.

Roads	4,682	-
Drainage	2,439	292
Footpaths and Cycleways	390	3
Total non-monetary contributions	7,510	295

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

3.6 Net loss on disposal of property, infrastructure, plant and equipment

Proceeds of sales	(312)	(59)
Written down value of assets disposed	4,565	224
Total net loss on disposal of property, infrastructure, plant and equipment	4,253	165

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	1,205	151
Investment property rental	3,270	2,794
Total other income	4,474	2,945

Interest is recognised as it is earned.

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

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

	2023	2022
	\$'000	\$'000
Note 4 THE COST OF DELIVERING SERVICES		
4.1 (a) Employee costs		
Wages and salaries	50,387	48,417
Casual and agency staff	1,436	1,239
WorkCover	892	715
Superannuation	4,994	4,573
Fringe benefits tax	11	11
Other	161	429
Total employee costs	57,881	55,384

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	163	161
	<u>163</u>	<u>161</u>
Employer contributions payable at reporting date.	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,102	2,165
Employer contributions - other funds	2,403	2,461
	<u>4,505</u>	<u>4,626</u>
Employer contributions payable at reporting date.	-	-

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

4.2 Materials and services

Contracts	7,744	9,300
Building maintenance	2,182	2,665
General maintenance	17,842	16,600
Utilities	3,521	2,786
Office administration	1,372	1,493
Information technology	4,198	2,155
Recycling, tipping and refuse collection	5,891	5,501
Community grants	1,514	1,830
Other	986	784
Materials and supplies	1,782	1,619
Insurance	1,941	1,392
Consultants	3,646	3,285
Total materials and services	52,619	49,410

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

4.3 Depreciation

Property	4,185	3,675
Plant and equipment	4,224	3,963
Infrastructure	20,365	16,576
Total depreciation	28,774	24,214

Refer to note 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

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

	2023 \$'000	2022 \$'000
4.4 Amortisation - Right of use assets		
Office equipment	213	232
Vehicles	28	108
Total Amortisation - Right of use assets	241	340

4.5 Bad and doubtful debts - allowance for impairment losses

Parking fine debtors	700	661
Other debtors	91	275
Total bad and doubtful debts - allowance for impairment losses	791	936

Movement in allowance for impairment losses in respect of debtors

Balance at the beginning of the year	4,481	3,547
New provisions recognised during the year	689	936
Amounts already provided for and written off as uncollectible	-	(2)
Amounts provided for but recovered during the year	-	-
Balance at end of year	5,170	4,481

An allowance for impairment losses in respect of debtors is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.6 Borrowing costs

Interest - Borrowings	608	372
Total borrowing costs	608	372

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

4.7 Finance Costs - Leases

Interest - Lease Liabilities	26	16
Total finance costs	26	16

4.8 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	82	68
Auditors' remuneration - Internal Audit	75	54
Councillors' allowances	333	296
Others	418	608
Total other expenses	908	1,026

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

Note 5 OUR FINANCIAL POSITION

	2023	2022
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	3	4
Cash at bank	16	908
Term deposits	25,580	10,010
Total cash and cash equivalents	25,599	10,922
(b) Other financial assets		
Current		
Term deposits - current	20,000	35,000
Procurement Australasia Ltd. - At fair value	1	1
Total current other financial assets	20,001	35,001
Non-current		
Term deposits - non-current	-	-
Total non-current other financial assets	-	-
Total other financial assets	20,001	35,001
Total financial assets	45,599	45,923

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 twelve months are classified as current, whilst term deposits with maturity dates greater than twelve months are classified as non-current.

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

	2023 \$'000	2022 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	14,872	13,505
Infringement debtors	5,796	4,830
Provision for doubtful debts - infringements	(4,622)	(3,922)
Net GST receivable	1,814	2,393
<i>Non statutory receivables</i>		
Loans and advances to community organisations	42	42
Other debtors	1,944	2,277
Provision for doubtful debts - other debtors	(651)	(560)
Total current trade and other receivables	19,195	18,565
Non-current		
<i>Non statutory receivables</i>		
Other debtors	91	122
Loans and advances to community organisations	28	71
Total non-current trade and other receivables	119	193
Total trade and other receivables	19,315	18,758

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

(d) Ageing of Receivables

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

Current (not yet due)	190	225
Past due by up to 30 days	1,178	1,531
Past due between 31 and 180 days	59	482
Past due between 181 and 365 days	45	129
Past due by more than 1 year	563	32
Total trade and other receivables	2,035	2,399

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$3.869 million (2022: \$2.399 million) were impaired. The amount of the provision raised against these debtors was \$651,000 (2022: \$560,000). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Current (not yet due)	-	-
Past due by up to 30 days	12	9
Past due between 31 and 180 days	31	2
Past due between 181 and 365 days	45	361
Past due by more than 1 year	563	188
Total trade & other receivables	651	560

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

5.2 Non-financial assets	2023	2022
(a) Inventories	\$'000	\$'000
Inventories of fuel stock	27	19
Total inventories	27	19

Inventories of fuel stock are measured at cost, adjusted when applicable for any loss of service potential. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets

Prepayments	1,225	792
Accrued income	213	67
Total other assets	1,438	859

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

(a) Trade and other payables

Current

Non-statutory payables

Trade payables	12,344	19,252
Accrued expenses	2,441	1,170
Total current trade and other payables	14,785	20,422

(b) Trust funds and deposits

Current

Refundable deposits	7,225	6,587
Fire services levy	2,401	2,207
Other refundable deposits	546	1,274
Total current trust funds and deposits	10,172	10,068

(c) Unearned income

Current

Grants received in advance - operating	3,746	3,618
Grants received in advance - capital	180	1,075
Total current unearned income/revenue	3,926	4,693

Unearned income represents contract liabilities and reflect consideration received in advance from customers in respect of the delivery of outcomes outlined in grant funding agreements. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

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

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

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

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

5.4 Interest-bearing liabilities

	2023	2022
	\$'000	\$'000
Current		
Treasury Corporation of Victoria borrowings - secured	1,452	588
Total current interest-bearing liabilities	1,452	588
Non-current		
Treasury Corporation of Victoria borrowings - secured	12,715	6,412
Other borrowings - secured	5,000	5,000
Total non-current interest-bearing liabilities	17,715	11,412
Total	19,167	12,000

Borrowings are secured against the rates of the municipality.

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

Not later than one year	1,452	588
Later than one year and not later than five years	5,000	5,000
Later than five years	12,715	6,412
	19,167	12,000

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.

5.5 Provisions

	Employee	Total
	\$ '000	\$ '000
2023		
Balance at beginning of the financial year	13,321	13,321
Additional provisions	4,256	4,256
Amounts used	(3,818)	(3,818)
Service transfers	(368)	(368)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(57)	(57)
Balance at the end of the financial year	13,333	13,333
<i>Provisions - current</i>	12,276	12,276
<i>Provisions - non-current</i>	1,057	1,057
2022		
Balance at beginning of the financial year	13,839	13,839
Additional provisions	3,914	3,914
Amounts used	(3,787)	(3,787)
Service transfers	(499)	(499)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(146)	(146)
Balance at the end of the financial year	13,321	13,321
<i>Provisions - current</i>	12,305	12,305
<i>Provisions - non-current</i>	1,016	1,016

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

	2023	2022
	\$'000	\$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,519	3,714
Time in lieu	62	52
End of band leave	106	122
Long service leave	5,782	5,616
	9,469	9,504
Current provisions expected to be wholly settled after 12 months		
Annual leave	880	929
Long service leave	1,927	1,872
	2,807	2,801
Total current employee provisions	12,276	12,305
Non-current		
Long service leave	1,057	1,016
Total non-current employee provisions	1,057	1,016
Aggregate carrying amount of employee provisions:		
Current	12,276	12,305
Non-current	1,057	1,016
Total aggregate carrying amount of employee provisions	13,333	13,321

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:

- discount rate	4.368% to 3.983%	2.38% to 3.51%
- index rate	1.5%	1.5%

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2023.

Bank overdraft	700	700
Credit card facilities	300	300
Treasury Corporation of Victoria facilities	14,167	7,000
Other facilities	5,000	5,000
Total facilities	20,167	13,000
Used facilities	19,295	12,156
Unused facilities	872	844

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

5.7 Commitments

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

(a) Commitments for expenditure

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
Operating					
Garbage collection	4,973	4,973	14,140	4,608	28,694
Open space management	2,478	628	628	-	3,734
Roads and footpaths	2,535	13	-	-	2,548
Information Technology	1,577	1,475	293	-	3,345
Cleaning contracts for council buildings	619	-	-	-	619
Meals for delivery	593	2	-	-	595
Other	181	32	4	-	217
Recycling	175	-	-	-	175
Building facilities	87	48	-	-	135
Total	13,218	7,171	15,065	4,608	40,062
Capital					
Roads and footpaths	15,748	393	-	-	16,141
Sport & Recreation	8,140	57	-	-	8,197
Buildings	6,493	429	82	-	7,004
Other	251	-	-	-	251
Total	30,632	879	82	-	31,593
2022					
Operating					
Garbage collection	5,441	5,441	15,466	9,187	35,535
Open space management	2,078	1,911	1,911	-	5,900
Building facilities	1,601	-	-	-	1,601
Cleaning contracts for council buildings	1,091	-	-	-	1,091
Other	651	145	73	-	869
Meals for delivery	468	-	-	-	468
Roads and footpaths	330	167	-	-	497
Recycling	319	-	-	-	319
Total	11,979	7,664	17,450	9,187	46,280
Capital					
Roads and footpaths	13,464	180	-	-	13,644
Buildings	1,279	34	-	-	1,313
Drainage	227	-	-	-	227
Other	75	28	-	-	103
Total	15,045	242	-	-	15,287

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

(b) Operating lease receivables

Operating lease receivables

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

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

	2023	2022
	\$'000	\$'000
Not later than one year	2,347	2,218
Later than one year and not later than five years	7,563	6,282
Later than five years	13,192	8,415
	<u>23,101</u>	<u>16,915</u>

5.8 Leases

At inception of a contract, Council assesses 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;
- Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Council has the right to direct the use of the asset.

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

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

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

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

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

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

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

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

Under AASB 16 Leases, Council as a not-for-profit entity has elected not to measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

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

Right-of-Use Assets	Property	Vehicles	Other, etc.	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	-	26	58	83
Additions	-	-	809	809
Amortisation charge	-	(25)	(217)	(241)
Balance at 30 June 2023	-	1	650	651

Lease Liabilities	2023	2022
	\$'000	\$'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	274	179
One to five years	416	22
More than five years	-	-
Total undiscounted lease liabilities as at 30 June:	690	201

Lease liabilities included in the Balance Sheet at 30 June:

Current	109	179
Non-current	569	22
Total lease liabilities	678	201

Short-term and low value leases

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

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

Note 6 ASSETS WE MANAGE

6.1 Non current assets classified as held for sale

	2023	2022
	\$'000	\$'000
Land at fair value	1,854	1,854
Fair value adjustments	935	-
Total non current assets classified as held for sale	2,789	1,854

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

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

6.2 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2022 \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	Carrying amount 30 June 2023 \$'000
Property	849,994	12,497	-	(29,921)	(4,185)	(800)	-	11,440	839,025
Plant and equipment	18,463	4,938	-	-	(4,224)	(71)	-	263	19,368
Infrastructure	600,184	24,671	7,510	36,714	(20,365)	(3,692)	-	17,285	662,308
Work in progress	36,140	12,905	-	-	-	-	(455)	(28,988)	19,603
	1,504,781	55,011	7,510	6,794	(28,774)	(4,564)	(455)	-	1,540,304

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	11,862	4,080	2,427	(11,440)	6,930
Plant and equipment	73	84	195	(263)	88
Infrastructure	24,205	8,741	(3,077)	(17,285)	12,584
Total	36,140	12,905	(455)	(28,988)	19,603

(a) Property

	Land - specialised \$'000	Total Land \$'000	Heritage buildings \$'000	Buildings - specialised \$'000	Total Buildings \$'000	Work In progress \$'000	Total Property \$'000
At fair value 1 July 2022	659,433	659,433	22,515	263,622	286,137	11,862	957,432
Accumulated depreciation at 1 July 2022	-	-	(11,402)	(84,173)	(95,575)	-	(95,575)
	659,433	659,433	11,112	179,449	190,561	11,862	861,856
Movements in fair value							
Additions	-	-	-	12,497	12,497	4,080	16,577
Revaluation	(24,316)	(24,316)	1,795	(3,518)	(1,723)	-	(26,039)
Disposal	-	-	-	(939)	(939)	-	(939)
Transfers	-	-	316	11,124	11,440	(9,013)	2,427
	(24,316)	(24,316)	2,111	19,164	21,275	(4,932)	(7,973)
Movements in accumulated depreciation							
Depreciation and amortisation	-	-	(147)	(4,038)	(4,185)	-	(4,185)
Accumulated depreciation of disposals	-	-	-	138	138	-	138
Revaluation	-	-	590	(4,472)	(3,881)	-	(3,881)
	-	-	443	(8,371)	(7,928)	-	(7,928)
At fair value 30 June 2023	635,117	635,117	24,626	282,786	307,412	6,930	949,458
Accumulated depreciation at 30 June 2023	-	-	(10,959)	(92,544)	(103,504)	-	(103,504)
Carrying amount	635,117	635,117	13,666	190,242	203,908	6,930	845,955

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

(b) Plant and Equipment

	Heritage plant and equipment	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Work In progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2022	1,659	12,687	14,792	9,610	14,020	74	52,842
Accumulated depreciation at 1 July 2022	-	(7,700)	(7,214)	(7,354)	(12,037)	-	(34,305)
	1,659	4,987	7,578	2,256	1,983	74	18,537
Movements in fair value							
Additions	22	1,180	2,149	780	807	84	5,021
Disposal	-	(1,122)	(20)	-	-	-	(1,141)
Transfers	-	43	220	-	-	(68)	195
	22	101	2,349	780	807	16	4,075
Movements in accumulated depreciation							
Depreciation and amortisation	-	(1,559)	(805)	(1,118)	(743)	-	(4,224)
Accumulated depreciation of disposals	-	1,052	19	-	-	-	1,070
	-	(507)	(786)	(1,118)	(743)	-	(3,154)
At fair value 30 June 2023	1,681	12,788	17,141	10,390	14,827	89	56,916
Accumulated depreciation at 30 June 2023	-	(8,207)	(8,000)	(8,472)	(12,780)	-	(37,459)
Carrying amount	1,681	4,581	9,140	1,918	2,048	89	19,457

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Waste management	Parks open space and streetscapes	Off street car parks	Other infrastructure	Work In progress	Total infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2022	441,462	29,621	95,255	267,052	68,007	6,384	110,622	23,068	15,074	24,205	1,080,750
Accumulated depreciation at 1 July 2022	(227,531)	(14,566)	(42,455)	(98,532)	(18,282)	(3,125)	(38,164)	(7,490)	(6,217)	-	(456,361)
	213,931	15,056	52,801	168,520	49,725	3,258	72,458	15,578	8,857	24,205	624,388
Movements in fair value											
Additions	8,406	37	3,946	3,089	980	472	5,158	1,354	1,229	8,741	33,413
Contributions	4,682	-	390	2,439	-	-	-	-	-	-	7,510
Revaluation	24,193	3,873	1,084	26,906	-	-	9,250	1,620	-	-	66,927
Disposal	(5,013)	(20)	(813)	(2,608)	(30)	-	(453)	(403)	(40)	-	(9,380)
WIP Transfers	4,790	3	2,322	1,734	4,019	254	3,295	285	583	(20,362)	(3,077)
	37,058	3,892	6,929	31,561	4,969	726	17,251	2,856	1,773	(11,621)	95,393
Movements in accumulated depreciation											
Depreciation and amortisation	(7,175)	(389)	(1,996)	(3,124)	(2,599)	(296)	(4,027)	(396)	(363)	-	(20,365)
Accumulated depreciation of disposals	3,715	11	574	993	15	-	239	135	5	-	5,688
Revaluation	(14,919)	(1,958)	(2,466)	(10,305)	-	-	(83)	(482)	-	-	(30,213)
	(18,379)	(2,336)	(3,888)	(12,436)	(2,584)	(296)	(3,871)	(742)	(358)	-	(44,890)
At fair value 30 June 2023	478,520	33,513	102,184	298,613	72,976	7,109	127,873	25,924	16,847	12,584	1,176,143
Accumulated depreciation at 30 June 2023	(245,910)	(16,901)	(46,342)	(110,969)	(20,866)	(3,421)	(42,036)	(8,232)	(6,575)	-	(501,251)
Carrying amount	232,610	16,612	55,842	187,644	52,110	3,688	85,837	17,692	10,272	12,584	674,891

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

Acquisition

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

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

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

	Depreciation Period	Threshold Limit \$
Asset recognition thresholds and depreciation periods		
<i>Land</i>		
land	-	1
<i>Buildings</i>		
buildings	50 years	2,000
heritage buildings	150 years	2,000
<i>Plant and Equipment</i>		
heritage plant and equipment	-	1
plant, machinery and equipment	3 - 10 years	500
computers and telecommunications	3 - 5 years	1
furniture, fixtures and fittings	5 - 20 years	1,000
library books	5 years	1
<i>Infrastructure</i>		
roads - pavements, substructure, formation and earthworks	70 years	5,000
roads - kerb, channel and minor culverts and other	70 years	5,000
roads - surface	30 years	5,000
	50 - 100 years	5,000
bridges - deck and substructure		
footpaths and cycleways	20 - 60 years	5,000
	50 - 100 years	2,000
drainage		
recreational, leisure and community facilities	10 - 50 years	2,000
waste management	5 - 50 years	5,000
off street car parks	30 - 70 years	5,000
<i>Other infrastructure</i>	5 - 50 years	1,000
<i>Parks open space and streetscapes</i>	10 - 50 years	1,000

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the cost method. The Council does not recognise land under roads that it controlled prior to that period in its financial report.

Depreciation and amortisation

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

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

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

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

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

Repairs and maintenance

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

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

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Jessie Johnson, AAPI CPV, valuer registration no. 102351. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

Any significant movements in the unobservable inputs for land will have a significant impact on the fair value of this asset class.

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

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Land	-	-	635,117	June 2023	External valuation
Heritage Buildings	-	-	13,666	June 2023	External valuation
Buildings	-	-	190,242	June 2023	External valuation
Total	-	-	839,025		

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by the Council's asset management team as at 30 June 2023, supervised by Nan Ben Cheng B.Eng (Civil) based on current replacement cost less accumulated depreciation as at the date of valuation.

The date and type of the current valuation is detailed in the following table. Index based revaluations were conducted in the current year, this valuation was based on, indexed Council contract unit rates. Where an external valuation was used the rates were determined by the external valuer using an amalgam of current market rates and costs incurred by Council. A full revaluation of Roads will be conducted in 2023/24 and other asset classes in line with a four year cycle.

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

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

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Roads	-	-	232,610	June 2023	Cost index
Drainage	-	-	187,644	June 2023	Cost index
Parks, open space and streetscapes	-	-	85,837	June 2023	External valuation
Footpaths and cycleways	-	-	55,842	June 2023	Cost index
Recreational, leisure and community facilities	-	-	52,110	June 2022	External valuation
Off Street Car Parks	-	-	17,692	June 2023	Cost index
Bridges	-	-	16,612	June 2023	External valuation
Other infrastructure	-	-	10,272	At cost	At cost
Waste management	-	-	3,688	At cost	At cost
Total	-	-	662,307		

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

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 which are taken into account when pricing the asset. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$8 and \$6,030 per square metre.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$300 to \$21,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 0 years to 50 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2023	2022
	\$'000	\$'000
Reconciliation of specialised land		
Community facilities	42,842	44,796
Parks and reserves	569,863	590,834
Other	22,412	23,801
Total specialised land	635,117	659,431

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

	2023 \$'000	2022 \$'000
6.3 Investment property		
Balance at beginning of financial year	14,565	14,565
Fair value adjustments	315	-
Balance at end of financial year	<u>14,880</u>	<u>14,565</u>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation by Jessie Johnson, AAPI CPV, valuer registration no. 102351 who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property as at 30 June 2023.

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

Note 7 PEOPLE AND RELATIONSHIPS

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Hobsons Bay City Council is the parent entity.

(b) Key Management Personnel

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

Details of KMP at any time during the year are:

		2023 No.	2022 No.
Councillors	Councillor Tony Briffa (Mayor 11 November 2023 to 30 June 2023)		
	Councillor Diana Grima (Deputy Mayor)		
	Councillor Peter Hemphill (Mayor from 1 July 2022 to 11 October 2022)		
	Councillor Daria Kellander		
	Councillor Jonathon Marsden		
	Councillor Pamela Sutton-Legaud		
	Councillor Matt Tyler		
	Chief Executive Officer Aaron van Egmond		
	Director - Corporate Services Andrew McLeod		
	Director - Infrastructure and City Services Sanjay Manivasagasivam		
	Director - Sustainable Communities Penelope Winslade		
Total Number of Councillors		7	7
Total of Chief Executive Officer and other Key Management Personnel		4	6
Total Number of Key Management Personnel		11	13

(c) Remuneration of Key Management Personnel

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

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

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

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

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

	2023 \$	2022 \$
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	1,609	1,616
Other long-term employee benefits	29	39
Post-employment benefits	118	145
Termination benefits	-	-
Total	1,756	1,800

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

	2023 No.	2022 No.
\$30,000 - \$39,999	4	4
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	2	1
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	1	1
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	-	1
\$250,000 - \$259,999	-	1
\$280,000 - \$289,999	1	1
\$290,000 - \$299,999	1	2
\$300,000 - \$309,999	1	-
\$390,000 - \$399,999	1	-
	11	14

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

(d) Remuneration of other senior staff

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

	2023 \$	2022 \$
Other long-term employee benefits		
Total remuneration of other senior staff was as follows:		
Short-term employee benefits	2,467	2,046
Post-employment benefits	239	181
Other long-term employee benefits	57	46
Termination benefits	125	-
Total	2,888	2,273

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

	2023 No.	2022 No.
Income Range:		
\$160,000 - \$169,999	-	-
\$170,000 - \$179,999	2	1
\$180,000 - \$189,999	5	7
\$190,000 - \$199,999	4	2
\$200,000 - \$209,999	2	1
	13	11

Total remuneration for the reporting year for other senior staff included above, amounted to:	2,888	2,273
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* Due to a definitional change the comparative figures in this note may not align with the previous year's annual report, which included disclosure of senior officers as defined in the *Local Government Act 1989*.

7.2 Related party disclosure	2023	2022
(a) Transactions with related parties	\$'000	\$'000

During the period Council entered into no transactions with related parties.

(b) Outstanding balances with related parties

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

(c) Loans to/from related parties

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

(d) Commitments to/from related parties

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

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

Note 8 MANAGING UNCERTAINTIES

8.1 Contingent assets and liabilities

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

(a) Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

At balance date the Council are not aware of any contingent assets.

(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.

At Balance date the Council are not aware of any contingent liabilities.

Superannuation

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

Insurance claims

Council has no major insurance claims that could have a material impact on future operations.

Legal matters

Council has no major legal matters that could have a material impact on future operations.

Building cladding

Council has no potential contingents that may exist in relation to rectification works or other matters associated with building cladding that may have the potential to adversely impact on Council.

(c) Guarantees for loans to other entities

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

	2023	2022
	\$'000	\$'000
Altona Sports Centre - Loan guarantee	1,500	1,500

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 Report For the Year Ended 30 June 2023

8.2 Change in accounting standards

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

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank and TCV 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 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 no exposure to cash flow interest rate risk through its cash and deposits.

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 been significant during the year to have an impact on the Council's year end result as a result of the increased revenue from interest (\$1.054 million).

(c) Credit risk

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

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

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

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

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

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.

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

(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(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1.5% and -0.5% in market interest rates (AUD) from year-end rates of 4.43%.

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

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

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. (For plant and equipment carrying amount is considered to approximate fair value given short useful lives). 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 one to four years. The valuation is performed either by experienced council officers or independent experts. The following table sets out the frequency of revaluations by asset class.

Asset class	Revaluation frequency	Condition assessment
Land	One year	-
Buildings	One year	Four years
Roads	One year	Four years
Bridges	One year	Four years
Footpaths and cycleways	One year	Four years
Drainage	One year	Four years
Recreational, leisure and community facilities	One year	Four years
Parks, open space and streetscapes	One year	Four years

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

Impairment of assets

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

8.5 Events occurring after balance date

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

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

Note 9 OTHER MATTERS

9.1 Reserves

(a) Asset revaluation reserves

2023

Property

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
Land	561,185	(24,316)	536,869
Heritage Buildings	(5,982)	2,386	(3,596)
Buildings	20,610	(7,990)	12,620
	<u>575,813</u>	<u>(29,920)</u>	<u>545,893</u>

Infrastructure

Roads	167,007	9,274	176,280
Drainage	90,052	(1,382)	88,670
Footpaths and cycleways	37,730	9,168	46,897
Parks, open space and streetscapes	27,192	1,915	29,106
Bridges	311	16,601	16,913
Recreational, leisure and community facilities	4,630	-	4,630
Offstreet car parks	(989)	1,139	149
	<u>325,932</u>	<u>36,714</u>	<u>362,646</u>
Total asset revaluation reserves	<u>901,745</u>	<u>6,794</u>	<u>908,539</u>

2022

Property

Land	500,778	60,407	561,185
Buildings	20,610	-	20,610
Heritage Buildings	(5,982)	-	(5,982)
	<u>515,406</u>	<u>60,407</u>	<u>575,813</u>

Infrastructure

Roads	157,167	9,840	167,007
Drainage	77,492	12,560	90,052
Footpaths and cycleways	35,998	1,732	37,730
Parks, open space and streetscapes	-	27,192	27,192
Recreational, leisure and community facilities	-	4,630	4,630
Bridges	(1,358)	1,669	311
Offstreet car parks	-	(989)	(989)
	<u>269,299</u>	<u>56,634</u>	<u>325,932</u>
Total asset revaluation reserves	<u>784,705</u>	<u>117,041</u>	<u>901,745</u>

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

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

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2023				
Car Park reserve	222	-	-	222
Infrastructure reserve	7,181	-	(567)	6,614
Recreation land fund reserve	3,608	2,847	(4,300)	2,155
Street tree planting reserve	129	70	(86)	113
Capital works carryover reserve	6,780	11,356	(6,780)	11,356
Discretionary loan repayment reserve	3,500	500	-	4,000
Grants commission reserve	2,312	3,197	(2,312)	3,197
Port Phillip Woollen Mill reserve	578	-	(7)	571
Precinct 15 (Altona North) reserve	1,321	1,703	-	3,025
Total Other reserves	25,631	19,673	(14,051)	31,253
2022				
Car Park reserve	222	-	-	222
Infrastructure reserve	11,108	-	(3,927)	7,181
Recreation land fund reserve	5,769	2,949	(5,110)	3,608
Street tree planting reserve	124	5	-	129
Capital works carryover reserve	-	6,780	-	6,780
Discretionary loan repayment reserve	11,175	500	(8,175)	3,500
Grants commission reserve	1,450	2,312	(1,450)	2,312
Port Phillip Woollen Mill reserve	580	-	(2)	578
Precinct 15 (Altona North) reserve	49	1,272	-	1,321
Hobsons Bay Caravan Park reserve	92	-	(92)	-
Total Other reserves	30,569	13,818	(18,756)	25,630

Car park reserve relates to a car parking strategy for the commercial centre in Williamstown.

Infrastructure reserve is used to set aside funds for future capital works from operational or capital budget savings.

Recreation land fund reserve holds funds contributed by developers for works associated with developing and improving public open space and recreational facilities within Council.

Street tree planting reserve holds funds contributed by developers to be used towards street tree planting and maintenance.

Capital works carryover reserve is used to fund timing differences caused by projects being delayed (or bought forward) in the annual Capital Works Program.

Discretionary loan repayment reserve was established to repay the principal at maturity for interest only debt.

Grant commission reserve holds funds received in advance from the Victorian Grants Commission relating to the next financial year.

Port Phillip Woollen Mill and Precinct 15 (Altona North) reserves hold funds received under the Design and Development Overlay, Schedule 1 and 2, of the Hobsons Bay planning Scheme.

Hobsons Bay Caravan Park reserve holds community infrastructure funds received from the development of the site.

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

	2023	2022
	\$'000	\$'000
9.2 Reconciliation of cash flows from operating activities to surplus		
Surplus for the year	30,010	28,792
Loss on disposal of property, infrastructure, plant and equipment	4,253	165
Impairment losses	791	935
Fair value adjustments for Assets held for resale	(935)	-
Fair value adjustments for investment property	(315)	-
Contributions - Non-monetary assets	(7,510)	(292)
Depreciation	28,774	24,214
Amortisation	241	340
<i>Change in assets and liabilities:</i>		
Increase in trade and other receivables	(1,348)	(2,583)
(Increase)/decrease in prepayments	(431)	66
Decrease) in accrued income	(147)	(43)
Increase/(decrease) in trade and other payables	(5,206)	5,626
Decrease in unearned income /revenue	(767)	(2,695)
Increase in other liabilities	120	2,626
Increase in inventories	(8)	(3)
(Decrease)/increase in provisions	13	(520)
Net cash provided by operating activities	47,535	56,628

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation (2022: 10.0%)).

Defined Benefit

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

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of 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. A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns 5.7% pa

Salary information 3.5% pa

Price inflation (CPI) 2.8% pa

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

As at 30 June 2022, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 102.2%. The financial assumptions used to calculate the VBI were:

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

Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). Vision Super has advised that the estimated VBI at June 2023 was 104.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(a) Regular contributions

On the basis of the results of the 2022 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2023, this rate was 10.5% of members' salaries (10.0% in 2021/22). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2022 interim valuation.

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

(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 2022 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2022 and the last full investigation was conducted as at 30 June 2020.

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

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2022.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2022.

The discounted accrued benefits surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2022.

The 2023 triennial actuarial investigation

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

	2023 Triennial investigation	2020 Triennial investigation
Net investment return	5.7% pa	5.6% pa
Salary inflation	3.50% pa	2.50 % pa for the first two years and 2.75% thereafter
Price inflation	2.8% pa	2.0% pa

Superannuation contributions

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

Scheme	Type of Scheme	Rate	2023 \$'000	2022 \$'000
Vision super	Defined benefits	10.5% (2022:10.0%)	163	164
Vision super	Accumulation	10.5% (2022:10.0%)	2,102	2,165

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

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2024 is \$155,000.

Note 10 CHANGE IN ACCOUNTING POLICY

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

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




Hobsons Bay City Council Performance Statement

*For the year ended
30 June 2023*



Certification of the Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.



Hamish Munro, CPA

Principal Accounting Officer

Dated : 12 September 2023

Altona

In our opinion the accompanying performance statement of the Hobsons Bay City Council for the year ended 30 June 2023 presents fairly the results of council's performance in accordance with the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify this performance statement in its final form.



Antoinette Briffa

Mayor

Dated : 12 September 2023

Altona



Jonathon Marsden

Councillor

Dated : 12 September 2023

Altona



Aaron van Egmond

Chief Executive Officer

Dated : 12 September 2023

Altona

Independent Auditor's Report

To the Councillors of Hobsons Bay City Council

Opinion	<p>I have audited the accompanying performance statement of Hobsons Bay City Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • description of municipality for the year ended 30 June 2023 • sustainable capacity indicators for the year ended 30 June 2023 • service performance indicators for the year ended 30 June 2023 • financial performance indicators for the year ended 30 June 2023 • other information and • certification of the performance statement. <p>In my opinion, the performance statement of Hobsons Bay City Council in respect of the year ended 30 June 2023 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 4 of the <i>Local Government Act 2020</i> and <i>Local Government (Planning and Reporting) Regulations 2020</i>.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance statement</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance statement in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the performance statement	<p>The Councillors are responsible for the preparation and fair presentation of the performance statement in accordance with the performance reporting requirements of the <i>Local Government Act 2020</i> and the <i>Local Government (Planning and Reporting) Regulations 2020</i> and for such internal control as the Councillors determines is necessary to enable the preparation and fair presentation of a performance statement that is free from material misstatement, whether due to fraud or error.</p>

**Auditor's
responsibilities
for the audit of
the performance
statement**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement. As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the performance statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the overall presentation, structure and content of the performance statement, including the disclosures, and whether performance statement represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
20 September 2023



Travis Derricott
as delegate for the Auditor-General of Victoria

Performance Statement

For year ended 30 June 2023

Description of Municipality

Hobsons Bay is situated at the northern end of Port Phillip Bay, about 10km west of central Melbourne and includes the suburbs of Altona, Altona Meadows, Altona North, Brooklyn, Laverton, Newport, Seabrook, Seaholme, South Kingsville, Spotswood, Williamstown and Williamstown North. Each suburb has its own unique character, from the historic seaport of Williamstown with its range of heritage buildings, to the more recently developed residential areas of Altona Meadows and Seabrook. Hobsons Bay also has a range of major industrial complexes, which contribute significantly to the economy of Victoria.

It covers an area of approximately 66 square kilometres with over 20 kms of coastline. It is also home to significant coastal wetlands, five creek systems, remnant native grasslands, and important flora and fauna habitats, which makes up 24 per cent of the city's total land area.

In 2022, Hobsons Bay had an estimated resident population of 91,736 (ABS Estimated Resident Population 2022) people, including 628 First Nations people. Thirty per cent of our residents were born overseas, 27 per cent speak a language other than English at home and 55 per cent have a religious affiliation.

These features contribute to the City's culture, which is strongly linked to its maritime heritage, rich natural environment, industry and lifestyle.

Sustainable Capacity Indicators

For the year ended 30 June 2023

Results					
Indicator / measure [formula]	2020	2021	2022	2023	Comment
Population					
C1 Expenses per head of municipal population [Total expenses / Municipal population]	\$1,275.25	\$1,335.93	\$1,429.03	\$1,592.63	The increased indicator in 2022-23 is largely caused by the increase in expenditure levels. There has only been a slight decrease in the population figure.
C2 Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$7,065.66	\$7,695.70	\$9,161.18	\$9,867.31	The increase in 2022-23 is due to the increase in the value of Council's infrastructure due to asset revaluations that occurred during the financial year combined with a slight decrease in the population figure.
C3 Population density per length of road [Municipal population / Kilometres of local roads]	226.59	227.82	213.11	210.89	The indicator reduced slightly in 2022-23 due to a slight increase in the road length combined with a slight decrease in the population figure.
Own-source revenue					
C4 Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,266.77	\$1,247.70	\$1,416.48	\$1,550.40	The increased indicator in 2022-23 reflects the increase in own-source revenue combined with a slight decrease in the population figure.

Results					
Indicator / measure [formula]	2020	2021	2022	2023	Comment
C5 Recurrent grants <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$140.83	\$91.17	\$113.07	\$119.26	The increase during 2022-23 is due to the increased recurrent grants received during the year combined with a reduction in the population level.
C6 Disadvantage <i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	7.00	7.00	7.00	7.00	As the source of the socio-economic disadvantage is based on 2021 Census data, the indicator has not changed.
C7 Workforce turnover <i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	15.3%	16.1%	25.8%	18.1%	The staff turnover rate has settled back to pre-COVID rates. The increase in 2022 was associated with short term contracts coming to an end in line with the Work for Victoria program. The current turnover rate is consistent with the current statewide trends.

Definitions

“adjusted underlying revenue” means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

“infrastructure” means non-current property, plant and equipment excluding land

“local road” means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

“population” means the resident population estimated by council

“own-source revenue” means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

“relative socio-economic disadvantage”, in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

“SEIFA” means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website

“unrestricted cash” means all cash and cash equivalents other than restricted cash.

Service Performance Indicators

For the year ended 30 June 2023

Results					
Service/indicator/measure [formula]	2020	2021	2022	2023	Comment
Aquatic Facilities Utilisation AF6 <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	0.00	0.00	0.00	0.00	Council does not have operational control of the aquatic facilities in its municipality and therefore the indicators are not reported on.
Animal Management Health and safety AM7 <i>Animal management prosecutions</i> [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	94%	88%	100%	100%	Council's commitment to improving processes for investigation and case management has continued with nine prosecutions being successful.

Results					
Service/indicator/measure [formula]	2020	2021	2022	2023	Comment
Food Safety Health and safety FS4 <i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	81.70%	79.52%	87.36%	99.12%	Council continues to improve its follow-up rate, ensuring that notifications are responded to. This is coupled with the implementation of risk-based assessments as recommended by the Department of Health to manage risks associated with critical and major non-compliance notifications.
Governance Satisfaction G5 <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	58	58	59	56	The slight decline in the community satisfaction with Council decisions is consistent with the trend across the local government sector.

Results					
Service/indicator/measure [formula]	2020	2021	2022	2023	Comment
Libraries Participation LB4 Active library borrowers in municipality [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	19.46%	16.53%	13.72%	11.48%	Although active borrowers have increased by 800 members over the past year, the overall active borrower number for the past three years still reflects the impact of COVID lockdowns in 2021.
Maternal and Child Health (MCH) Participation MC4 Participation in the MCH service [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	72.94%	70.46%	67.41%	68.42%	There has been a slight increase in participation over the past 12 months for all children. The service continues to develop processes that will support re-engaging those families who have not participated in Key Age and Stage appointments.

Results					
Service/indicator/measure [formula]	2020	2021	2022	2023	Comment
Maternal and Child Health (MCH) Participation MC5 Participation in the MCH service by Aboriginal children [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	71.88%	68.18%	83.65%	80.73%	Despite a decrease in the overall percentage of participation, there has been an improvement in overall identification and engagement with Aboriginal families in Hobsons Bay which may be attributed to a more culturally safe service. Forty-four aboriginal children attended the service at least once during the year.
Roads Satisfaction R5 Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	56	61	59	54	There are current market challenges in engaging contractors and completing road works, resulting in less works being carried out and a subsequent reduction in community satisfaction. Council is seeking alternate methods to deliver works to improve community satisfaction.

Results					
Service/indicator/measure [formula]	2020	2021	2022	2023	Comment
Statutory Planning Decision making SP4 Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	61.54%	62.50%	45.71%	58.62%	Seventeen Council planning decisions have been upheld at VCAT this year. The significant percentage increase represents improvements in the application of the planning provisions by Council and a greater consistency in Council's decision-making, together with fewer Council decisions being appealed to VCAT.
Waste Collection Waste diversion WC5 Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	45.37%	58.45%	57.76%	53.13%	Council's four-bin waste and recycling service continues to produce excellent results for diversion from landfill. A change to the frequency of general garbage and food organics and garden organics collection in November 2021 has had some impacts on the volumes collected and the percentage of waste diverted resulting in lower rates of diversion. Council is delivering a range of programs to educate and encourage residents to continue to use their comingled recycling, food organics and garden organics and glass recycling bins.

Definitions

“Aboriginal child” means a child who is an Aboriginal person

“Aboriginal person” has the same meaning as in the *Aboriginal Heritage Act 2006*

“active library borrower” means a member of a library who has borrowed a book from the library

“annual report” means an annual report prepared by a council under section 98 of the Act

“class 1 food premises” means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act

“class 2 food premises” means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

“critical non-compliance outcome notification” means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health

“food premises” has the same meaning as in the *Food Act 1984*

“local road” means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

“major non-compliance outcome notification” means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

“MCH” means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age

“population” means the resident population estimated by council

Financial Performance Indicators

For the year ended 30 June 2023

		Results				Forecasts				
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
Efficiency										
Expenditure level										
E2	Expenses per property assessment	\$2,927.72	\$3,032.14	\$3,009.07	\$3,302.48	\$3,329.41	\$3,341.01	\$3,383.08	\$3,442.58	The increase in 2022-23 reflects the increase in operational expenditure compared to the previous year. This mainly relates to depreciation and losses on disposal of infrastructure, plant and equipment. There has only been a slight gradual increase in the number of assessable properties.
	[Total expenses / Number of property assessments]									

		Results				Forecasts				
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
Revenue level										
E4	Average rate per property assessment	\$2,371.57	\$2,360.01	\$2,461.45	\$2,534.54	\$2,641.07	\$2,678.13	\$2,715.73	\$2,753.87	The increase in 2022-23 reflects the rate cap increase (1.75%) and supplementary rate increases resulting from strong property growth.
	[Total rate revenue (general rates and municipal charges) / Number of property assessments]									

		Results				Forecasts				
Dimension/ <i>indicator</i> / <i>measure</i>		2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
L1	Liquidity									
	Working capital									
	Current assets compared to current liabilities	208.57%	123.02%	135.46%	155.10%	147.47%	139.32%	149.78%	168.24%	The increase in 2022-23 compared to the previous year is mainly due to a decrease in trade and other payables (liability) compared to the previous financial year.
	[Current assets / Current liabilities] x100									

		Results				Forecasts				Material Variations and Comments
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	
Unrestricted cash										
L2	Unrestricted cash compared to current liabilities	-40.13%	-17.11%	-29.98%	-12.17%	-14.42%	-17.50%	-23.50%	-28.27%	The negative results since 2019-20 are offset by other financial assets (investments) of \$20 million in 2022-23, which are investments held for periods over 90 days. These investments are not included in the calculation, but are used to fund Council's ongoing operations and liabilities. The improved result in 2022-23 is a result of approximately \$15 million more cash being included in this calculation, despite cash and investment levels being consistent with the prior year.
	[Unrestricted cash / Current liabilities] x100									

		Results				Forecasts				Material Variations and Comments
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	
Obligations										
Loans and borrowings										
O2	Loans and borrowings compared to rates	12.71%	12.59%	10.03%	15.24%	24.00%	24.48%	17.25%	13.85%	The increased ratio in 2022-23 is due to the net increase in outstanding loans of \$7.167 million during the financial year. The increased forecasts to this ratio over the next two years is a result of additional loan borrowings projected over this period. These forecast loans are expected to be used to fund an increased Capital Works Program, where some projects forecast for delivery in later years have been brought forward.
	[Interest bearing loans and borrowings / Rate revenue] x100									

		Results				Forecasts				Material Variations and Comments
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	
O3	Loans and borrowings repayments compared to rates	0.56%	0.56%	8.00%	1.09%	2.25%	3.56%	7.48%	3.63%	The decrease in 2022-23 compared to 2021-22 reflects the bullet principal repayment of \$9.2 million in 2021-22 to finalise one of the two loans held with the Local Government Funding Vehicle. Increased forecasts to this ratio reflects additional loan borrowings projected over this period. Principal and interest is expected to be repaid each year on these loans, rather than the interest-only loans previously drawn down by Council.
	[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									

		Results				Forecasts				Material Variations and Comments
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	
O4	Non-current liabilities compared to own source revenue	12.49%	4.94%	9.53%	13.60%	20.09%	16.72%	13.75%	10.47%	The indicator reduced significantly in 2020-21 to reflect \$9.2 million worth of borrowings being regarded as a current liability. This amount was repaid in 2021-22. The indicator increased again in 2021-22 and 2022-23, reflecting further borrowings of \$7 million and \$8 million borrowed during these financial years. The increased forecasts to this ratio over the next two years is a result of additional loan borrowings projected over this period.
	[Non-current liabilities / Own source revenue] x100									

		Results				Forecasts				
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
Asset renewal and upgrade										
O5	Asset renewal and upgrade compared to depreciation	280.37%	253.43%	182.46%	136.17%	152.17%	176.72%	158.95%	122.32%	The results in 2019-20 and 2020-21 reflect Council's significant investment and ongoing commitment to capital works. The result reduced in 2021-22 and 2022-23 due to increases in depreciation and decreases in capital works expenditure resulting from works being carried over until the next financial years.
	[Asset renewal and asset upgrade expense / Asset depreciation] x100									

		Results				Forecasts				
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
Operating position										
Adjusted underlying result										
OP1	Adjusted underlying surplus (or deficit)	11.56%	7.19%	10.22%	8.33%	9.22%	10.34%	10.66%	10.26%	The decrease in 2022-23 is largely attributed to the increase in operational expenditure compared to the previous year. The decrease in 2020-21 is consistent with the reduction in the operational surplus, impacted by COVID-19. Forecasts are for the indicator to slightly improve over the next three years, consistent with a gradual recovery of Council's income generating capacity, after the COVID-19 pandemic.
	[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100									

		Results				Forecasts				
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
S1	Stability									The decrease in 2022-23 is largely attributed to the slight recovery of Council's own-source revenue (outside of rates). Forecasts for the indicator are gradually increasing due to rate income (including supplementary growth) being expected to increase at a greater rate than other own-source revenue.
	Rates concentration									
	Rates compared to adjusted underlying revenue	79.29%	79.80%	81.47%	78.93%	80.65%	81.00%	81.30%	81.55%	
[Rate revenue / Adjusted underlying revenue] x100										

		Results				Forecasts				
Dimension/indicator/measure		2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
S2	Rates effort									Rates compared to property values in 2022-23 increased slightly over the previous three years due to a small increase in property values during the 2022 revaluation. Future forecasts reflect increases to rates consistent with predicted rate caps and minimal increases to property values.
	Rates compared to property values	0.30%	0.30%	0.32%	0.30%	0.30%	0.30%	0.31%	0.31%	
	[Rate revenue / Capital improved value of rateable properties in the municipality] x100									

Definitions

“adjusted underlying revenue” means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

“adjusted underlying surplus (or deficit)” means adjusted underlying revenue less total expenditure

“asset renewal expenditure” means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

“current assets” has the same meaning as in the AAS

“current liabilities” has the same meaning as in the AAS

“non-current assets” means all assets other than current assets

“non-current liabilities” means all liabilities other than current liabilities

“non-recurrent grant” means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council’s Strategic Resource Plan

“own-source revenue” means adjusted underlying revenue other than revenue that is not under the control of council (including government grants

“population” means the resident population estimated by council

“rate revenue” means revenue from general rates, municipal charges, service rates and service charges

“recurrent grant” means a grant other than a non-recurrent grant

“residential rates” means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

“restricted cash” means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

“unrestricted cash” means all cash and cash equivalents other than restricted cash.

Other Information

For year ended 30 June 2023

1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 2020* and Local Government (Planning and Reporting) Regulations 2020.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's

strategic resource plan. The Local Government (Planning and Reporting) Regulations 2020 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by Council in its Annual Budget 2023-24 on 20 June 2023 and which forms part of the council plan. The financial plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The financial plan can be obtained by contacting council.





HOBSONS BAY CITY COUNCIL

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HOBSONS BAY LANGUAGE LINE

9932 1212

INTERPRETER SERVICE FOR ALL LANGUAGES

Your Council in your language

Recorded Council information in:

English	العربية	Ελληνικά
Italiano	ကဠိကျိန်	Tiếng Việt
粵語	Македонски	普通话

