

Hobsons Bay City Council

Annual Financial Report

For the year ended 30 June 2022



**HOBSONS
BAY CITY
COUNCIL**





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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

Date : 12 October 2022

Altona

In our opinion the accompanying financial statements present fairly the financial transactions of Hobsons Bay City Council for the year ended 30 June 2022 and the financial position of the Council as at that date.

As 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.



Peter Hemphill

Mayor

Date : 12 October 2022

Altona



Pamela Sutton-Legaud

Councillor

Date : 12 October 2022

Altona



Aaron van Egmond

Chief Executive Officer

Date : 12 October 2022

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 2022 • 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 2022 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
18 October 2022


Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement For the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Rates and charges	3.1	119,661	112,795
Statutory fees and fines	3.2	4,900	3,610
User fees	3.3	3,199	2,848
Grants - operating	3.4	11,388	14,746
Grants - capital	3.4	13,729	5,534
Contributions - monetary	3.5	4,538	3,739
Contributions - non monetary	3.5	295	-
Fair value adjustments for investment property	6.3	-	780
Other income	3.7	2,945	2,477
Total income		160,655	146,529
Expenses			
Employee costs	4.1	55,384	56,598
Materials and services	4.2	49,410	47,123
Depreciation	4.3	24,214	22,055
Net loss on disposal of property, infrastructure, plant and equipment	3.6	165	2,694
Amortisation - right of use assets	4.4	340	781
Bad and doubtful debts	4.5	936	370
Borrowing costs	4.6	372	627
Finance costs - leases	4.7	16	49
Other expenses	4.8	1,026	876
Total expenses		131,863	131,173
Surplus for the year		28,792	15,356
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.2	117,041	62,954
Total other comprehensive income		117,041	62,954
Total comprehensive result		145,832	78,310

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

Balance Sheet As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	10,922	5,067
Trade and other receivables	5.1	18,565	16,882
Other financial assets	5.1	35,000	40,000
Inventories	5.2	19	16
Other assets	5.2	860	882
Total current assets		65,366	62,847
Non-current assets			
Trade and other receivables	5.1	193	228
Other financial assets	5.1	1	1
Non-current assets classified as held for sale	6.1	1,854	-
Property, infrastructure, plant and equipment	6.2	1,504,781	1,355,489
Right-of-use assets	5.8	84	340
Investment property	6.3	14,565	14,565
Total non-current assets		1,521,477	1,370,623
Total assets		1,586,843	1,433,470
Liabilities			
Current liabilities			
Trade and other payables	5.3	20,422	13,895
Trust funds and deposits	5.3	10,068	7,426
Unearned income/revenue	5.3	4,693	7,388
Provisions	5.5	12,305	12,861
Interest-bearing liabilities	5.4	588	9,200
Lease liabilities	5.8	179	317
Total current liabilities		48,255	51,087
Non-current liabilities			
Provisions	5.5	1,016	978
Interest-bearing liabilities	5.4	11,412	5,000
Lease liabilities	5.8	22	79
Total non-current liabilities		12,450	6,057
Total liabilities		60,704	57,144
Net assets		1,526,138	1,376,326
Equity			
Accumulated surplus		598,763	561,052
Reserves	9.1	927,375	815,274
Total Equity		1,526,139	1,376,326

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

Statement of Changes in Equity For the Year Ended 30 June 2022

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation 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	9.4	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	6.2	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>1,526,138</u>	<u>598,763</u>	<u>901,745</u>	<u>25,630</u>
Balance at end of the financial year		<u>1,526,138</u>	<u>598,763</u>	<u>901,745</u>	<u>25,630</u>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2021					
Balance at beginning of the financial year		1,294,645	525,316	721,750	47,579
Opening balance adjustment	10	3,370	3,370	-	-
Adjusted opening balance		<u>1,298,015</u>	<u>528,686</u>	<u>721,750</u>	<u>47,579</u>
Surplus for the year		15,356	15,356	-	-
Net asset revaluation increment	6.2	62,954	-	62,954	-
Transfers to other reserves	9.1	-	(5,059)	-	5,059
Transfers from other reserves	9.1	-	22,069	-	(22,069)
		<u>1,376,325</u>	<u>561,052</u>	<u>784,704</u>	<u>30,569</u>
Balance at end of the financial year		<u>1,376,325</u>	<u>561,052</u>	<u>784,704</u>	<u>30,569</u>

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

Statement of Cash Flows For the Year Ended 30 June 2022

	Note	2022 Inflows/ (Outflows) \$'000	2021 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		117,520	110,554
Statutory fees and fines		4,128	3,388
User fees		5,614	5,848
Grants - operating		11,388	16,593
Grants - capital		11,034	10,366
Contributions - monetary		4,541	3,739
Interest received		108	821
Trust funds and deposits paid		3,323	221
Other receipts		3,443	(113)
Net GST refund		8,329	10,814
Employee costs		(55,903)	(55,199)
Materials and services		(56,199)	(62,809)
Short-term, low value and variable lease payments		-	(39)
Trust funds and deposits repaid		(698)	(873)
Net cash provided by operating activities		56,628	43,311
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(53,049)	(71,707)
Proceeds from sale of property, infrastructure, plant and equipment		59	400
Proceeds from sale of investments		5,000	29,000
Net cash used in investing activities		(47,990)	(42,307)
Cash flows from financing activities			
Finance costs		(372)	(627)
Proceeds from borrowings		7,000	-
Repayment of borrowings		(9,200)	-
Interest paid - lease liability		(16)	(49)
Repayment of lease liabilities		(195)	(732)
Net cash used in financing activities		(2,783)	(1,408)
Net increase (decrease) in cash and cash equivalents		5,855	(404)
Cash and cash equivalents at the beginning of the financial year		5,067	5,471
Cash and cash equivalents at the end of the financial year		10,922	5,067
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Statement of Capital Works For the Year Ended 30 June 2022

	2022 \$'000	2021 \$'000
Property		
Buildings	13,976	23,773
Heritage buildings	165	239
Total buildings	<u>14,141</u>	<u>24,012</u>
Total property	<u>14,141</u>	<u>24,012</u>
 Plant and equipment		
Heritage plant and equipment	5	9
Plant, machinery and equipment	1,219	2,464
Fixtures, fittings and furniture	1,818	2,504
Computers and telecommunications	823	1,430
Library books	893	670
Total plant and equipment	<u>4,758</u>	<u>7,077</u>
 Infrastructure		
Roads	10,806	7,732
Bridges	256	316
Footpaths and cycleways	3,812	2,555
Drainage	1,678	3,301
Recreational, leisure and community facilities	7,276	7,283
Waste management	276	81
Parks, open space and streetscapes	9,886	11,671
Off street car parks	271	1,375
Other infrastructure	1,585	1,302
Total infrastructure	<u>35,845</u>	<u>35,616</u>
 Total capital works expenditure	<u>54,744</u>	<u>66,705</u>
 Represented by:		
New asset expenditure	10,565	10,810
Asset renewal expenditure	17,783	19,492
Asset upgrade expenditure	26,396	36,403
Total capital works expenditure	<u>54,744</u>	<u>66,705</u>

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

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

(a) Basis of accounting

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

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

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of 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.

(b) Impact of COVID-19

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

User fees waived under COVID-19 Community Support Package 5 included food permits (\$491,000), footpath and furniture trading permits (\$116,000) and health permits (\$39,000). Parking meter income was reduced due to ongoing COVID-19 restrictions (\$190,000) and debt recovery did not proceed (\$107,000).

Operating grants increased from one off COVID-19 funding received for outdoor activation programs (\$330,000).

Other income was under budget as a result of extended COVID-19 restrictions for sports facility rental (\$70,000).

Employee costs increased from the COVID-19 business concierge and hospitality program (\$261,000) which was funded by a grant, cleaning of COVID-19 high touch points such as playgrounds and shopping strips (\$343,000) and staff relief and overtime for the immunisation program as a result of COVID-19 restrictions (\$80,000).

There were employee cost savings from reduced Hall keeper hours for venues due to COVID-19 restrictions (\$104,000). Materials increases related to COVID-19 cleaning (\$375,000) and Sport and Recreation facilities asset maintenance and electricity costs (\$109,000).

The provision for Doubtful debts also rose in response to property debtors impacted by COVID-19 (\$284,000).

Note 2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of ten percent or one million where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

2.1.1 Income and expenditure

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Income					
Rates and charges	117,352	119,661	2,309	2.0%	1
Statutory fees and fines	4,378	4,900	522	11.9%	2
User fees	3,863	3,199	(664)	(17.2%)	3
Grants - operating	10,338	11,388	1,050	10.2%	4
Grants - capital	17,184	13,729	(3,455)	(20.1%)	5
Contributions - monetary	4,598	4,538	(60)	(1.3%)	
Contributions - non monetary	-	295	295	0.0%	
Other income	2,979	2,945	(34)	(1.1%)	
Total income	160,692	160,655	(37)	(0.0%)	
Expenses					
Employee costs	55,226	55,384	(158)	(0.3%)	
Materials and services	49,099	49,410	(311)	(0.6%)	
Depreciation	22,998	24,214	(1,216)	(5.3%)	6
Loss on disposal of property, infrastructure, plant and equipment	(50)	165	(215)	430.3%	7
Amortisation - right of use assets	474	340	134	28.3%	8
Bad and doubtful debts	219	936	(717)	(327.6%)	9
Borrowing costs	568	372	196	34.5%	10
Finance costs - leases	39	16	23	57.9%	11
Other expenses	918	1,026	(108)	(11.7%)	
Total expenses	129,491	131,863	(2,372)	(1.8%)	
Surplus for the year	31,201	28,792	(2,409)	(7.7%)	

(i) Explanation of material variations

- Rates and charges were \$2,309 million over budget due to an increase in the amount originally raised due to a delay in raising rates and greater than expected property development (\$1.621 million). Rate waivers were less than budgeted (\$298,000), while there was also increased income for interest on rates (\$251,000), waste charges (\$73,000), supplementary rates (\$58,000) and payments in lieu of rates (\$10,000).
- Statutory fees and fines were \$522,000 over budget due to increased planning application fees due to market recovery (\$352,000), an increase in parking infringements issued (\$114,000), unbudgeted election management fines (\$56,000), additional land information certificates issued (\$40,000) and an increase in animal registrations (\$26,000). The most significant decrease was for pool registrations as a result of statutory changes to registration due dates.

- 3 User fees were \$664,000 under budget mainly due to fees waived under COVID-19 Community Support Package 5 for food permits (\$491,000), footpath and furniture trading permits (\$116,000) and health permits (\$39,000). Parking meter income was reduced due to ongoing COVID-19 restrictions (\$190,000), debt recovery did not proceed (\$107,000), Westgate Tunnel license fees were removed (\$50,000). The most significant increases were reimbursements from tenants for building information fees (\$81,000), road opening/reinstatement fees (\$76,000), property insurance premiums (\$55,000), engineering services fees (\$62,000) and venue facilities fees (\$58,000).
- 4 Operating grants were \$1.050 million over budget. The most significant increases relate to Federal Financial Assistance Grant funding where an additional quarter of the 2022-23 funding was bought forward (\$683,000), one off COVID-19 funding received for outdoor activation programs (\$330,000) business concierge and hospitality (\$290,000) and Culturally And Linguistically Diverse local partnership projects (\$219,000), increased income for boat ramps (\$142,000) and Recycling 2.0 (\$116,000), renewed income for school focus youth services (\$104,000), additional one off funding for maternal child and health (\$102,000) and additional funding for arboriculture training (\$80,000). The most significant decreases relate to the unsuccessful West Gate Neighbourhood application towards the Urban Forest implementation (\$500,000) and the level crossing removal project (\$320,000).
- 5 Capital grants were under budget by \$3.455 million due to income carried over to next year's program (\$3.835 million) and income budgeted to be received in 2021-22 that was received in the prior year (\$157,000). These are offset against additional grants received (\$537,000).
- 6 Depreciation costs were over budget by \$1.216 million from 2021/22 capital additions and 2022 revaluations of the following asset classes: - Bridges, Footpaths & Cycleways, Drainage, Roads, Off Street Car Parks and Parks, Open Space and Streetscapes.
- 7 There was a net loss on the disposal of property, infrastructure, plant and equipment of \$165,000 during the financial year.
- 8 Amortisation costs were under budget by \$134,000 due to leases which reached the end of their term and were not renewed.
- 9 Bad and doubtful debts were over budget by \$717,000. This relates to the continued collection delays at Fines Victoria for unpaid parking fines (\$616,000) and property debtors (\$284,000) impacted by COVID-19.
- 10 Borrowing costs were under budget by \$196,000 from taking out new borrowings at a later than budgeted date in 2021-22.
- 11 Finance lease interest costs were under budget by \$23,000 due to leases which had reached the end of their term and were not renewed.

2.1.2 Capital works

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Property					
Buildings	23,015	13,976	(9,039)	(39.3%)	1
Heritage buildings	30	165	135	451.5%	2
Total buildings	23,045	14,141	(8,904)	(38.6%)	
Total property	23,045	14,141	(8,904)	(38.6%)	
Plant and equipment					
Heritage plant and equipment	-	5	5	-	
Plant, machinery and equipment	1,636	1,219	(417)	(25.5%)	3
Fixtures, fittings and furniture	-	1,818	1,818	-	4
Computers and telecommunications	700	823	123	17.5%	5
Library books	960	893	(67)	(6.9%)	
Total plant and equipment	3,296	4,758	1,462	44.3%	
Infrastructure					
Roads	13,556	10,806	(2,750)	(20.3%)	6
Bridges	60	256	196	326.6%	7
Footpaths and cycleways	1,637	3,812	2,175	132.8%	8
Drainage	2,307	1,678	(629)	(27.3%)	9
Recreational, leisure and community facilities	5,890	7,276	1,386	23.5%	10
Waste management	575	276	(299)	(52.0%)	11
Parks, open space and streetscapes	11,228	9,886	(1,342)	(12.0%)	12
Off street car parks	145	271	126	87.1%	13
Other infrastructure	350	1,585	1,235	353.0%	14
Total infrastructure	35,748	35,845	97	0.3%	
Total capital works expenditure	62,089	54,744	(7,345)	(11.8%)	
Represented by:					
New asset expenditure	13,515	10,565	(2,950)	(21.8%)	15
Asset renewal expenditure	21,037	17,783	(3,254)	(15.5%)	15
Asset expansion expenditure	27,537	26,396	(1,141)	(4.1%)	15
Total capital works expenditure	62,089	54,744	(7,345)	(11.8%)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Buildings are under budget by \$9.039 million. This is due to underspend on H.D. Graham Reserve \$3.588 million, J.T. Gray Reserve \$2.023 million, Brooklyn Hall \$1.359 million, Dennis Reserve Pavilion \$992,000 and Altona Sports Centre \$974,000, Altona Tennis Club \$650,000, Renewable Energy \$600,000 and Donald MacLean Reserve Pavilion \$588,000. This was offset by over expenditure on W.L.J. Croft Reserve Pavilion (\$1.195 million), Russell Court Kindergarten (\$535,000), the Civic Centre (\$345,000) and South Kingsville Community Centre (\$281,000).
2	Heritage buildings	Heritage buildings were over budget due to works at the Tidal Gauge House (\$67,000) and Williamstown Mechanics Institute (\$76,000).
3	Plant, machinery and equipment	Plant, Machinery and Equipment is under budget due to Plant replacement expenditure under \$ 494,000 offset by end of Lease Vehicle purchases (\$70,000).
4	Fixtures, fittings and furniture	Fixtures, Furniture and Fittings includes expenditure of \$1.352 million on the Solar photovoltaic rollout, which was budgeted under buildings, and Building renewal works (\$148,000) and Bayfit (\$188,000).

5	Computers and telecommunications	Information Technology overspend of \$123,000 from Library IT equipment upgrades (\$60,000) and digital signage (\$32,000) and Civic Centre upgrade (\$29,000).
6	Roads	Road expenditure was under budget by \$2.750 million. Under budget items include the Stitch in Time program (\$1.517 million), Truman Street South Kingsville to Aloha Street (\$641,000), Merton Street (\$598,000), Pier St Altona (\$550,000), Railway Avenue Laverton blackspot funding (\$453,000), Ferguson St Williamstown blackspot funding bicycle (\$310,000). These are offset by overspend on Aloha Street South Kingsville (\$613,000), Mason Street Altona North Blackspot funding (\$534,000) and the Altona Activity Centre (\$462,000).
7	Bridges	Bridges were over budget as a result of expenditure on the Queen Street footbridge (\$228,000) and Skeleton Creek Trail upgrade (\$24,000) offset by Bridge renewal underspend (\$48,000).
8	Footpaths and cycleways	Footpaths and cycleways were over budget by \$2.754 million as a result of Altona foreshore upgrade expenditure allocated to footpaths and Cycleways (\$1.754million), Kororoit Creek Trail (\$243,000), Williamstown Primary Schools Safe travel program \$185,000, Keen Street Newport (\$143,000), MacLean Reserve (\$108,000).
9	Drainage	Drainage was under budget by \$629,000 from Drainage Renewal Program (\$313,000), Central Avenue (\$520,000), Blenheim Road Newport (\$309,000), A.B. Shaw Reserve (\$210,000). Offset by overspends at Digman Reserve (\$138,000) Truman Street (\$124,000), John Street Williamstown laneway (\$88,000).
10	Recreational, leisure and community facilities	Recreation, Leisure and Community Facilities were over budget by \$1.386 million as a result of H.D. Graham (\$1.487 million), Cricket practice nets (\$482,000), Tennis needs (\$340,000), Westgate Tunnel (\$231,000) and Dennis Reserve (\$216,000). This was offset by Digman Reserve (\$746,000) and Bio-diversity strategy (\$200,000), Sporting Ground Floodlighting (\$198,000) and Hard Courts (\$185,000).
11	Waste management	Waste management was under budget on Public Bin Standardisation (\$269,000) and Borrac Square (\$30,000).
12	Parks, open space and streetscapes	Parks, Open Space and Streetscapes is under budget by \$ 1.342 million as a result of Foreshore remedial program (\$2.013 million) expenditure allocated to other asset categories, Blenheim Road Open Space \$562,000, Open space renewals and upgrades (\$537,000), Dennis Reserve \$531,000, Sporting ground redevelopments \$370,000. Offset by Westgate tunnel open space \$1.713 million, Hosken Reserve (\$543,000) and Vibrant Villages (\$419,000) overspends.
13	Off street car parks	Off Street Car Parks were over budget by \$126,000 from Digman Reserve (\$169,000), Altona Boat Ramp Car Park (\$101,000) which were offset by underspends on Altona North Bowling Club (\$135,000).
14	Other infrastructure	Other infrastructure assets were over spent by \$ 1.235 million. This includes Seabrook West LAMP implementation (\$240,000), Safe travel to schools program (\$189,000), May & Cresser Street Altona North (\$178,000), Altona North LAMP (\$146,000), Seabrook Boulevard LATM (\$140,000) & Ferguson St Williamstown (\$100,000).
15	New, renewal and upgrade expenditure	Variations to the budget are the result of the above changes and the classification of asset expenditure to the appropriate category.

Note 2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (a) 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.

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

	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	47,395
Sustainable Communities	52,031	45,005	7,026	6,214	17,333
Infrastructure & City Services	69,502	54,486	15,016	17,085	1,522,115
	160,655	131,863	28,792	25,117	1,586,843

	Income	Expenses	Surplus	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Corporate Services	46,561	38,166	8,395	8,926	50,253
Sustainable Communities	44,962	42,452	2,510	3,751	16,245
Infrastructure & City Services	55,006	50,555	4,451	7,603	1,366,972
	146,529	131,173	15,356	20,280	1,433,470

Note 3 Funding for the delivery of our services	2022	2021
3.1 Rates and charges	\$'000	\$'000

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 the 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 2021/22 was \$37,699 million (2020/21 \$37,811 million). The 2021/22 residential rate in the dollar was 0.2222 cents (0.2190 cents 2020/21). Differential rating factors are used for the purpose of applying variable rates according to land use.

General rates	107,408	101,821
Waste management charge	10,740	9,641
Supplementary rates and rate adjustments	458	353
Interest on rates and charges	701	628
Revenue in lieu of rates	354	352
Total rates and charges	119,661	112,795

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2022, and the valuation will be first applied in the rating year commencing 1 July 2022.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory fees and fines

Infringements and costs	2,078	1,207
Court recoveries	7	14
Town planning fees	1,966	1,567
Land information certificates	123	97
Permits	726	725
Total statutory fees and fines	4,900	3,610

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

Aged and health services	438	424
Roads and drains	405	575
Leisure centre and recreation	137	425
Child care/children's programs	48	46
Parking	753	536
Registration and other permits*	47	(36)
Building services	475	352
Town planning	235	168
Facilities	292	144
Other fees and charges	369	214
Total user fees	3,199	2,848

User fees by timing of revenue recognition

User fees recognised over time	-	-
User fees recognised at a point in time	3,199	2,848
Total user fees	3,199	2,848

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.

*The 2021 balance of Registration and other permits is a result of refunds for food safety and other Council permits.

3.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	8,304	6,333
State funded grants	16,813	13,946
Total grants received	25,117	20,279

(a) Operating Grants

Recurrent - Commonwealth Government

Financial Assistance Grants	3,817	2,796
Aged home and community care	1,562	1,314
Food services	345	341
Recreation	30	-

Recurrent - State Government

Family Youth and children	1,847	1,550
Infrastructure	280	680
Aged home and community care	41	70
School crossing supervisors	14	320
Libraries	1,020	638
Recreation	728	502
Food Services	123	-
Public health	115	130
Beach cleaning	95	110
Recycling	-	25
Total recurrent operating grants	10,017	8,476

	2022 \$'000	2021 \$'000
Non-recurrent - Commonwealth Government		
Family Youth and Children	154	-
Other	33	-
Infrastructure	80	-
Non-recurrent - State Government		
Working for Victoria	-	5,969
Aged care	79	130
Recreation	-	93
Other	656	68
Public Health	66	-
Family Youth and Children	44	-
Recycling	116	10
Recreation	143	-
Total non-recurrent operating grants	1,371	6,270
Total operating grants	11,388	14,746

(b) Capital Grants

Recurrent - Commonwealth Government		
Roads to recovery	477	477
Total recurrent capital grants	477	477
Non-recurrent - Commonwealth Government		
Buildings	-	718
Recreation	1,023	688
Infrastructure	783	-
Non-recurrent - State Government		
Infrastructure	968	1,040
Libraries	76	-
Recreation	10,402	2,611
Total non-recurrent capital grants	13,252	5,057
Total capital grants	13,729	5,534

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

Operating		
Balance at start of year	2,362	1,544
Received during the financial year and remained unspent at balance date	851	1,134
Received in prior years and spent during the financial year	(530)	(316)
Balance at year end	2,683	2,362
Capital		
Balance at start of year	4,784	223
Received during the financial year and remained unspent at balance date	475	4,784
Received in prior years and spent during the financial year	(4,142)	(223)
Balance at year end	1,117	4,784

(d) Recognition of grant income

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

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

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

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

Income recognised under AASB 1058 Income for Not-for-Profit Entities		
General purpose	3,817	2,796
Specific purpose grants to acquire non-financial assets	13,729	5,056
Other specific purpose grants	2,782	2,402
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	4,789	10,025
	25,117	20,279

3.5 Contributions	2022 \$'000	2021 \$'000
Monetary	4,538	3,739
Non-monetary	295	-
Total contributions	4,833	3,739

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

Drainage	292	-
Footpaths and Cycleways	3	-
Total non-monetary contributions	295	-

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

	2022	2021
	\$'000	\$'000
3.6 Net (loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sales	59	400
<i>Written down value of assets disposed</i>		
Plant & Equipment	(117)	(67)
Other infrastructure	(93)	(347)
Property	(14)	(1,299)
Open space & Streetscape	-	(426)
Recreation leisure and Community Facilities	-	(458)
Roads	-	(497)
Total net (loss) on disposal of property, infrastructure, plant and equipment	(165)	(2,694)

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

	2022	2021
	\$'000	\$'000
3.7 Other income		
Interest	151	361
Investment property rental	2,794	2,039
Other rent	-	77
Total other income	2,945	2,477

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.

	2022	2021
	\$'000	\$'000

Note 4 The cost of delivering services

	2022	2021
	\$'000	\$'000
4.1 (a) Employee costs		
Wages and salaries	48,417	50,509
Casual and agency staff	1,239	1,042
WorkCover	715	526
Superannuation	4,573	4,408
Fringe benefits tax	11	10
Other	429	103
Total employee costs	55,384	56,598

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	161	178
Employer contributions - other funds	-	-
	161	178

Employer contributions payable at reporting date.

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,165	2,144
Employer contributions - other funds	2,461	2,458
	4,626	4,602

Employer contributions payable at reporting date.

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

4.2 Materials and services

Contracts	9,300	9,984
Building maintenance	2,665	6,400
General maintenance	16,600	10,705
Utilities	2,786	2,777
Office administration	1,493	1,237
Information technology	2,155	2,456
Recycling, tipping and refuse collection	5,501	4,706
Community grants	1,830	2,092
Other	784	720
Materials and supplies	1,619	1,762
Insurance	1,392	1,277
Consultants	3,285	3,007
Total materials and services	49,410	47,123

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

4.3 Depreciation

Property	3,675	3,657
Plant and equipment	3,963	3,294
Infrastructure	16,576	15,104
Total depreciation	24,214	22,055

Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - Right of use assets

Office equipment	232	470
Vehicles	108	311
Total Amortisation - Right of use assets	340	781

4.5 Bad and doubtful debts	2022	2021
	\$'000	\$'000
Parking fine debtors	661	325
Other debtors	275	45
Total bad and doubtful debts	936	370
Movement in provisions for doubtful debts		
Balance at the beginning of the year	3,547	3,187
New provisions recognised during the year	936	371
Amounts already provided for and written off as uncollectible	(2)	(11)
Amounts provided for but recovered during the year	-	-
Balance at end of year	4,481	3,547

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.6 Borrowing costs

Interest - Borrowings	372	627
Total borrowing costs	372	627

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	16	49
Total finance costs	16	49

4.8 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	68	68
Auditors' remuneration - Internal Audit	54	70
Councillors' allowances	296	249
Others	608	489
Total other expenses	1,026	876

Note 5 Our financial position	2022	2021
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	4	4
Cash at bank	908	1,123
Term deposits	10,010	3,940
Total cash and cash equivalents	10,922	5,067
(b) Other financial assets		
Current		
Term deposits	35,000	40,000
Non-current		
Procurement Australasia Ltd. - At fair value	1	1
Total other financial assets	35,001	40,001
Total financial assets	45,923	45,068

Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 5.3(b))	6,587	5,527
Total restricted funds	6,587	5,527
Total unrestricted cash and cash equivalents	4,335	(460)
Other financial assets - term deposits Note 5.1 (b)	35,001	40,001
	39,336	39,541

Intended allocations

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- cash held to fund carried forward capital works	7,181	11,108
- cash held to fund recreation land works	3,608	5,769
- cash held to fund future loan repayments	3,500	11,175
- Cash held to fund unexpected grants	-	7,338
- Cash held to fund car park reserves	222	222
- Cash held to fund street tree planting works	129	124
- Cash held to fund Hobsons Bay Caravan Park works	-	92
- Cash held to fund Precinct 15 works	1,321	49
- Cash held to fund Port Phillip Woollen Mill Works	578	580
Total funds subject to intended allocations	16,539	36,457

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

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

	2022 \$'000	2021 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	13,505	11,364
Infringement debtors	4,830	4,059
Provision for doubtful debts - infringements	(3,922)	(3,262)
Net GST receivable	2,393	1,690
<i>Non statutory receivables</i>		
Loans and advances to community organisations	42	42
Other debtors	2,277	3,274
Provision for doubtful debts - other debtors	(560)	(285)
Total current trade and other receivables	18,565	16,882
Non-current		
<i>Non statutory receivables</i>		
Other debtors	122	115
Loans and advances to community organisations	71	113
Total non-current trade and other receivables	193	228
Total trade and other receivables	18,758	17,110

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)	225	294
Past due by up to 30 days	1,531	2,428
Past due between 31 and 180 days	482	418
Past due between 181 and 365 days	129	110
Past due by more than 1 year	32	10
Total trade and other receivables	2,399	3,260

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$2.399 million (2021: \$3.260 million) were impaired.

The amount of the provision raised against these debtors was \$560,000 (2021: \$285,000). 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, are on payment arrangements or being negotiated.

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	9	13
Past due between 31 and 180 days	2	37
Past due between 181 and 365 days	361	132
Past due by more than 1 year	188	103
Total trade & other receivables	560	285

5.2 Non-financial assets	2022	2021
(a) Inventories	\$'000	\$'000
Inventories held for distribution	19	16
Total inventories	19	16

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets

Prepayments	793	859
Accrued income	67	23
Total other assets	860	882

	2022	2021
	\$'000	\$'000

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

(a) Trade and other payables

Non-statutory payables

Trade payables	19,252	11,885
Accrued expenses	1,170	2,010
Total trade and other payables	20,422	13,895

(b) Trust funds and deposits

Refundable deposits	6,587	5,527
Fire services levy	2,207	1,020
Other refundable deposits	1,274	879
Total trust funds and deposits	10,068	7,426

(c) Unearned income/revenue

Grants received in advance - operating	3,618	2,333
Grants received in advance - capital	1,075	5,055
Total unearned income/revenue	4,693	7,388

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.

5.4 Interest-bearing liabilities	2022 \$'000	2021 \$'000
Current		
Treasury Corporation of Victoria borrowings -	588	-
Other borrowings - secured	-	9,200
	<u>588</u>	<u>9,200</u>
Non-current		
Treasury Corporation of Victoria borrowings -	6,412	-
Other borrowings - secured	5,000	5,000
	<u>11,412</u>	<u>5,000</u>
Total	<u>12,000</u>	<u>14,200</u>

Borrowings are secured against the rates of the municipality.

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

Not later than one year	588	9,200
Later than one year and not later than five years	5,000	5,000
Later than five years	6,412	-
	<u>12,000</u>	<u>14,200</u>

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

5.5 Provisions

	Employee	Total
2022	\$ '000	\$ '000
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	<u>13,321</u>	<u>13,321</u>
2021		
Balance at beginning of the financial year	12,440	12,440
Additional provisions	5,019	5,019
Amounts used	(3,326)	(3,326)
Service transfers	(292)	(292)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(2)	(2)
Balance at the end of the financial year	<u>13,839</u>	<u>13,839</u>

	2022	2021
	\$'000	\$'000
(a) Employee provisions		
Current provisions expected to be wholly settled after 12 months		
Annual leave	3,714	3,956
Time in lieu	52	59
End of band leave	122	140
Long service leave	5,616	5,766
	9,504	9,921
Current provisions expected to be wholly settled after 12 months		
Annual leave	929	1,018
Long service leave	1,872	1,922
	2,801	2,940
Total current employee provisions	12,305	12,861
Non-current		
Long service leave	1,016	978
Annual leave	-	-
Total non-current employee provisions	1,016	978
Aggregate carrying amount of employee provisions:		
Current	12,305	12,861
Non-current	1,016	978
Total aggregate carrying amount of employee provisions	13,321	13,839

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	2.38% to 3.51%	(0.015)% to 1.10%
- index rate	1.5%	1.5%

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2022.

Bank overdraft	700	700
Credit card facilities	300	300
Treasury Corporation of Victoria facilities	7,000	-
Other facilities	5,000	14,200
Total facilities	13,000	15,200
Used facilities	12,156	14,343
Unused facilities	844	857

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
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					
Buildings	14,035	34	-	-	14,069
Roads	707	180	-	-	887
Drainage	227	-	-	-	227
Other	75	28	-	-	103
Total	15,044	242	-	-	15,286
2021					
Operating					
Garbage collection	2,656	-	-	-	2,656
Building facilities	1,350	1,276	3	-	2,629
Open space management	1,715	1,911	2,108	-	5,734
Cleaning contracts for council buildings	784	784	-	-	1,568
Recycling	739	-	-	-	739
Meals for delivery	737	515	-	-	1,252
Other	671	66	54	-	791
Roads and footpaths	300	300	152	-	752
Utilities	221	-	-	-	221
Total	9,173	4,852	2,317	-	16,342
Capital					
Buildings	20,540	13,617	-	-	34,157
Sport and recreation	8,334	-	-	-	8,334
Open space management	2,496	-	-	-	2,496
Other	2,030	64	15	-	2,109
Roads	707	707	178	-	1,592
Drainage	517	45	-	-	562
Total	34,624	14,433	193	-	49,250

(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:

	2022 \$'000	2021 \$'000
Not later than one year	2,218	2,373
Later than one year and not later than five years	6,282	7,203
Later than five years	8,415	9,711
	16,915	19,287

5.8 Leases

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

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

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

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

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

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

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

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

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

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

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

- Information about the entity's reliance on peppercorn leases.

- Nature and term of leases such as any qualitative information about restrictions on use of asset, information about lease term, description of underlying assets.

Right-of-Use Assets

	Vehicles \$'000	Other, etc. \$'000	Total \$'000
Balance at 1 July 2021	134	206	340.0
Additions	-	84	84
Amortisation charge	(108)	(232)	(340)
Balance at 30 June 2022	26	58	84

Lease Liabilities

	2022 \$'000	2021 \$'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	179	401
One to five years	22	79
More than five years	-	-
Total undiscounted lease liabilities as at 30 June:	201	480

Lease liabilities included in the Balance Sheet at 30 June:

Current	179	317
Non-current	22	79
Total lease liabilities	201	396

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.

	2022 \$'000	2021 \$'000
Expenses relating to:		
Short-term leases	-	32
Leases of low value assets	-	7
Total	-	39
Variable lease payments (not included in measurement of lease liabilities)	-	-

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

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

Payable:

Within one year	-	2
Later than one year but not later than five years	-	-
Total lease commitments	-	2

Note 6 Assets we manage	2022	2021
6.1 Non current assets classified as held for sale	\$'000	\$'000
Land at fair value	1,854	-
Total non current assets classified as held for sale	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.

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2021	Opening balance adjustment	Additions	Contributions	Revaluation	Depreciation	Transfer	Disposal	Write-off	WIP Transfers	Carrying amount 30 June 2022
	\$'000	\$'000	\$'000		\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
Property	767,646	1,024	6,539	-	60,407	(3,675)	(1,854)	(15)	-	19,919	849,991
Plant and equipment	16,287	-	4,745	-	-	(3,964)	-	(116)	-	1,516	18,467
Infrastructure	526,392	2,957	20,130	295	56,633	(16,575)	-	(93)	-	10,442	600,181
Work in progress	45,164	-	23,330	-	-	-	-	-	(477)	(31,876)	36,141
	1,355,489	3,981	54,744	295	117,040	(24,214)	(1,854)	(224)	(477)	-	1,504,781

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	26,397	7,602	(2,219)	(19,919)	11,862
Plant and equipment	503	13	1,073	(1,516)	73
Infrastructure	18,264	15,715	669	(10,442)	24,206
Total	45,164	23,330	(477)	(31,876)	36,141

(a) Property

	Land - specialised	Total Land	Heritage buildings	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	599,856	599,856	22,425	195,573	41,794	259,792	26,397	886,045
Accumulated depreciation at 1 July 2021	-	-	(11,258)	(80,742)	-	(92,000)	-	(92,000)
	599,856	599,856	11,167	114,831	41,794	167,792	26,397	794,045
Movements in fair value								
Additions	-	-	90	6,450	-	6,539	7,602	14,141
Discovered	1,024	1,024	-	-	-	-	-	1,024
Revaluation	60,407	60,407	-	-	-	-	-	60,407
Disposal	-	-	-	(114)	-	(114)	-	(114)
WIP transfers	-	-	-	19,919	-	19,919	(22,138)	(2,219)
Transfers	(1,854)	(1,854)	-	-	-	-	-	(1,854)
	59,577	59,577	90	26,255	-	26,344	(14,535)	71,386
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	(145)	(3,530)	-	(3,675)	-	(3,675)
Accumulated depreciation of disposals	-	-	-	99	-	99	-	99
	-	-	(145)	(3,431)	-	(3,576)	-	(3,576)
At fair value 30 June 2022	659,433	659,433	22,515	221,828	41,794	286,137	11,862	957,431
Accumulated depreciation at 30 June 2022	-	-	(11,403)	(84,173)	-	(95,576)	-	(95,576)
Carrying amount	659,433	659,433	11,112	137,655	41,794	190,561	11,862	861,855

(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 2021	1,660	11,732	11,504	8,787	13,126	503	47,312
Accumulated depreciation at 1 July 2021	-	(6,244)	(6,609)	(6,293)	(11,377)	-	(30,523)
	1,660	5,488	4,895	2,494	1,749	503	16,789
Movements in fair value							
Additions	-	1,219	1,809	823	893	13	4,758
Disposal	-	(264)	(36)	-	-	-	(301)
WIP transfers	-	-	1,515	-	-	(442)	1,073
	-	955	3,288	823	893	(429)	5,530
Movements in accumulated depreciation							
Depreciation and amortisation	-	(1,604)	(640)	(1,059)	(660)	-	(3,964)
Accumulated depreciation of disposals	-	148	36	-	-	-	184
	-	(1,456)	(604)	(1,059)	(660)	-	(3,780)
At fair value 30 June 2022	1,660	12,687	14,792	9,610	14,020	74	52,843
Accumulated depreciation at 30 June 2022	-	(7,700)	(7,214)	(7,353)	(12,037)	-	(34,303)
Carrying amount	1,660	4,987	7,579	2,257	1,983	74	18,540

(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 2021	416,075	27,906	89,999	243,115	36,243	6,351	54,804	21,448	13,289	18,264	927,494
Accumulated depreciation at 1 July 2021	(211,201)	(13,893)	(39,039)	(86,882)	(8,116)	(2,878)	(8,116)	(6,776)	(5,938)	-	(382,839)
	204,874	14,013	50,960	156,233	28,127	3,473	46,688	14,672	7,351	18,264	544,655
Movements in fair value											
Additions	4,775	25	1,755	878	5,503	25	5,662	17	1,490	15,715	35,845
Contributions/Gifted	-	-	4	292	-	-	-	-	-	-	295
Revaluation	22,239	2,816	3,613	21,584	8,264	-	50,540	(612)	-	-	108,444
Discovered	-	774	91	-	34,531	-	26,930	-	-	-	62,326
Disposal	-	-	-	-	-	-	-	-	(127)	-	(127)
Opening balance adjustment	(3,310)	(1,900)	(655)	(403)	(19,467)	-	(28,375)	(89)	-	-	(54,199)
WIP transfers	1,682	-	449	1,585	2,931	7	1,061	2,304	422	(10,442)	(0)
Transfers	-	-	-	-	-	-	-	-	-	669	669
	25,386	1,715	5,257	23,936	31,762	32	55,818	1,620	1,785	5,942	153,253
Movements in accumulated depreciation											
Depreciation and amortisation	(6,740)	(348)	(1,883)	(2,860)	(1,900)	(248)	(1,877)	(402)	(317)	-	(16,575)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	33	-	33
Opening balance adjustment	2,810	977	406	234	4,111	-	4,198	65	-	-	12,802
discovered	-	(155)	(58)	-	(8,748)	-	(9,011)	-	-	-	(17,972)
Revaluation	(12,400)	(1,147)	(1,881)	(9,024)	(3,633)	-	(23,349)	(377)	-	-	(51,810)
	(16,330)	(673)	(3,416)	(11,650)	(10,170)	(248)	(30,039)	(714)	(284)	-	(73,523)
At fair value 30 June 2022	441,461	29,621	95,256	267,051	68,005	6,383	110,622	23,068	15,074	24,205	1,080,747
Accumulated depreciation at 30 June 2022	(227,531)	(14,566)	(42,455)	(98,532)	(18,286)	(3,126)	(38,155)	(7,490)	(6,222)	-	(456,361)
Carrying amount	213,930	15,055	52,801	168,519	49,720	3,257	72,467	15,578	8,852	24,205	624,386

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 \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	1
Buildings		
buildings	50 years	2,000
heritage buildings	150 years	2,000
Plant and Equipment		
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
Infrastructure		
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
bridges - deck and substructure	50 - 100 years	5,000
footpaths and cycleways	20 - 60 years	5,000
drainage	50 - 100 years	2,000
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
Other infrastructure	5 - 50 years	1,000
Parks open space and streetscapes	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, 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

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.

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Liam McNamara, AAPI, CPV, valuer registration no: 63119. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	-	659,433	June 2022
Heritage buildings	-	705	10,407	June 2020
Buildings	-	53,419	96,097	June 2020
Total	-	54,124	765,937	

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 2022, supervised by Matthew Irving B.Eng (Civil) based on current replacement cost less accumulated depreciation as at the date of valuation.

The dates of current valuations are detailed in the following table and the valuations were based on current supply unit rates.

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 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	213,932	June 2022
Bridges	-	-	15,056	June 2022
Off street car parks	-	-	15,579	June 2022
Footpaths and cycleways	-	-	52,801	June 2022
Drainage	-	-	168,519	June 2022
Recreational, leisure and community facilities	-	-	49,725	June 2022
Parks, open space and streetscapes	-	-	72,458	June 2022
Other infrastructure	-	-	8,857	At cost
Waste management	-	-	3,258	At cost
Total	-	-	600,185	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$7.46 and \$6,361.78 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 \$50 to \$20,000 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 7 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.

	2022	2021
	\$'000	\$'000
Reconciliation of specialised land		
Community facilities	44,796	43,041
Parks and reserves	590,834	537,924
Other	23,801	18,891
Total specialised land	659,431	599,856

	2022 \$'000	2021 \$'000
6.3 Investment property		
Balance at beginning of financial year	14,565	13,785
Fair value adjustments	-	780
Balance at end of financial year	14,565	14,565

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 Liam McNamara, AAPI, CPV, valuer registration no: 63119 of Opteon Property Group 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 2022.

	2022 No.	2021 No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
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:		
Councillors		
Councillor Peter Hemphill (Mayor)		
Councillor Diana Grima (Deputy Mayor)		
Councillor Jonathon Marsden		
Councillor Daria Kellander		
Councillor Tony Briffa		
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		
Acting Director - Diane Eyckens		
Acting Director - Matthew Irving		
Total Number of Councillors	7	11
Total of Chief Executive Officer and other Key Management Personnel	6	4
Total Number of Key Management Personnel	13	15
(c) Remuneration of Key Management Personnel	2022	2021
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,616	1,294
Long-term benefits	39	27
Post employment benefits	145	99
Termination benefits	-	-
Total	1,800	1,420
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:	2022	2021
	No.	No.
\$0 - \$9,999	-	3
\$10,000 - \$19,999	-	4
\$20,000 - \$29,999	-	3
\$30,000 - \$39,999	4	-
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$70,000 - \$79,999	1	-
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	1	-
\$250,000 - \$259,999	1	1
\$260,000 - \$269,999	-	1
\$270,000 - \$279,999	-	1
\$280,000 - \$289,999	1	-
\$290,000 - \$299,999	2	-
\$360,000 - \$369,999	-	1
	13	15

(d) Senior Officer Remuneration

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

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

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

	2022	2021
Income Range:	No.	No.
\$151,000 - \$159,999	2	4
\$160,000 - \$169,999	-	5
\$170,000 - \$179,999	1	3
\$180,000 - \$189,999	7	5
\$190,000 - \$199,999	2	2
\$200,000 - \$209,999	1	1
	13	20

Total Remuneration for the reporting year for Senior Officers included above, amounted to: 2,498 3,513

7.2 Related party disclosure

Related parties include all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities that they have significant influence over).

Given the breadth and depth of Council's activities, related parties may transact with the Council in a manner consistent with other members of the public (e.g. fees and charges).

Outside of normal citizen type transactions with Council, there were no material related party transactions that involved key management personnel or their close family members that would require disclosure in these financial statements.

(a) Transactions with related parties

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. - -

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.

	2022	2021
	\$'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.

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. Council assesses the impact of these new standards. As at 30 June 2022 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2023 that are expected to impact Council.

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 that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 2020*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

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

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly 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(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and 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 1.44%.

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.

8.4 Fair value measurement

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from one to four years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
2022			
Property			
Land	500,778	60,407	561,185
Heritage buildings	(5,982)	-	(5,982)
Buildings	20,610	-	20,610
	515,406	60,407	575,813
Infrastructure			
Roads	157,167	9,840	167,007
Bridges	(1,358)	1,669	311
Footpaths and cycleways	35,998	1,732	37,730
Drainage	77,492	12,560	90,052
Recreational, leisure and community facilities	-	4,630	4,630
Parks, open space and streetscapes	-	27,192	27,192
Off street car parks	-	(989)	(989)
	269,299	56,634	325,932
Total asset revaluation reserves	784,705	117,041	901,745
2021			
Property			
Land	458,684	42,094	500,778
Heritage buildings	(5,982)	-	(5,982)
Buildings	20,610	-	20,610
	473,312	42,094	515,406
Infrastructure			
Roads	157,167	-	157,167
Bridges	(1,358)	-	(1,358)
Footpaths and cycleways	15,138	20,860	35,998
Drainage	77,492	-	77,492
	248,439	20,860	269,299
Total asset revaluation reserves	721,751	62,954	784,705

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
(b) Other reserves				
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
2021				
Car Park reserve	222	-	-	222
Infrastructure reserve	23,409	-	(12,301)	11,108
Recreation land fund reserve	10,558	3,258	(8,047)	5,769
Street tree planting reserve	136	83	(95)	124
Capital works carryover reserve	1,619	-	(1,619)	-
Discretionary loan repayment reserve	9,650	-	1,525	11,175
Grants commission reserve	1,479	1,450	(1,479)	1,450
Port Phillip Woollen Mill reserve	414	219	(53)	580
Precinct 15 (Altona North) reserve	-	49	-	49
Hobsons Bay Caravan Park reserve	92	-	-	92
Total Other reserves	47,579	5,059	(22,069)	30,569

	2022 \$'000	2021 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus		
Surplus for the year	28,792	15,356
Loss on disposal of property, infrastructure, plant and equipment	165	2,694
Impairment losses	935	359
Fair value adjustments for investment property	-	(780)
Contributions - Non-monetary assets	(292)	-
Depreciation / amortisation	24,554	22,836
<i>Change in assets and liabilities:</i>		
Increase in trade and other receivables	(2,583)	(3,660)
(Increase)/decrease in prepayments	66	(17)
Increase/(decrease) in accrued income	(43)	460
Increase/(decrease) in trade and other payables	5,626	(1,376)
(Decrease)/increase in deferred income	(2,695)	6,679
(Decrease)/increase in trust funds and deposits	2,626	(652)
(Increase)/decrease in inventories	(3)	13
(Decrease)/increase in provisions	(520)	1,399
Net cash provided by operating activities	56,628	43,311

9.3 Superannuation

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

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%)).

Defined Benefit

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

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

Funding arrangements

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

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

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

Net investment returns 4.75% pa

Salary information 2.75% pa

Price inflation (CPI) 2.25% pa.

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

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

Net investment returns 5.5% pa

Salary information 2.5% pa to June 2023, and 3.5% thereafter

Price inflation (CPI) 3.0% pa.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(a) Regular contributions

On the basis of the results of the 2021 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2022, this rate was 10.0% of members' salaries (9.5% in 2020/21). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation.

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

(b) Funding calls

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

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

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

The 2021 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2021 and the last full investigation was conducted as at 30 June 2020.

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

	2021 (Interim)	2020 (Triennial)
	\$m	\$m
- A VBI Surplus	214.7	100
- A total service liability surplus	270.3	200
- A discounted accrued benefits surplus	285.2	217.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2021.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2021.

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

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

The 2022 interim actuarial investigation

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

Superannuation contributions

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

			2022	2021
Scheme	Type of Scheme	Rate	\$'000	\$'000
Vision super	Defined benefits	10.0% (2021:9.5%)	164	178
Vision super	Accumulation	10.0% (2021:9.5%)	2,165	2,144

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2022.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$160,000.

9.4 Prior period adjustments

Council has conducted initial valuations and audits of Open Space and Streetscape assets and Recreation, Leisure and Community Facility assets. This has allowed Council to identify assets in each class which have not previously been recognised and assets which are no longer available for use. In addition, assets in Bridges, Footpaths and Cycleways, Drainage, Roads and Off Street Car Parks which were previously recognised have now been determined to be errors as a result of historical data collection methods resulting in the incorrect recognition of assets. These errors have been corrected by restating each affected financial statement line item at 1 July 2021.

	At 30 June 2021	Prior period adjustments	At 1 July 2021 as restated
	\$'000	\$'000	\$'000
Property, infrastructure, plant and equipment	1,355,489	3,981	1,359,470
Total non-current assets	1,359,471	3,981	1,363,452
Total assets	1,359,471	3,981	1,363,452
Net assets	1,352,953	3,981	1,356,934
Equity			
Accumulated surplus	561,052	3,981	565,033
Total Equity	561,052	3,981	565,033

10 Change in accounting policy

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

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



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