

Melton City Council

ANNUAL FINANCIAL REPORT

for the year ended 30 June 2022

A Thriving Community Where Everyone Belongs



Annual Financial Report

for the year ended 30 June 2022

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Content Overview

These financial statements are General Purpose Financial Statements and cover the consolidated operations for Melton City Council

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

These financial statements were authorised for issue by the Council on 03 October 2022
Council has the power to amend and reissue these financial statements.

Annual Financial Report

for the year ended 30 June 2022

Certification of the Financial Statements

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

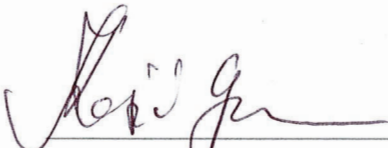


Peter Leersen CPA
Responsible Accounting Officer
3 October 2022
232 High Street, Melton VIC

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

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

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



Cr Goran Kesic
Mayor
3 October 2022
232 High Street, Melton VIC



Cr Lara Carli
Deputy Mayor
3 October 2022
232 High Street, Melton VIC



Roslyn Wai
Chief Executive Officer
3 October 2022
232 High Street, Melton VIC

Independent Auditor's Report

To the Councillors of Melton City Council

Opinion I have audited the financial report of Melton City Council (the council) which comprises the:

- 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.

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 *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020* and applicable Australian Accounting Standards.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. 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 *Code of Ethics for Professional Accountants* (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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Councillors' responsibilities for the financial report The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*, 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.

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.

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
7 October 2022



Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement

for the year ended 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Income			
Rates and charges	3.1	148,340	134,841
Statutory fees and fines	3.2	11,279	10,460
User fees	3.3	9,594	9,802
Grants - operating	3.4	38,505	33,733
Grants - capital	3.4	14,825	5,454
Contributions - monetary	3.5	74,089	33,000
Contributions - non monetary	3.5	178,308	239,280
Net gain on disposal of property, infrastructure, plant and equipment	3.6	12,635	11,592
Fair value increment on investment properties	6.3	1,475	–
Other income	3.7	6,733	5,866
Total income		495,783	484,028
Expenses			
Employee costs	4.1	63,872	58,590
Materials and services	4.2	88,169	87,825
Depreciation	4.3	44,514	44,415
Amortisation - Intangible assets	4.4	327	327
Amortisation - Right of use assets	4.5	674	350
Bad and doubtful debts	4.6	295	1,182
Borrowing costs	4.7	407	494
Finance Costs - Leases	4.8	32	25
Revaluation decrement of IPP&E	6.2	6,078	–
Fair value decrement on investment properties	6.3	–	200
Total expenses		204,368	193,408
Surplus/(deficit) for the year		291,415	290,620
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	133,225	21,756
Total other comprehensive income		133,225	21,756
Total comprehensive result		424,640	312,376

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

Balance Sheet

as at 30 June 2022

	Notes	2022 \$ '000	2021 \$ '000
Assets			
Current assets			
Cash and cash equivalents	5.1	17,204	75,460
Non-current assets classified as "held for sale"	6.1	11	674
Trade and other receivables	5.1	21,132	22,806
Other financial assets	5.1	288,510	292,719
Inventories	5.2	38	28
Other assets	5.2	28,643	16,931
Total current assets		355,538	408,618
Non-current assets			
Other financial assets	5.1	181,977	–
Inventories	5.2	21	65
Property, infrastructure, plant and equipment	6.2	3,075,718	2,771,558
Investment property	6.3	8,450	6,975
Intangible assets	5.2	2,377	2,704
Right-of-use assets	5.8	813	1,136
Total non-current assets		3,269,356	2,782,438
Total assets		3,624,894	3,191,056
Liabilities			
Current liabilities			
Trade and other payables	5.3	48,607	51,744
Trust funds and deposits	5.3	24,192	18,055
Unearned income/revenue	5.3	25,975	22,886
Provisions	5.5	12,784	13,084
Interest-bearing liabilities	5.4	2,502	2,402
Lease liabilities	5.8(b)	117	640
Total current liabilities		114,177	108,811
Non-current liabilities			
Trust funds and deposits	5.3	15,422	9,238
Provisions	5.5	1,451	1,503
Interest-bearing liabilities	5.4	5,770	8,272
Lease liabilities	5.8(b)	710	508
Total non-current liabilities		23,353	19,521
Total liabilities		137,530	128,332
Net assets		3,487,364	3,062,724
Equity			
Accumulated surplus		1,989,825	1,847,702
Reserves	9.1	1,497,539	1,215,022
Total Equity		3,487,364	3,062,724

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

Statement of Changes in Equity

for the year ended 30 June 2022

	Note	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
2022					
Balance at beginning of the financial year		3,062,724	1,847,702	953,645	261,377
Surplus/(deficit) for the year		291,415	291,415	–	–
Other comprehensive income					
Net asset revaluation increment/(decrement)		133,225	–	133,225	–
Other comprehensive income		133,225	–	133,225	–
Total comprehensive income		424,640	291,415	133,225	–
Transfers to other reserves	9.1	–	48,646	–	(48,646)
Transfers from other reserves	9.1	–	(197,938)	–	197,938
Balance at end of the financial year		3,487,364	1,989,825	1,086,870	410,669
2021					
Balance at beginning of the financial year		2,750,348	1,584,786	931,889	233,673
Surplus/(deficit) for the year		290,620	290,620	–	–
Other comprehensive income					
Net asset revaluation increment/(decrement)		21,756	–	21,756	–
Other comprehensive income		21,756	–	21,756	–
Total comprehensive income		312,376	290,620	21,756	–
Transfers to other reserves	9.1	–	91,927	–	(91,927)
Transfers from other reserves	9.1	–	(119,631)	–	119,631
Balance at end of the financial year		3,062,724	1,847,702	953,645	261,377

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

Statement of Cash Flows

for the year ended 30 June 2022

		2022	2021
	Notes	Inflows/ (Outflows) \$ '000	Inflows/ (Outflows) \$ '000
Cash flows from operating activities			
Rates and charges		147,398	134,733
Statutory fees and fines		11,279	11,090
User fees		9,594	9,802
Grants - operating		31,564	38,396
Grants - capital		8,433	17,098
Contributions - monetary		74,089	33,000
Interest received		2,563	2,125
Trust funds and deposits taken		12,321	9,102
Other receipts		(84)	23,210
Net GST refund/(payment)		12,465	17,564
Employee costs		(63,919)	(57,517)
Materials and services		(84,908)	(83,706)
Other payments		(10,248)	(4,280)
Net cash provided by/(used in) operating activities	9.2	<u>150,547</u>	<u>150,617</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(53,189)	(58,215)
Proceeds from sale of property, infrastructure, plant and equipment		24,192	27,966
Payments for investments		(176,293)	(188,585)
Net cash provided by/(used in) investing activities		<u>(205,290)</u>	<u>(218,834)</u>
Cash flows from financing activities			
Finance costs		(407)	(494)
Repayment of borrowings		(2,402)	(2,306)
Interest paid - lease liability		(32)	(25)
Repayment of lease liabilities		(672)	(364)
Net cash flow provided by/(used in) financing activities		<u>(3,513)</u>	<u>(3,189)</u>
Net Increase (decrease) in cash and cash equivalents		<u>(58,256)</u>	<u>(71,406)</u>
Cash and cash equivalents at the beginning of the financial year		75,460	146,866
Cash and cash equivalents at the end of the financial year		<u>17,204</u>	<u>75,460</u>
Financing arrangements	5.6	10,272	12,674
Restrictions on cash assets	5.1	279,297	195,757

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	2021
	\$ '000	\$ '000
Property		
Land	–	–
Total land	<u>–</u>	<u>–</u>
Buildings	15,208	31,116
Total buildings	<u>15,208</u>	<u>31,116</u>
Total property	<u>15,208</u>	<u>31,116</u>
Plant and equipment		
Plant, machinery and equipment	–	26
Fixtures, fittings and furniture	102	37
Computers and telecommunications	94	198
Library books	475	493
Total plant and equipment	<u>671</u>	<u>754</u>
Infrastructure		
Roads	15,763	9,322
Bridges	428	429
Footpaths and cycleways	1,472	1,211
Drainage	470	298
Recreational, leisure and community facilities	13,683	14,151
Off street car parks	1,422	–
Public Art	179	–
Kerb & Channel	163	–
Traffic Management Devices	576	–
Other infrastructure	1,308	933
Total infrastructure	<u>35,464</u>	<u>26,344</u>
Total capital works expenditure	<u>51,343</u>	<u>58,214</u>
Represented by:		
New asset expenditure	24,298	38,540
Asset renewal expenditure	13,613	6,942
Asset expansion expenditure	6,391	2,966
Asset upgrade expenditure	7,041	9,766
Non capitalised expenditure	–	–
Total capital works expenditure	<u>51,343</u>	<u>58,214</u>

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 1. Overview

Introduction

The Melton City Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate.

The Council's main office is located at 232 High Street, Melton.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, 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.

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- whether or not *AASB 1059 Service Concession Arrangements: Grantors* is applicable (refer to Note 8.2)
- 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

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. The state of disaster concluded on 28 October 2020 and the state of emergency on 15 December 2021. While the impacts of the pandemic have abated somewhat throughout the 2021-2022 financial year, the pandemic continued to impact on Council's operations.

Council is charged with the ongoing delivery of community services as well as renewing and constructing new infrastructure for our growing community. The ongoing pandemic event and staged restrictions have presented unprecedented challenges which Council continues to navigate.

During the periods of lock-down, Council continued to maintain the existing workforce. All employees have access to the Employee Assistance Program, whereby counselling services and independent support can be obtained at no charge. Council continues to support employees through the restrictions.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 1. Overview (continued)

Council has maintained a healthy working capital position with a significant amount of cash and financial assets. Cash flow from rates instalments have remained strong, improving over the financial year.

Council's underlying financial performance was favourable to budget and Council has noted the following significant impacts on its financial operations:

- Additional revenue – Council has recognised as income several grants which have been made available to facilitate the communities response to Covid-19. The most significant of these grants include Covid-19 Working for Victoria, CALD Communities Taskforce, and COVIDSafe Outdoor Activation.
- Revenue reductions – Property hire of Council's leisure centre and recreation facilities has been impacted due to lockdowns and a drop in service demand attributable to Covid-19. Further, several Council Festivals & Events did not go ahead due to Covid-19 resulting in lower sponsorship income.
- Revenue foregone – Interest on rates and charges has been lower due to penalty interest not being charged during Covid-19.
- Additional costs – Expenditure was incurred in meeting the service obligations of grants associated with Council's response to Covid-19, listed above. This expenditure offsets any benefit received from additional grant revenues. Further, despite an overall expenditure underspend relative to the adopted budget, some services within Council observed price growth which was above expectation, particularly in materials and goods, and this was attributable to the impact of Covid-19 on manufacturing and the supply chain.

Council has not identified any subsequent events that may impact the Council's ability to continue as a going concern and has determined that the going concern assumption remains the appropriate basis to prepare Council's financial report.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$250,000 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*.

	Budget 2022 \$ '000	Actual 2022 \$ '000	Variance \$ '000	Variance %	Ref
2.1.1 Income and expenditure					
Income					
Rates and charges	146,436	148,340	1,904	1%	1
Statutory fees and fines	9,924	11,279	1,355	14%	2
User fees	11,049	9,594	(1,455)	(13)%	3
Grants - operating	32,290	38,505	6,215	19%	4
Grants - capital	9,720	14,825	5,105	53%	5
Contributions - monetary	96,942	74,089	(22,853)	(24)%	6
Contributions - non monetary	163,601	178,308	14,707	9%	6
Net gain on disposal of property, infrastructure, plant and equipment	12,415	12,635	220	2%	7
Fair value increment on investment properties	–	1,475	1,475	–	8
Other income	7,194	6,733	(461)	(6)%	9
Total income	489,571	495,783	6,212	1%	
Expenses					
Employee costs	69,316	63,872	5,444	8%	10
Materials and services	93,965	88,169	5,796	6%	11
Depreciation	45,078	44,514	564	1%	12
Amortisation - intangible assets	327	327	–	0%	
Amortisation - right of use assets	676	674	2	0%	
Bad and doubtful debts	440	295	145	33%	13
Borrowing costs	646	407	239	37%	14
Finance costs - leases	32	32	–	0%	
Revaluation decrement of IPP&E	–	6,078	(6,078)	–	15
Total expenses	210,480	204,368	6,112	3%	
Surplus/(deficit) for the year	279,091	291,415	12,324	4%	

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget (continued)

(i) Explanation of material variations

Variance Explanation

Ref

1. Favourable variance for the year is attributable to supplementary rates received being higher than budgeted due to a higher number of properties titled than expected.
2. The favourable variance to budget for Statutory Fees & Fines is primarily due to higher than budgeted Permit Fees associated with the increase in new development, building and subdivision activities across Council. These favourable variances were partly offset by lower than budgeted debt collection court recoveries due to Council successfully adopting a new approach to debt recovery resulting in comparable arrears without the need to go to court. These are partly offset by lower associated expenditure such as legal fees.
3. The unfavourable variance to budget for User Fees is due to the below listed factors:
 - Reduction in rental and lease income relating to community facilities.
 - Lower than budgeted client fees relating to community hubs and centres, and care services.
4. In June 2022 the Commonwealth Government brought forward the payment of 75% of the estimated aggregate 2022/23 Financial Assistance Grants allocation to Victorian Councils. The 75% was the primary contributor to \$6.04m variance. The remainder is the net amount of:
 - Unbudgeted grants were received, such as those for CALD Communities Taskforce and COVIDSafe Outdoor Activation.
 - Partly offset by budgeted grant funding which was unable to be recognised as income in the reporting period due to delays in meeting performance obligations.
5. The favourable variance to budget was due to completion of several projects which were carried forward from the previous financial year. These projects had grant funding which had been received in previous financial years and had been held on the balance sheet until performance obligations of the grants were met and could be recognised as income. The most significant of these projects include:
 - Mt Atkinson East Community Hub
 - Renewal Program - Sealed Roads
 - Car Park Upgrades
 These favourable variances were partly offset by the non-receipt and non-recognition of capital grants, the most significant of which included:
 - Road Safety Project - Creamery Road, Toolern Vale
 - Unsealed Car Parks Upgrade – Various
 - Renewal of Synthetic Playing Surfaces
6. In aggregate, Developer Contributions received during the year were lower than budget due to delays in the completion of new developments which are required for income recognition. At 30 June 2022 there were \$20m of contributions receipted which were not yet recognised as income and are anticipated to be recognised in the following year. While total contributions were lower than budgeted on aggregate, the contribution split relative to budget has seen Council receive greater than budgeted Non-Monetary Contributions (i.e. gifted assets), and lower than budgeted Monetary Contributions.
7. Higher than anticipated land sales volume within the Atherstone development is the main contributor to the favourable variance. This is partly offset by unbudgeted disposal of various infrastructure assets.
8. Unbudgeted increase in the Fair Value of Council's investment property had occurred in 2021/22. These included Melton Country Club and Melton Valley Golf Club. The impact on the economy and property market is evolving but the situation remains dynamic in the post Covid-19 environment.
9. The unfavourable variance in Other Income is attributable to interest on investments providing lower returns than budgeted due to a lower than anticipated cash rate, and Council Festivals not going ahead due to Covid-19 resulting in lower sponsorship income. This is partly offset by unbudgeted recoveries income relating mostly to Traffic Management costs associated with drive through Covid-19 vaccinations at Bunnings which has been invoiced to DHHS.
10. Employee costs are favourable to budget due to unfilled vacancies across Council and Covid-19 impacting demand for services. Council has been agile in managing resources due to variability in service demand, particularly across the Community Services Directorate. This is partly offset by the costs of contract labour required to fill some of these vacant roles which forms part of Materials and Services, however on a net basis, Council did not exceed budget in contract labour to backfill operations.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget (continued)

11. These favourable variances to budget are attributable to:
- Restructure of the Information Technology (IT) business unit in which Council resourcing of contract labour (agency) was converted to new vacant positions to be filled by council employees. The transition resulted in some staff (contract labour) capacity loss contributing to the underspend in contract labour while not exceeding employee costs budget. The net reduction in labour capacity resulting from the IT restructure led to delays in project delivery, which led to lower than budgeted expenditure in IT project implementation costs.
 - Festival & Events such as the Flavour Fest and Djerriwarrh Festival which have not occurred in 2021/22 due to Covid restrictions. The event cancellations have led to underspends which are partly offset by non-receipt sponsorship revenues for the events.
 - Melton Town Centre Projects have experienced delays with procurement and sourcing contractors within a constrained market environment resulting in underspends.
 - Non-essential Programmed Maintenance of buildings was on hold for a period of time while management reviewed status of panel contract and frequency of servicing, and lower maintenance of Recreation facilities was required associated with lower facility use due to Covid-19.
- These favourable variances were partly offset by:
- Overspends associated with unbudgeted operating grant funding, some of which relates to unbudgeted grant funds received in 2021/22 for which Council is undertaking required delivery in the current year.
 - Parks and Roads major contract expenditure was higher than anticipated due to higher than budgeted price input variables of consumer price index (CPI) and higher than expended asset handed overs (Growth).
 - Delays in realising savings in mobile phone costs as the continued impact of Covid-19 saw a staff continue to work from home.
12. Depreciation expense was lower than budget because of delays in the completion of capital works, partly offset by higher value of assets contributed by developers.
13. Lower than anticipated Bad and Doubtful Debts are as a result of better debt recovery in general debtors due to improving economic conditions.
14. New borrowings were budgeted as funding source for capital works programs. Council has not had a need to draw on new borrowings in 2021/22.
15. Loss on revaluation of traffic management assets.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget (continued)

	Budget 2022 \$ '000	Actual 2022 \$ '000	Variance \$ '000	Variance %	Ref
2.1.2 Capital works					
Property					
Land	10,491	–	(10,491)	(100)%	1
Total land	10,491	–	(10,491)	(100)%	
Buildings	39,655	15,208	(24,447)	(62)%	2
Total buildings	39,655	15,208	(24,447)	(62)%	
Total property	50,146	15,208	(34,938)	(70)%	
Plant and equipment					
Fixtures, fittings and furniture	122	102	(20)	(16)%	3
Computers and telecommunications	594	94	(500)	(84)%	4
Library books	450	475	25	6%	
Total plant and equipment	1,166	671	(495)	(42)%	
Infrastructure					
Roads	70,268	15,763	(54,505)	(78)%	5
Bridges	4,218	428	(3,790)	(90)%	6
Footpaths and cycleways	2,560	1,472	(1,088)	(43)%	7
Drainage	769	470	(299)	(39)%	8
Recreational, leisure and community facilities	17,498	13,683	(3,815)	(22)%	9
Off street car parks	2,702	1,422	(1,280)	(47)%	10
Public Art	214	179	(35)	(16)%	11
Kerb & Channel	123	163	40	33%	12
Traffic Management Devices	1,461	576	(885)	(61)%	13
Other infrastructure	2,440	1,308	(1,132)	(46)%	14
Total infrastructure	102,253	35,464	(66,789)	(65)%	
Total capital works expenditure	153,565	51,343	(102,222)	(67)%	
Represented by:					
New asset expenditure	63,316	24,298	(39,018)	(62)%	
Asset renewal expenditure	17,076	13,613	(3,463)	(20)%	
Asset expansion expenditure	41,949	6,391	(35,558)	(85)%	
Asset upgrade expenditure	36,572	7,041	(29,531)	(81)%	
Non capitalised expenditure	(5,348)	–	5,348	(100)%	
Total capital works expenditure	153,565	51,343	(102,222)	(67)%	

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget (continued)

Variance Explanation

Ref

1. Budgeted purchases of land as part of Public Open Space Compensation have not occurred and are expected to be acquired at the end of second quarter 2022/23. Funds for the planned land purchase for Plumpton Aquatic & Leisure Centre has been carried forward to reserve for future land purchase.
2. Under expenditure compared to budget was due to the following projects not completing the full scope of budgeted works and being delayed until 2022/23:
 - Mt Atkinson East Community Centre - Project is in the Delivery Stage. Funds were carried forward to complete the project in 2022/2023.
 - Melton Recycling Facility Expansion (stage 2) - Project is in the Delivery Stage. Delays have occurred due to land availability. Funds were carried forward to complete the project after the delay has been resolved.
 - Bridge Road Community Hub - Program is in the Planning Stage. Funds carried forward to complete works in 2022/23. Project has been delayed due to staff resourcing issues needed to finalise the Master Plan.
 - Melton Recreation Reserve Pavilion - Project is in the Planning Stage. Funds were carried forward to commence the Delivery Stage in 2022/23. The project has been delayed due to land ownership issues.
 - Cobblebank Indoor Stadium - Project is complete. Funds carried forward to 2022/23 for landscape maintenance. Amounts not carried forward are realised savings.
 Partly offsetting the underspend were:
 - Rockbank Murray Rd Children's & Community Centre - Council awarded project during the year hence was unbudgeted. Project is in the Delivery Stage.
 - Western Region Emergency Network Warehouse - Unexpected costs are attributable to latent condition variations. Project is now complete.
3. Furniture and fittings purchases realised savings relative to budget due to lower use as a significant amount of staff worked from home throughout the year.
4. The favourable variance to budget is due to much of the Annual Computer Replacement Project being brought forward in 2019/20 to afford staff the flexibility to work remotely during Covid-19 restrictions, hence there was less need for the funds in 2021/22, as was also the case last year in 2020/21.
5. The underspend is attributable to the following projects:
 - Projects which have taken longer than expected due to complexity; are still in the Planning Stage, and have had Funds carried forward to 2022/23 to complete projects in 2022/23:
 - Road Construction - Bridge Road, Cobblebank - Project is back to planning phase after issues during initial tender process.
 - Taylors Road Intersection upgrades and Duplication from City Vista Court to Westwood Drive.
 - Road Urbanisation; Bulmans Road- Melton West.
 - Signalised Intersections at Caroline Springs Blvd/Rockbank Middle Rd; Taylors Road/Sinclairs Road; Taylors Road/Plumpton Road; Brooklyn/Station Road; and Caroline Springs Boulevard/The Crossing.
 - Projects removed and recategorised out of the Capital Program as they relate to developer works amounting to \$13.2m, these projects include:
 - Intersection - Greigs Road and Mt Atkinson Road
 - Greigs Road-Norh South Connector Road
 - Intersection - Hopkins Road and Neale Road
 - Alfred Road, Cobblebank Road Construction (Contribution)
 - Intersection - North South Local Access Street
 Partly offsetting the underspend was an unbudgeted project for Toolern Vale Roads - Design. Forecast has been increased to satisfy project scope that has been agreed with Council. This project is now complete.
6. Bridgeworks expenditure were less than anticipated due to the following projects:
 - Pedestrian Bridge, Illawong to Isabella - Project is in the Planning Stage. Project part funded by Melton Council. Design is currently being undertaken by Brimbank Council and has been delayed due to lack of funds allocated to the project by Brimbank. Surplus funds have been transferred to the reserve until design is completed by Brimbank.
 - Sinclairs Road, Deanside - Bridge Construction - Project is in the Planning Stage. Funds were carried forward to 2022/23 and to reserve as project will not commence until 2023/24. The profiling over several financial years did not take into account the complexity of the project.
7. Under expenditure compared to budget was mostly due to the following projects not completing the full scope of budgeted works and being delayed until 2022/23. All these projects are in Delivery Stage:
 - Shared Path Construction Program
 - New Footpaths Construction Program
 - Footpath Renewal Program

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.1. Performance against budget (continued)

8. Water Sensitive Urban Design (WSUD) has completed its annual program under budget while delivery of the Drainage infrastructure programs has been delayed due to the impacts of Covid-19.
9. Under expenditure in Recreational, Leisure and Community facilities relate to the following projects:
 - Diggers Rest Community Pavilion and Oval – Project is in the Delivery Stage. Project delayed due to latent conditions and funds will be carried forward to complete project in 2022/23.
 - Parks Program – Project is complete and came in under budget amount, with the underspend representing realised savings.
 - MacPherson Park Stage 2 - Project is complete and came in under budget amount, with the underspend representing realised savings.
 - Renewal Program (Open Space) Tennis/Netball Courts - Program is in the Planning Stage. Funds carried forward to 2022/23.
 - Banchory Green in Banchory Park Rejuvenation - Program is in the Delivery Stage. Funds carried forward to complete works in 2022/23.The under expenditure is partly offset by the following projects:
 - Synthetic Playing Surfaces – Funds overspent from post budget capital carry forward. Project is complete and within funds made available.
 - Female Change Room Upgrade Ian Cowie and Burnside - Project is complete and within funds made available from budget classified under buildings. Carry forward is for landscaping establishment.
10. Under expenditure compared to budget was mostly due to projects not completing the full scope of budgeted works and being delayed until 2022/23. All these projects are in Delivery Stage. Macpherson Park has had some of its underspend in carparks repurposed to other aspects of the project.
11. Public Art Projects are complete with realised savings.
12. Kerb & Channel project is complete. Overspend due to constrained market conditions causing price escalation.
13. Project is in the Planning Stage. Funds carried forward to complete the project in 2022/23. Amounts not carried forward are realised savings.
14. Other Infrastructure is underspent due to the Silverdale Estate Sound Walls project being put on hold. These funds are being carried forward to reserve and are earmarked as a contribution to the project pending decisions from VicRoads to proceed with construction.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2.2. Analysis of Council results by program

2.2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

CEO and governance

The office of the CEO incorporates Legal Services and Governance Services.

Corporate services

The Corporate Services directorate incorporates the Finance, Information Technology, Engagement & Advocacy, Capital Projects and People & Culture service units. The Corporate Services directorate provides internal support to Council Staff, and engages in advocacy on behalf of the municipality.

Community services

The Community Services directorate incorporates the Community Care, Families & Children, Community Planning, Recreation & Youth and Libraries service units. The Community Services directorate provides a range of services to people within our community, through provision of leisure and sporting infrastructure, libraries, care services for families, children, the elderly and those with disabilities.

Planning and Development

The Planning & Development directorate incorporates the Engineering Services, Operations, Planning Services, Compliance, City Design and Strategy & Environment and Waste Service units. The Planning & Development directorate provides planning, engineering, environmental health and building services to the community.

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

Functions/activities	Income \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income \$ '000	Total assets \$ '000
2022					
CEO and governance	993	5,726	(4,733)	–	–
Corporate services	450,439	61,526	388,913	34,415	532,960
Community services	18,697	34,526	(15,829)	16,414	72,654
Planning and development	25,654	102,590	(76,936)	2,501	3,019,280
Total functions and activities	495,783	204,368	291,415	53,330	3,624,894
2021					
CEO and governance	1,592	5,314	(3,722)	–	–
Corporate services	436,752	77,616	359,136	16,441	416,017
Community services	15,817	31,236	(15,419)	13,972	69,373
Planning and development	29,867	79,242	(49,375)	8,775	2,707,091
Unattributed	–	–	–	–	(1,425)
Total functions and activities	484,028	193,408	290,620	39,188	3,191,056

Notes to the Financial Statements

for the year ended 30 June 2022

Note 3. Funding for the delivery of our services

	2022 \$ '000	2021 \$ '000
3.1 Rates and charges		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and improvements.		
The valuation base used to calculate general rates for 2021/22 was \$40,543 million (2020/21: \$37,338 million).		
General rates	90,999	83,028
Municipal charge	10,711	9,770
Supplementary rates and rate adjustments	7,864	6,504
Interest on rates and charges	138	750
Commercial	6,289	6,293
Industrial	8,323	7,881
Rural	4,516	4,482
Garbage charge	19,500	16,133
Total rates and charges	148,340	134,841

The date of the general revaluation of land for rating purposes applied for rating purposes for the year commencing 1 July 2021 was 1 January 2021.

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	2,234	1,976
Court recoveries	74	88
Land information certificates	251	238
Permits	6,000	5,136
Property information requests	1,509	2,002
Other	1,211	1,020
Total statutory fees and fines	11,279	10,460

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
3.3 User fees		
Aged and health services	367	345
Leisure centre and recreation	1,153	770
Child care/children's programs	474	647
Registration and other permits	581	630
Building services	861	903
Youth program fees	54	32
Subdivision fees	4,554	5,103
Other fees and charges	1,550	1,372
Total user fees	9,594	9,802
User fees by timing of revenue recognition		
User fees recognised over time	1,837	430
User fees recognised at a point in time	7,757	9,372
Total user fees	9,594	9,802

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

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	33,704	22,549
State funded grants	19,626	16,638
Total grants received	53,330	39,187
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grant	24,606	17,597
Family day care	1,184	1,534
Other	3,558	2,551
Recurrent - State Government		
Aged care	381	569
Libraries	994	960
Children's services	290	3,231
Community support and development	809	1,369
Community health	12	86
Youth services	99	414
Other community	75	215
Other	570	518
Total recurrent operating grants	32,578	29,044
Non-recurrent - Commonwealth Government		
Other	10	-
Non-recurrent - State Government		
Community health	-	69
Family and children	61	145
Children's services	-	496
Community support and development	1,353	440
Community safety	258	33
Environment	194	47
Family, youth and housing	630	136
Other	3,421	3,323
Total non-recurrent operating grants	5,927	4,689
Total operating grants	38,505	33,733

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	2,568	712
Roads	10	55
Car Park	1,063	–
Foot Paths	–	100
Recurrent - State Government		
Other	23	23
Total recurrent capital grants	3,664	890
Non-recurrent - Commonwealth Government		
Buildings	23	–
Other	682	–
Non-recurrent - State Government		
Buildings	3,369	1,698
Recreation	7,087	2,866
Total non-recurrent capital grants	11,161	4,564
Total capital grants	14,825	5,454
(c) Unspent grants received on condition that they be spent in a specific manner:		
Operating		
Balance at start of year	5,645	–
Received during the financial year and remained unspent at balance date	4,846	5,645
Received in prior years and spent during the financial year	(1,523)	–
Balance at year end	8,968	5,645
Capital		
Balance at start of year	16,811	–
Received during the financial year and remained unspent at balance date	5,957	16,811
Received in prior years and spent during the financial year	(7,598)	–
Balance at year end	15,170	16,811
Grant income is recognised at the point in time when the Council satisfies its performance obligations as specified in the underlying agreement.		
Income recognised under AASB 1058 Income of Not-for-Profit Entities		
General purpose	32,241	23,989
Specific purpose grants to acquire non-financial assets	6,264	9,744
Other specific purpose grants	14,825	5,454
	53,330	39,187

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022 \$ '000	2021 \$ '000
3.5 Contributions		
Monetary	74,089	33,000
Non-monetary	178,308	239,280
Total contributions	252,397	272,280

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

Land	54,640	55,310
Land under roads	13,211	30,784
Roads	34,909	58,239
Footpaths	13,975	17,613
Drainage	39,925	35,319
Recreation	2,005	4,762
Kerb and channel	15,098	20,738
Traffic management	2,690	4,758
Bridges	–	7,685
Car parks	1,855	4,072
Total non-monetary contributions	178,308	239,280

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

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Land Held for Sale

Proceeds of sale	23,781	25,876
Written down value of assets disposed	(7,424)	(9,058)
Total net gain/(loss) on disposal of land held for sale	16,357	16,818

Plant and equipment

Proceeds of sale	411	2,090
Written down value of assets disposed	(228)	(1,216)
Total net gain/(loss) on disposal of plant and equipment	183	874

Infrastructure Assets

Written down value of assets disposed	(3,905)	(6,100)
Total net gain/(loss) on disposal of Infrastructure Assets	(3,905)	(6,100)

Total net gain/(loss) on disposal of property, infrastructure, plant and equipment

12,635	11,592
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The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

Notes to the Financial Statements

for the year ended 30 June 2022

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

	2022	2021
	\$ '000	\$ '000
3.7 Other income		
Interest	2,539	1,928
Investment property rental	691	501
Festival sponsorship	6	6
Program revenue	337	292
Waste facility	2,014	2,331
Other	1,146	808
Total other income	6,733	5,866

Interest is recognised as it is earned.

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 4. The cost of delivering services

	2022 \$ '000	2021 \$ '000
4.1 Employee costs		
(a) Employee costs		
Wages and salaries	55,338	51,775
WorkCover	1,416	1,033
Casual staff	861	516
Superannuation	5,282	4,663
Fringe benefits tax	56	70
Other	919	533
Total employee costs	63,872	58,590

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	120	93
	120	93

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,582	2,386
Employer contributions - other funds	2,580	2,184
	5,162	4,570

Total superannuation costs

5,282	4,663
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Refer to Note 9.3. for further information relating to Council's superannuation obligations.

4.2 Materials and services

Contract payments	37,100	35,897
General maintenance	9,456	8,101
Utilities	6,849	6,971
Information technology	1,294	3,110
Insurance	1,627	1,696
Consultants	302	491
Garbage collection and disposal	5,548	3,591
Contract labour	4,312	8,651
Administrative support	7,298	7,498
Program expenses	5,035	4,832
Professional fees	4,003	2,679
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	59	57
Auditors' remuneration - internal	87	70
Contributions and donations	506	535
Councillors allowances	411	385
Transport and vehicle operations	679	280
Other	3,603	2,981
Total materials and services	88,169	87,825

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 4. The cost of delivering services (continued)

	2022 \$ '000	2021 \$ '000
4.3 Depreciation		
Property		
Buildings - specialised	6,541	6,518
Buildings - non specialised	722	721
Total depreciation - property	7,263	7,239
Plant and equipment		
Plant machinery and equipment	181	737
Fixtures fittings and furniture	–	46
Computers and telecomms	377	434
Library books	230	194
Total depreciation - plant and equipment	788	1,411
Infrastructure		
Roads	12,261	11,502
Bridges	1,480	1,285
Footpaths and cycleways	4,081	3,743
Drainage	5,528	5,120
Recreational, leisure and community	5,671	5,420
Off street car parks	537	520
Kerb and channel	4,691	4,398
Traffic management	2,131	3,686
Other infrastructure	83	91
Total depreciation - infrastructure	36,463	35,765
Total depreciation	44,514	44,415

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 - Intangible assets

Intangible assets	327	327
Total Amortisation - Intangible assets	327	327

4.5 Amortisation - Right of use assets

Vehicles	402	146
Equipment	272	204
Total Amortisation - Right of use assets	674	350

Notes to the Financial Statements

for the year ended 30 June 2022

Note 4. The cost of delivering services (continued)

	2022 \$ '000	2021 \$ '000
4.6 Bad and doubtful debts		
Parking fine debtors	–	12
Other debtors	–	3
Infringements	295	1,167
Total bad and doubtful debts	295	1,182
Movement in provisions for doubtful debts - other debtors		
Balance at the beginning of the year	470	491
New provisions recognised during the year	36	341
Amounts already provided for and written off as uncollectible	(250)	(362)
Balance at end of year	256	470
Movement in provisions for doubtful debts - infringements		
Balance at the beginning of the year	4,128	2,968
New provisions recognised during the year	630	1,336
Amounts already provided for and written off as uncollectible	(129)	(176)
Balance at end of year	4,629	4,128

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.

4.7 Borrowing costs

Interest - Borrowings	407	494
Total borrowing costs	407	494

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.

4.8 Finance Costs - Leases

Interest - Lease Liabilities	32	25
Total finance costs	32	25

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position

	Note	2022 \$ '000	2021 \$ '000
5.1 Financial assets			
(a) Cash and cash equivalents			
Current			
Cash on hand		7	8
Cash at bank		5,235	3,348
Term deposits		11,962	72,104
Total current cash and cash equivalents		17,204	75,460
(b) Other financial assets			
Current			
Term deposits - current		288,510	292,719
Total current other financial assets		288,510	292,719
Non-current			
Term deposits - non-current		181,977	–
Total non-current other financial assets		181,977	–
Total current financial assets		305,714	368,179
Total non-current financial assets		181,977	–
External restrictions			
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
Trust funds and deposits	5.3	39,614	27,293
Reserves	9.1(b)	238,949	167,921
Fire services levy	5.3	734	543
Total restricted funds		279,297	195,757
Total unrestricted cash and cash equivalents		(262,093)	(120,297)
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		50,179	50,569
Total funds subject to intended allocations		50,179	50,569

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
(c) Trade & Other Receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	12,412	11,470
Infringement debtors	5,945	5,125
<i>Non-statutory receivables</i>		
Accrued interest	1,376	19
Other debtors	6,284	10,790
<i>Provisions for doubtful debts</i>		
Provision for doubtful debts - other debtors	(256)	(470)
Provision for doubtful debts - infringements	(4,629)	(4,128)
Total current trade and other receivables	21,132	22,806
Total trade and other receivables	21,132	22,806

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.

	2022 \$ '000	2021 \$ '000
(d) Ageing of receivables		
The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was:		
Current (not yet due)	5,320	7,957
Past due by up to 30 days	1,588	1,833
Past due between 31 and 180 days	344	239
Past due between 181 and 365 days	408	315
Total trade and other receivables	7,660	10,344

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$256,100 (2021: \$470,093) were impaired. The amount of the provision raised against these debtors was \$256,100 (2021: \$470,093). They individually have been impaired as a result of their doubtful collection.

Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Past due between 181 and 365 days	256	470
Total trade and other receivables	256	470

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
5.2 Non-financial assets		
(a) Inventories		
Current		
Land for interment purposes at cost	38	28
Total current inventories	38	28
Non-Current		
Land for interment purposes at cost	21	65
Total non-current inventories	21	65
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		
Current		
Prepayments	462	295
Accrued income	28,181	16,636
Total current other assets	28,643	16,931
(c) Intangible assets		
Non-exclusive licences - Caroline Springs College Creekside Campus	142	216
Non-exclusive licences - Springside Children's and Community Centre	840	938
Non-exclusive licences - Kororoit Creek Early Learning Centre	1,395	1,550
Total intangible assets	2,377	2,704

The Department of Education and Early Childhood Development and the Caroline Springs College have granted non-exclusive licences to the Melton City Council to use the Creekside facility. Amortisation of the licence is expensed over the term of the licence until 30 June 2026. The Department of Education and Early Childhood Development has granted non-exclusive licences to the Melton City Council to use the Springside and Kororoit Creek facilities. Amortisation of the licence is expensed over the term of the licence until 30 June 2029 (Springside) and 30 June 2031 (Kororoit Creek).

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	Non-exclusive licences			Total \$ '000
	Caroline Springs College Creekside Campus \$ '000	Springside Children's and Community Centre \$ '000	Kororoit Creek Early Learning Centre \$ '000	
Gross Carrying Amount				
Balance at 1 July 2021	1,478	1,962	3,100	6,540
Balance at 30 June 2022	1,478	1,962	3,100	6,540
Accumulated amortisation and impairment				
Balance at 1 July 2021	1,262	1,024	1,550	3,836
Amortisation expense	74	98	155	327
Balance at 30 June 2022	1,336	1,122	1,705	4,163
Net book value at 30 June 2021	216	938	1,550	2,704
Net book value at 30 June 2022	142	840	1,395	2,377

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
5.3 Payables, trust funds and deposits and unearned income/revenue		
(a) Trade and other payables		
Current		
<i>Statutory payables</i>		
Trade payables	28,788	43,482
Accrued expenses	19,085	7,719
Fire services levy	734	543
Total current trade and other payables	48,607	51,744
(b) Trust funds and deposits		
Current		
Refundable deposits	24,078	17,941
Construction retention monies	114	114
Total current trust funds and deposits	24,192	18,055
Non-current		
Refundable deposits	15,282	9,096
Other refundable deposits	140	142
Total non-current trust funds and deposits	15,422	9,238
(c) Unearned income/revenue		
Current		
Grants received in advance:		
Grants received in advance - operating	8,968	5,645
Grants received in advance - capital	15,170	16,811
Total grants received in advance	24,138	22,456
User fees received in advance:		
Income received in advance - contracts with customers	1,837	430
Total user fees received in advance	1,837	430
Total unearned income/revenue	25,975	22,886

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.

Refundable deposits - Deposits are taken by Council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
5.4 Interest-bearing liabilities		
Current		
Borrowings - secured	2,502	2,402
	<u>2,502</u>	<u>2,402</u>
Non-current		
Borrowings - secured	5,770	8,272
	<u>5,770</u>	<u>8,272</u>
Total	<u>8,272</u>	<u>10,674</u>

Borrowings are secured by way of mortgages over the general rates of the Council.

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

Not later than one year	2,502	2,402
Later than one year and not later than five years	5,770	8,272
	<u>8,272</u>	<u>10,674</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.

	Employee provisions \$ '000	Total \$ '000
2022		
Balance at the beginning of the financial year	14,588	14,588
Additional provisions	924	924
Amounts used	(1,277)	(1,277)
Balance at the end of the financial year	<u>14,235</u>	<u>14,235</u>
2021		
Balance at the beginning of the financial year	13,515	13,515
Additional provisions	4,808	4,808
Amounts used	(3,735)	(3,735)
Balance at the end of the financial year	<u>14,588</u>	<u>14,588</u>

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,705	3,658
Long service leave	885	927
	<u>4,590</u>	<u>4,585</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,791	1,656
Long service leave	6,403	6,843
	<u>8,194</u>	<u>8,499</u>
Total current employee provisions	<u>12,784</u>	<u>13,084</u>
Non-Current		
Long service leave	1,451	1,503
Total Non-Current Employee Provisions	<u>1,451</u>	<u>1,503</u>
Aggregate Carrying Amount of Employee Provisions:		
Current	12,784	13,084
Non-current	1,451	1,503
Total Aggregate Carrying Amount of Employee Provisions	<u>14,235</u>	<u>14,587</u>

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Annual leave

A liability for annual leave is recognised in the provision for employee benefits as a current liability because Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:

- nominal value if Council expects to wholly settle the liability within 12 months
- present value if 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 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	3.69%	1.49%
- index rate	3.85%	2.95%

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022	2021
	\$ '000	\$ '000

5.6 Financing arrangements

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

Bank overdraft	1,800	1,800
Credit card facilities	200	200
Other facilities	8,272	10,674
Total Facilities	<u>10,272</u>	<u>12,674</u>
Used facilities	<u>8,338</u>	<u>10,745</u>
Unused facilities	<u>1,934</u>	<u>1,929</u>

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	Not later than 1 year \$ '000	Later than 1 year and not later than 2 years \$ '000	Later than 2 years and not later than 5 years \$ '000	Later than 5 years \$ '000	Total \$ '000
2022					
Operating					
Recycling facility operations	4,800	4,800	–	–	9,600
Garbage and recycling collection	10,150	8,000	17,500	–	35,650
Health/cleaning services	2,294	2,500	2,707	–	7,501
Parks maintenance services	13,663	13,729	41,582	13,993	82,967
Road maintenance	7,803	7,985	21,656	6,903	44,347
IT services	4,958	4,666	1,996	545	12,165
Recreation/Leisure services	59	70	130	–	259
Total	43,727	41,750	85,571	21,441	192,489
Capital					
Buildings	16,878	3,532	32	–	20,442
Roads	5,639	–	–	–	5,639
Recreational	4,324	412	–	–	4,736
Total	26,841	3,944	32	–	30,817
2021					
Operating					
Recycling facility operations	4,800	–	–	–	4,800
Garbage and recycling collection	10,400	11,100	28,000	–	49,500
Facility maintenance	544	–	–	–	544
Health/cleaning services	1,590	–	–	–	1,590
Parks maintenance services	5,386	–	–	–	5,386
Road maintenance	6,442	1,400	1,500	–	9,342
IT services	3,670	3,415	3,415	–	10,500
Recreation/Leisure services	153	–	–	–	153
Total	32,985	15,915	32,915	–	81,815
Capital					
Buildings	15,317	34,475	2,114	14	51,920
Roads	765	370	10	20	1,165
Recreational	2,415	25	25	–	2,465
Other	535	535	535	–	1,605
Total	19,032	35,405	2,684	34	57,155

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022	2021
	\$ '000	\$ '000

(b) Operating lease receivables**Operating lease receivables**

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold buildings.

These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 5 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:

Not later than one year	932	1,091
Later than one year and not later than five years	3,892	3,201
	<u>4,824</u>	<u>4,292</u>

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

5.8 Leases

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

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

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

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

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

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

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

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

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

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

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

(a) Right-of-Use Assets

	Vehicles \$ '000	Equipment \$ '000	Total \$ '000
2022			
Balance at 1 July	727	409	1,136
Additions	351	–	351
Amortisation charge	(402)	(272)	(674)
Balance at 30 June	676	137	813
2021			
Balance at 1 July	–	613	613
Additions	873	–	873
Amortisation charge	(146)	(204)	(350)
Balance at 30 June	727	409	1,136

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Our financial position (continued)

	2022 \$ '000	2021 \$ '000
(b) Lease Liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	472	721
One to five years	397	559
Total undiscounted lease liabilities as at 30 June:	869	1,280
Lease liabilities included in the Balance Sheet at 30 June:		
Current	117	640
Non-current	710	508
Total lease liabilities	827	1,148

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.

Council had no short-term leases or leases of low value assets during the financial year.

Note 6. Assets we manage

	2022 \$ '000	2021 \$ '000
6.1 Non-current assets classified as "held for sale"		
Current		
Fair value of land	11	674
Total non current assets classified as held for sale	11	674

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	Carrying amount 30 June 2021 \$ '000	Additions \$ '000	Contributions \$ '000	Revaluation \$ '000	Depreciation \$ '000	Disposal \$ '000	Write-off \$ '000	Transfers \$ '000	Carrying amount 30 June 2022 \$ '000
Property	764,131	1,887	67,851	131,756	(7,263)	(806)	–	25,162	982,718
Plant and equipment	2,273	648	–	–	(788)	(228)	–	–	1,905
Work in progress	63,446	45,865	–	–	–	–	(2,401)	(26,523)	80,387
Infrastructure	1,941,708	3,201	110,457	(4,609)	(36,463)	(3,586)	–	–	2,010,708
Total	2,771,558	51,601	178,308	127,147	(44,514)	(4,620)	(2,401)	(1,361)	3,075,718

Summary of Work in Progress	Opening WIP \$ '000	Additions \$ '000	Write-off \$ '000	Transfers \$ '000	Closing WIP \$ '000
Property	26,207	13,321	(116)	(31,099)	8,313
Infrastructure	37,239	32,544	(2,285)	4,574	72,072
Total	63,446	45,865	(2,401)	(26,525)	80,385

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

	Land specialised \$ '000	Land non specialised \$ '000	Land under roads \$ '000	Total land and land improvements \$ '000	Buildings specialised \$ '000	Buildings non specialised \$ '000	Total buildings \$ '000	Work in progress \$ '000	Total work in progress \$ '000	Total property \$ '000
Property										
At fair value 1 July 2021	375,753	90,546	117,040	583,339	262,875	30,669	293,544	26,207	26,207	903,090
Accumulated depreciation at 1 July 2021	–	–	–	–	(101,324)	(11,428)	(112,752)	–	–	(112,752)
Carrying amount - 1 July 2021	<u>375,753</u>	<u>90,546</u>	<u>117,040</u>	<u>583,339</u>	<u>161,551</u>	<u>19,241</u>	<u>180,792</u>	<u>26,207</u>	<u>26,207</u>	<u>790,338</u>
Movements in fair value										
Additions	–	–	–	–	1,786	101	1,887	13,321	13,321	15,208
Contributions	54,640	–	13,211	67,851	–	–	–	–	–	67,851
Revaluation	123,218	8,538	–	131,756	–	–	–	–	–	131,756
Disposal	–	–	–	–	(640)	–	(640)	–	–	(640)
Write-off	–	–	–	–	–	–	–	(116)	(116)	(116)
Transfers	(4,163)	–	–	(4,163)	29,325	–	29,325	(31,099)	(31,099)	(5,937)
Total movements in fair value	<u>173,695</u>	<u>8,538</u>	<u>13,211</u>	<u>195,444</u>	<u>30,471</u>	<u>101</u>	<u>30,572</u>	<u>(17,894)</u>	<u>(17,894)</u>	<u>208,122</u>
Movements in accumulated depreciation										
Depreciation and amortisation	–	–	–	–	(6,541)	(722)	(7,263)	–	–	(7,263)
Accumulated depreciation of disposals	–	–	–	–	(166)	–	(166)	–	–	(166)
Total movements in accumulated depreciation	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,707)</u>	<u>(722)</u>	<u>(7,429)</u>	<u>–</u>	<u>–</u>	<u>(7,429)</u>
At fair value 30 June 2022	557,986	90,546	130,251	778,783	293,346	30,770	324,116	8,313	8,313	1,111,212
Accumulated depreciation at 30 June 2022	–	–	–	–	(108,031)	(12,150)	(120,181)	–	–	(120,181)
Carrying amount - 30 June 2022	<u>557,986</u>	<u>90,546</u>	<u>130,251</u>	<u>778,783</u>	<u>185,315</u>	<u>18,620</u>	<u>203,935</u>	<u>8,313</u>	<u>8,313</u>	<u>991,031</u>

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

	Plant machinery and equipment \$ '000	Fixtures fittings and furniture \$ '000	Computers and telecomms \$ '000	Library books \$ '000	Total plant and equipment \$ '000
Plant and Equipment					
At fair value 1 July 2021	2,142	800	7,065	1,882	11,889
Accumulated depreciation at 1 July 2021	(1,618)	(800)	(6,417)	(781)	(9,616)
Carrying amount - 1 July 2021	524	–	648	1,101	2,273
Movements in fair value					
Additions	50	–	120	478	648
Disposal	(548)	–	–	(438)	(986)
Total movements in fair value	(498)	–	120	40	(338)
Movements in accumulated depreciation					
Depreciation and amortisation	(181)	–	(377)	(230)	(788)
Accumulated depreciation of disposals	346	–	–	412	758
Total movements in accumulated depreciation	165	–	(377)	182	(30)
At fair value 30 June 2022	1,644	800	7,185	1,922	11,551
Accumulated depreciation at 30 June 2022	(1,453)	(800)	(6,794)	(599)	(9,646)
Carrying amount - 30 June 2022	191	–	391	1,323	1,905

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

	Roads \$ '000	Bridges \$ '000	Foot- paths and cycle- ways \$ '000	Drainage \$ '000	Recrea- tional, leisure and comm- unity \$ '000	Off street car parks \$ '000	Kerb and channel \$ '000	Traffic manage- ment \$ '000	Other infra- structure \$ '000	Total \$ '000	Work in progress \$ '000	Total work in progress \$ '000	Total infra- structure \$ '000
Infrastructure													
At fair value 1 July 2021	998,526	95,677	227,603	511,439	97,688	37,437	275,853	114,304	2,874	2,361,401	37,239	37,239	2,398,640
Accumulated depreciation at 1 July 2021	(147,355)	(17,948)	(49,351)	(73,716)	(29,636)	(6,108)	(62,219)	(31,617)	(1,743)	(419,693)	–	–	(419,693)
Carrying amount - 1 July 2021	<u>851,171</u>	<u>77,729</u>	<u>178,252</u>	<u>437,723</u>	<u>68,052</u>	<u>31,329</u>	<u>213,634</u>	<u>82,687</u>	<u>1,131</u>	<u>1,941,708</u>	<u>37,239</u>	<u>37,239</u>	<u>1,978,947</u>
Movements in fair value													
Additions	133	–	648	76	1,999	3	161	181	–	3,201	32,544	32,544	35,745
Contributions	34,909	–	13,975	39,925	2,005	1,855	15,098	2,690	–	110,457	–	–	110,457
Revaluation	–	–	–	–	6,208	–	–	(16,038)	–	(9,830)	–	–	(9,830)
Disposal	(330)	–	(215)	(614)	(1,564)	(728)	(1,753)	(11)	–	(5,215)	–	–	(5,215)
Write-off	–	–	–	–	–	–	–	–	–	–	(2,285)	(2,285)	(2,285)
Transfers	–	–	–	–	–	–	–	–	–	–	4,574	4,574	4,574
Total movements in fair value	<u>34,712</u>	<u>–</u>	<u>14,408</u>	<u>39,387</u>	<u>8,648</u>	<u>1,130</u>	<u>13,506</u>	<u>(13,178)</u>	<u>–</u>	<u>98,613</u>	<u>34,833</u>	<u>34,833</u>	<u>133,446</u>
Movements in accumulated depreciation													
Depreciation and amortisation	(12,261)	(1,480)	(4,081)	(5,528)	(5,671)	(537)	(4,691)	(2,131)	(83)	(36,463)	–	–	(36,463)
Accumulated depreciation of disposals	38	–	21	121	842	116	482	9	–	1,629	–	–	1,629
Revaluation	–	–	–	–	(739)	–	–	5,960	–	5,221	–	–	5,221
Total movements in accumulated depreciation	<u>(12,223)</u>	<u>(1,480)</u>	<u>(4,060)</u>	<u>(5,407)</u>	<u>(5,568)</u>	<u>(421)</u>	<u>(4,209)</u>	<u>3,838</u>	<u>(83)</u>	<u>(29,613)</u>	<u>–</u>	<u>–</u>	<u>(29,613)</u>
At fair value 30 June 2022	1,033,237	95,677	242,011	550,826	106,336	38,567	289,360	101,126	2,874	2,460,014	72,072	72,072	2,532,086
Accumulated depreciation at 30 June 2022	(159,578)	(19,428)	(53,409)	(79,123)	(35,204)	(6,529)	(66,427)	(27,779)	(1,827)	(449,304)	–	–	(449,304)
Carrying amount - 30 June 2022	<u>873,659</u>	<u>76,249</u>	<u>188,602</u>	<u>471,703</u>	<u>71,132</u>	<u>32,038</u>	<u>222,933</u>	<u>73,347</u>	<u>1,047</u>	<u>2,010,710</u>	<u>72,072</u>	<u>72,072</u>	<u>2,082,782</u>

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

Acquisition

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

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.

Asset recognition thresholds and depreciation periods

	Depreciation Period years	Threshold Limit \$ '000
Land and land improvements		
land	N/A	–
Land under roads	N/A	–
Buildings		
buildings	50	–
Plant and Equipment		
Plant and machinery	5	5
Furniture and equipment	3-5	5
Library assets	10	–
Infrastructure		
Roads	10-100	10
Bridges	25-100	25
Other	20-100	–
Footpaths	10-70	10
Car parks	10-70	10
Drainage works	80-100	25
Recreation facilities	3-30	–
Kerb and channel	10-70	10
Traffic management	10-70	10

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

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 was undertaken by qualified independent valuers Opteon Pty Ltd (API No. 102351). The valuation of land 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 engloba (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 Council's land and buildings and information about the fair value hierarchy as at 30 June 2022 are as follows:

	Level 1 2022 \$ '000	Level 2 2022 \$ '000	Level 3 2022 \$ '000	Date of valuation
Non-specialised Land	–	–	90,546	30/06/22
Specialised land	–	–	557,986	30/06/22
Land Under Roads	–	–	130,251	30/06/16
Buildings	–	–	203,935	01/07/18
Total	–	–	982,718	

Valuation of Infrastructure

Valuation of infrastructure assets has been determined in accordance with an independent valuation undertaken by Infrastructure Management Group and Ray Hutchinson & Associates.

The Park Active Areas component of Recreational Open Space Facilities class of assets were revalued as at 30 June 2022 as well as the OS Lighting Assets component of Transportation Open Space Facilities class of assets.

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

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

	Level 1 2022 \$ '000	Level 2 2022 \$ '000	Level 3 2022 \$ '000	Date of independe nt
Roads	–	–	873,659	30/06/19
Bridges	–	–	76,249	30/06/19
Footpaths and cycleways	–	–	188,602	30/06/20
Drainage	–	–	471,703	30/06/16
Recreational, leisure & community facilities	–	–	71,132	30/06/22
Off street car parks	–	–	32,038	30/06/19
Traffic management	–	–	73,347	30/06/22
Other Infrastructure	–	–	1,047	30/06/14
Kerb and channel	–	–	222,933	30/06/19
Total	–	–	2,010,710	

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

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 \$1 and \$815 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$240 to \$6,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 2 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 buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure asses are determined on the basis of the current condition of the asset and vary from 2 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.

Reconciliation of specialised land

	2022	2021
	\$ '000	\$ '000
Specialised Land	557,986	374,743
Land Under Roads	130,251	117,040
Total specialised land	688,237	491,783

(c) Community Asset Committee

All entities controlled by Council that have material income, expenses, assets or liabilities, such as community asset committees, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Assets we manage (continued)

6.3 Investment property

	2022 \$ '000	2021 \$ '000
Balance at beginning of financial year	6,975	7,175
Fair value increment	1,475	–
Fair value decrement	–	(200)
Balance at end of financial year	8,450	6,975

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 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 Opteon Pty Ltd (API No. 102351) who has recent experience in the location and category of the property being valued.

The valuation is at fair value, based on the current market value.

The market that the assets are transacted in is being impacted by a high degree of uncertainty caused by the Covid-19 pandemic. The extent to which Covid-19 has impacted fair value measurements is not available and market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 7. People and relationships

7.1 Council and key management remuneration

(a) Related Parties*Parent entity*

Melton City Council is the parent entity.

Subsidiaries and Associates

Council has no interests in subsidiaries or associates.

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors

Councillor Lara Carli
 Councillor Bob Turner
 Councillor Steve Abboushi
 Councillor Goran Kesic (Mayor from 9 November 2021)
 Councillor Kathy Majdlik (Mayor to 9 November 2021)
 Councillor Sophie Ramsey
 Councillor Ashleigh Vandenberg
 Councillor Julie Shannon
 Councillor Moira Deeming

		2022 No.	2021 No.
Total Number of Councillors		9	12
Chief Executive Officer	Kelvin Tori (to 31 December 2021)	1	1
Chief Executive Officer	Roslyn Wai (from 26 January 2022)	1	1
Acting Chief Executive Officer	Maurie Heaney (from 1 November 2021 to 25 January 2022)	1	–
General Manager - Corporate Services	Peter Bean (to 29 October 2021)	1	1
Acting General Manager Corporate Services	Laura-Jo Mellan (from 30 October 2021 to 4 February 2022)	1	–
Acting General Manager - Corporate Services	Luke Shannon (from 5 February 2022)	1	–
General Manager - Community Services	Maurie Heaney (to 31 March 2022)	1	1
Acting General Manager - Community Services	Troy Scoble (from 1 November 2021 to 4 January 2022)	1	–
Acting General Manager - Community Services	Elyse Rider (5 January 2022 to 26 January 2022)	1	–
Acting General Manager - Community Services	Troy Scoble (from 11 March 2022)	1	–
General Manager - Planning & Development	Luke Shannon (to 29 January 2022)	1	1
Acting General Manager - Planning & Development	Sam Romazko (from 17 January 2022)	1	–
Executive Manager Corporate Strategy & Investments	Laura-J Mellan from 1 July 2021 to 29 October 2021)	1	–
Acting Executive Manager Corporate Strategy & Investments	Sam Romazko (from 22 November to 16 January 2022)	1	–

Notes to the Financial Statements

for the year ended 30 June 2022

Note 7. People and relationships (continued)

	2022 No.	2021 No.
Acting Executive Manager Corporate Strategy & Investments Sean McManus (from 31 January 2022)	1	–
Total Number of Key Management Personnel	24	17

	2022 \$ '000	2021 \$ '000
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(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

Short-term benefits	2,390	1,784
Long-term benefits	153	36
Post employment benefits	192	136
Total	2,735	1,956

	2022 No.	2021 No.
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The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

\$1 - \$9,999	–	3
\$20,000 - \$29,999	–	3
\$30,000 - \$39,999	6	4
\$40,000 - \$49,999	1	–
\$50,000 - \$59,999	1	1
\$80,000 - \$89,999	1	1
\$180,000 - \$189,999	1	–
\$200,000 - \$209,999	4	–
\$210,000 - \$219,999	1	–
\$230,000 - \$239,999	2	1
\$300,000 - \$309,999	3	3
\$310,000 - \$319,999	2	–
\$400,000 - \$409,999	1	–
\$410,000 - \$419,999	1	1
	24	17

Notes to the Financial Statements

for the year ended 30 June 2022

Note 7. People and relationships (continued)

(d) Senior Officer Remuneration

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

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

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

	2022 No.	2021 No.
Income Range:		
\$20,000 - \$29,999	–	1
\$30,000 - \$39,999	–	1
\$70,000 - \$79,999	–	1
\$100,000 - \$109,999	–	1
\$151,000 - \$159,999	1	–
\$160,000 - \$169,999	1	–
\$170,000 - \$179,999	1	6
\$180,000 - \$189,999	6	6
\$190,000 - \$199,999	–	3
\$200,000 - \$209,999	9	–
\$210,000 - \$219,999	3	–
\$220,000 - \$229,999	1	–
\$230,000 - \$239,999	1	–
	23	19

	2022 \$ '000	2021 \$ '000
Total Remuneration for the reporting year for Senior Officers included above amounted to:	3,470	3,107

Notes to the Financial Statements

for the year ended 30 June 2022

Note 7. People and relationships (continued)

	2022	2021
	\$ '000	\$ '000

7.2 Related party disclosure

(a) Transactions with related parties

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Key Management Personnel, or Related Parties of such Key Management Personnel during the reporting year. All transactions are at arms-length.

Salaries paid to close family members of Key Management Personnel	–	272
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(b) Outstanding balances with related parties

There are no outstanding balances with related parties as at 30 June 2022 (2021: Nil).

(c) Loans to/from related parties

No loans have been made, guaranteed or secured by the Council to Key Management Personnel of the Council during the reporting period (2021: Nil).

(d) Commitments to/from related parties

There are no commitments to or from related parties as at 30 June 2022 (2021: Nil).

Notes to the Financial Statements

for the year ended 30 June 2022

Note 8. Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

Developer contributions to be received in respect of estates currently under development is expected to be in the range of \$300m to \$320m (2021:\$250m to \$270m).

(b) Contingent 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.

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.

Future superannuation contributions

There were no contributions outstanding and no loans issued from or to the above scheme 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 2022 are \$209,293.

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

MAV Workcare

Council was a participant of the MAV WorkCare Scheme. The MAV WorkCare Scheme provided workers compensation insurance. MAV WorkCare commenced business on 1 November 2017 and the last day the Scheme operated as a self-insurer was 30 June 2021. In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, there is a six year liability period following the cessation of the Scheme (to 30 June 2027). During the liability period, adjustment payments may be required (or received). The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by Work Safe Victoria. If required, adjustments will occur at the 3-year and 6-year points during the liability period, and will affect participating members.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 8. Managing uncertainties (continued)

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 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. Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes Council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

There has been no significant change in 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 Council's year end result.

(c) Credit risk

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 8. Managing uncertainties (continued)

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

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

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.

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 + 2.50 % and - 0.50 % in market interest rates (AUD) from year-end rates of 0.85 % and 4.0%.

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. AASB13 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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 8. Managing uncertainties (continued)

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, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 8. Managing uncertainties (continued)

8.5 Events occurring after balance date

The Covid-19 pandemic continues to create a level of economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the City of Melton at the reporting date.

This event does not affect amounts recognised in the 2021/22 financial statements.

Council continues to monitor and review the financial impacts of Covid-19 on its operating budget.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the City of Melton, the results of the operations or the state of affairs of the City of Melton in future years.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Other matters

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Balance at end of reporting period \$ '000
9.1 Reserves			
(a) Asset revaluation reserves			
2022			
Property			
Land - specialised	–	123,218	123,218
Land - non specialised	226,355	8,538	234,893
Buildings	7,789	–	7,789
	<u>234,144</u>	<u>131,756</u>	<u>365,900</u>
Infrastructure			
Roads	518,407	–	518,407
Bridges	51,858	–	51,858
Drainage	123,430	–	123,430
Recreational, leisure and community facilities	21,127	5,469	26,596
Traffic management	4,000	(4,000)	–
Other infrastructure	679	–	679
	<u>719,501</u>	<u>1,469</u>	<u>720,970</u>
Total asset revaluation reserves	<u>953,645</u>	<u>133,225</u>	<u>1,086,870</u>
2021			
Property			
Land - non specialised	226,355	–	226,355
Buildings	7,789	–	7,789
	<u>234,144</u>	<u>–</u>	<u>234,144</u>
Infrastructure			
Roads	518,407	–	518,407
Bridges	51,858	–	51,858
Drainage	123,430	–	123,430
Recreational, leisure and community facilities	3,371	17,756	21,127
Traffic management	–	4,000	4,000
Other infrastructure	679	–	679
	<u>697,745</u>	<u>21,756</u>	<u>719,501</u>
Total asset revaluation reserves	<u>931,889</u>	<u>21,756</u>	<u>953,645</u>

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Other matters (continued)

	Balance at beginning of reporting period \$ '000	Transfer from Accumulated Surplus \$ '000	Transfer to Accumulated Surplus \$ '000	Balance at end of reporting period \$ '000
(b) Other reserves				
2022				
Restricted reserves				
Street trees/drainage	949	7	–	956
Community infrastructure	166,972	118,998	(47,977)	237,993
Total restricted reserves	167,921	119,005	(47,977)	238,949
Discretionary reserves				
Perpetual maintenance	132	1	–	133
Public art	59	–	(59)	–
Defined benefit call	375	3	–	378
Infrastructure and strategic investment	92,890	11,312	(610)	103,592
Capital reserve	–	67,617	–	67,617
Total discretionary reserves	93,456	78,933	(669)	171,720
Total Other reserves	261,377	197,938	(48,646)	410,669
2021				
Restricted reserves				
Street trees/drainage	942	7	–	949
Community infrastructure	136,604	91,578	(61,210)	166,972
Total restricted reserves	137,546	91,585	(61,210)	167,921
Discretionary reserves				
Asset replacement	2,756	21	(2,777)	–
Perpetual maintenance	131	1	–	132
Public art	104	1	(46)	59
Defined benefit call	372	3	–	375
Accommodation reserve	6,884	–	(6,884)	–
Infrastructure and strategic investment	85,880	28,020	(21,010)	92,890
Total discretionary reserves	96,127	28,046	(30,717)	93,456
Total Other reserves	233,673	119,631	(91,927)	261,377

Street trees/drainage

Developer contributions for provision of drainage assets and street beautification.

Community infrastructure

Developer contributions collected to deliver community infrastructure within PSP and non-PSP areas in accordance with the Planning and Environment Act and section 173 agreements.

Asset replacement

Provision of ongoing replacement of plant and equipment for Council operations.

Perpetual maintenance

Provision for perpetual maintenance of Melton Cemetery.

Public art

Provision for installation and maintenance of public art throughout the municipality.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Other matters (continued)

Defined benefit call

Provision for potential future funding call under the Defined Benefits Superannuation scheme.

Accommodation reserve

Provision for update of staff accommodation.

Infrastructure and strategic investment

Income generated from Atherstone estate set aside for strategic investment and major capital works.

Capital reserve

Provision for capital works carried forward from previous years.

	2022 \$ '000	2021 \$ '000
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9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

Surplus/(deficit) for the year	291,415	290,620
Depreciation/amortisation	45,515	45,092
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(12,635)	(11,592)
Fair value adjustments for investment property	(1,475)	200
Contributions - Non-monetary assets	(178,308)	(239,280)
Amounts disclosed in financing activities	439	519
Revaluation decrements of IPP&E direct to P&L	6,078	-
Adjustments for unearned grants	(34,499)	19,877
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,674	21,061
(Increase)/decrease in inventories	34	15
(Increase)/decrease in prepayments	(167)	920
Increase/(decrease) in accrued income	(11,545)	(3,419)
Increase/(decrease) in trade and other payables	28,963	(756)
Increase/(decrease) in provisions	(352)	1,073
(Decrease)/increase in other liabilities	12,321	9,102
Increase/(decrease) in Unearned income /revenue	3,089	17,185
Net cash provided by/(used in) operating activities	<u>150,547</u>	<u>150,617</u>

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 Comprehensive Operating Statement when they are made or due.

Accumulation

Council makes both employer and employee contributions to The Fund's accumulation category, Vision MySuper/Vision Super Saver, 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% (9.5% in 2020/21) as required under Superannuation Guarantee (SG) legislation).

Defined Benefit

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Other matters (continued)

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 Employee Benefits.

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.

An interim actuarial investigation as at 30 June 2021 was conducted and was completed by due date of 31 October 2021. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 109.8% as at 30 June 2021 (104.6% at 30 June 2020). The financial assumptions used to calculate the VBI were:

Net investment returns 4.75% pa
Salary information 2.75%
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 estimated VBI at 30 June 2022 was 102.2%. The financial assumptions used to calculate the VBI were:

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

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

Regular contributions

On the basis of the results of the 2021 interim actual 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 2020/2021). This rate is expected to increase in line with any increases with the SG increases.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Other matters (continued)

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 investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

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

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

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

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

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

The 2022 interim actuarial investigation

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

Superannuation contributions

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

Scheme	Type of scheme	Rate	2022 \$ '000	2021 \$ '000
Vision Super	Defined benefits	10.0% (2021:9.5%)	120	93
Vision Super	Accumulation fund	10.0% (2021:9.5%)	2,582	2,386

In addition to the above contributions, Council has paid no unfunded liability payments to Vision Super during the 2021/22 year (2020/21 nil).

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 \$209,293.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 10. Changes in accounting policies

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

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