



CITY OF PORT PHILLIP

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 June 2021**

CITY OF PORT PHILLIP FINANCIAL REPORT

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Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

Dennis O'Keeffe CA
Principal Accounting Officer

Date: / / 2021
St Kilda

In our opinion, the accompanying financial report presents fairly the financial transactions of the City of Port Phillip for the year ended 30 June 2021 and the financial position of the Council as at that date.

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

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Louise Crawford
Mayor & Councillor

Date: / / 2021
St Kilda

Marcus Pearl
Councillor

Date: / / 2021
St Kilda

Peter Smith
Chief Executive Officer

Date: / / 2021
St Kilda

Comprehensive Income Statement for the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|------------------------------------------------------------------------------------|------|----------------|----------------|
| Income | | | |
| Rates and charges | 3.1 | 133,663 | 129,017 |
| Statutory fees and fines | 3.2 | 16,942 | 19,483 |
| User fees | 3.3 | 31,251 | 37,691 |
| Grants - operating | 3.4 | 13,492 | 12,003 |
| Grants - capital | 3.4 | 3,860 | 3,249 |
| Contributions - monetary | 3.5 | 6,235 | 10,362 |
| Contributions - non-monetary | 3.5 | 826 | 40 |
| Other income | 3.7 | 19,509 | 25,028 |
| Total Income | | 225,778 | 236,873 |
| Expenses | | | |
| Employee costs | 4.1 | 92,895 | 94,675 |
| Materials and services | 4.2 | 77,263 | 84,279 |
| Depreciation | 4.3 | 19,525 | 25,799 |
| Amortisation- Right of use assets | 4.4 | 843 | 700 |
| Bad and doubtful debts | 4.5 | 4,545 | 4,636 |
| Borrowing costs | 4.6 | 349 | 349 |
| Finance costs- Leases | 4.7 | 77 | 75 |
| Other expenses | 4.8 | 17,599 | 18,318 |
| Net loss on disposal of property, infrastructure, plant and equipment | 3.6 | 219 | 1,117 |
| Share of net losses of associates and joint ventures | 6.3 | 37 | 18 |
| Total Expenses | | 213,352 | 229,966 |
| Surplus / (Deficit) for the year | | 12,426 | 6,907 |
| Other comprehensive income | | | |
| Items that will not be reclassified to surplus or deficit in future periods | | | |
| Net asset revaluation increment/(decrement) | 9.1 | 54,411 | 12,704 |
| Total comprehensive result | | 66,837 | 19,611 |

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

Balance Sheet as at 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|------------------------------------------------|-------------|------------------|------------------|
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | 5.1(a) | 13,842 | 7,642 |
| Trade and other receivables | 5.1(c) | 20,159 | 17,865 |
| Other financial assets | 5.1(b) | 101,500 | 87,000 |
| Non-current assets classified as held for sale | 6.1 | 11,713 | 2,211 |
| Other assets | 5.2(a) | 2,479 | 1,916 |
| Total current assets | | 149,693 | 116,634 |
| <i>Non-current assets</i> | | | |
| Trade and other receivables | 5.1(c) | 532 | 516 |
| Other financial assets | 5.1(b) | 4,516 | 5 |
| Investments in associates and joint ventures | 6.3 | 270 | 307 |
| Property, infrastructure, plant and equipment | 6.2 | 3,239,408 | 3,200,370 |
| Right-of-use assets | 5.8 | 1,301 | 1,339 |
| Total non-current assets | | 3,246,027 | 3,202,537 |
| Total assets | | 3,395,720 | 3,319,171 |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Trade and other payables | 5.3(a), (c) | 13,174 | 8,316 |
| Trust funds and deposits | 5.3(b) | 7,374 | 7,949 |
| Provisions | 5.5 | 19,553 | 15,513 |
| Interest-bearing liabilities | 5.4 | 7,500 | - |
| Lease liabilities | 5.8 | 767 | 585 |
| Total current liabilities | | 48,368 | 32,363 |
| <i>Non-current liabilities</i> | | | |
| Provisions | 5.5 | 2,380 | 3,367 |
| Interest-bearing liabilities | 5.4 | - | 7,500 |
| Lease liabilities | 5.8 | 563 | 789 |
| Total non-current liabilities | | 2,943 | 11,656 |
| Total liabilities | | 51,311 | 44,019 |
| Net Assets | | 3,344,409 | 3,275,152 |
| Equity | | | |
| Accumulated surplus | | 640,760 | 639,697 |
| Reserves | 9.1(b) | 2,703,649 | 2,635,455 |
| Total Equity | | 3,344,409 | 3,275,152 |

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

Statement of Changes in Equity

for the year ended 30 June 2021

| | Note | Total \$'000 | Accumulated Surplus \$'000 | Revaluation Reserve \$'000 | Other Reserves \$'000 |
|--------------------------------------------------------------------------------------|--------|------------------|----------------------------------|----------------------------------|-----------------------------|
| 2021 | | | | | |
| Balance at beginning of the financial year | | 3,275,152 | 639,697 | 2,557,780 | 77,675 |
| Adjustment to opening retained earnings- asset disposal 2020* | | (7,256) | (7,256) | - | - |
| Adjustment to opening retained earnings- Asset transfer 2018** | | 9,676 | 9,676 | - | - |
| Adjusted Opening balance | | 3,277,572 | 642,117 | 2,557,780 | 77,675 |
| Surplus/(deficit) for the year | | 12,426 | 12,426 | - | - |
| Net asset revaluation increment/(decrement) | 9.1(a) | 54,411 | - | 54,411 | - |
| Transfers to other reserves | 9.1(b) | - | (44,672) | - | 44,672 |
| Transfers from other reserves | 9.1(b) | - | 30,889 | - | (30,889) |
| Balance at end of the financial year | | 3,344,409 | 640,760 | 2,612,191 | 91,458 |
| 2020 | | | | | |
| Balance at beginning of the financial year | | 3,255,541 | 647,632 | 2,545,076 | 62,833 |
| Impact of change in accounting policy- AASB 15 Revenue from Contracts with Customers | | - | - | - | - |
| Impact of change in accounting policy- AASB 1058 Income of Not-for-Profit Entities | 10 | - | - | - | - |
| Impact of change in accounting policy- AASB 16 Leases | 5.8 | - | - | - | - |
| Adjusted Opening balance | | 3,255,541 | 647,632 | 2,545,076 | 62,833 |
| Surplus/(deficit) for the year | | 6,907 | 6,907 | - | - |
| Net asset revaluation increment/(decrement) | 9.1(a) | 12,704 | - | 12,704 | - |
| Transfers to other reserves | 9.1(b) | - | (43,419) | - | 43,419 |
| Transfers from other reserves | 9.1(b) | - | 28,577 | - | (28,577) |
| Balance at end of the financial year | | 3,275,152 | 639,697 | 2,557,780 | 77,675 |

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

* In May 2020 the land at 477 Graham Street was transferred to the Department of Education & Training to be used as a future school site. The status of this was not known at the end of the 2019/20 financial year therefore has been adjusted in the 2020/21 opening retained earnings to reflect the impact on the prior year results.

** In 2017 Council purchased a parcel of land at 2-4 Buckhurst Street, South Melbourne, under agreement that the State Government would transfer title to the other 2 parcels at the site to Council for it to be developed and used as a park. The transfer of these additional parcels occurred in the 2019/20 financial year however the status of ownership was only determined in the 2020/21 financial year, therefore opening retained earnings (equity) has been adjusted to reflect the impact on the prior year results.

Statement of Cash Flows

for the year ended 30 June 2021

| | 2021 | 2020 |
|---------------------------------------------------------------------|------------------------|------------------------|
| | Inflows/ (Outflows) | Inflows/ (Outflows) |
| Note | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Rates and charges | 131,501 | 125,278 |
| Statutory fees and fines | 13,274 | 16,021 |
| User fees | 30,739 | 39,792 |
| Grants- operating | 13,383 | 12,939 |
| Grants- capital | 3,860 | 3,249 |
| Contributions- monetary | 6,235 | 10,362 |
| Interest received | 934 | 1,383 |
| Trust funds and deposits taken | 21,488 | 56,770 |
| Other receipts | 9,337 | 13,992 |
| Net GST refund | 6,869 | 8,330 |
| Employee costs | (90,090) | (94,751) |
| Materials and services | (79,190) | (96,338) |
| Short term, low value and variable lease payments | (906) | (691) |
| Trust funds and deposits repaid | (22,063) | (55,907) |
| Other payments | (7,882) | (8,774) |
| Net cash provided by/(used in) operating activities | 9.2 | 37,489 |
| Cash flows from investing activities | | |
| Payments for property, infrastructure, plant and equipment | 6.2 | (15,086) |
| Proceeds from sale of property, infrastructure, plant and equipment | 3.6 | 4,083 |
| Payments for investments | | (106,011) |
| Proceeds from sale of investments | | 87,000 |
| Net cash provided by/(used in) investing activities | | (30,014) |
| Cash flows from financing activities | | |
| Finance costs | | (349) |
| Repayment of borrowings | | - |
| Interest paid- lease liability | | (77) |
| Repayment of lease liabilities | | (849) |
| Net cash provided by/(used in) financing activities | | (1,275) |
| Net increase (decrease) in cash and cash equivalents | | 6,200 |
| Cash and cash equivalents at the beginning of the financial year | | 7,642 |
| Cash and cash equivalents at the end of the financial year | | 13,842 |
| Financing arrangements | 5.6 | |
| Restrictions on cash assets | 5.1 | |

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

Statement of Capital Works for the year ended 30 June 2021

| | 2021 Note | 2020 \$'000 |
|----------------------------------------|---------------|----------------|
| Property | | |
| Buildings | 3,932 | 8,697 |
| Heritage buildings | - | - |
| Building improvements | - | - |
| Total buildings | 3,932 | 8,697 |
| Total property | 3,932 | 8,697 |
| Plant and equipment | | |
| Heritage plant and equipment | - | 105 |
| Plant, machinery and equipment | 991 | 925 |
| Fixtures, fittings and furniture | 259 | 468 |
| Computers and telecommunications | 1,035 | 583 |
| Library books | 732 | 886 |
| Total plant and equipment | 3,017 | 2,967 |
| Infrastructure | | |
| Roads | 1,942 | 1,863 |
| Bridges | 24 | 25 |
| Footpaths and cycleways | 1,337 | 1,506 |
| Drainage | 651 | 1,565 |
| Parks, open space and streetscapes | 4,175 | 3,509 |
| Off street car parks | | |
| Other infrastructure | - | 2,238 |
| Total infrastructure | 8,129 | 10,706 |
| Total capital works expenditure | 15,078 | 22,370 |
| Represented by: | | |
| New asset expenditure | 332 | 1,653 |
| Asset renewal expenditure | 9,165 | 10,202 |
| Asset expansion expenditure | 30 | 2,060 |
| Asset upgrade expenditure | 5,551 | 8,455 |
| Total capital works expenditure | 15,078 | 22,370 |

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

Notes to the Financial Report for the year ended 30 June 2021

OVERVIEW

Introduction

The City of Port Phillip was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate. The Council's main office is located at 99a Carlisle St, St Kilda.

Statement of compliance

These financial statements are a general purpose financial report that comprise 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, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

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 Australian Accounting Standards 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)
- AASB 1059 Service Concession Arrangements: Grantors is not 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.

Notes to the Financial Report for the year ended 30 June 2021

OVERVIEW

Significant accounting policies

(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. While the impacts of the pandemic have abated somewhat through the 2020-21 year, Council has noted the following significant impacts on its financial operations:

Additional revenue totalled \$4.7 million:

- \$2.8 million of operating grants from the Victorian Government included the following programs; keeping the community employed with the Working for Victoria program (\$1.5 million), Reactivation of Public Space (\$1.2 million) and COVID Health and Safety initiatives (\$0.12 million).
- \$1.9 million of capital grants from the Commonwealth Government to council to invest in local roads and community infrastructure assets (a large portion of the capital investment expenditure will be incurred in 2021/22).

Revenue reductions totalled \$14.3 million:

- \$9.4 million of parking fees and parking infringement fine reductions.
- \$1.4 million of revenue loss from festivals, events and markets.
- \$1.4 million of lower interest yields from our cash investments due to the Reserve Bank Australia's COVID-19 pandemic monetary policy response.
- \$0.6 million from lower utilisation of council childcare centres (offset by lower expenditure).
- \$1.5 million of other revenue reductions included lower utilisation of council properties (South Melbourne Market, Townhalls and community centres), building permits, community services, transport fees and other

Revenue foregone totalled \$4.3 million:

- \$3.4 million of rent waivers for council commercial rent and South Melbourne Market stallholders.
- \$0.6 million of footpath trading waivers.
- \$0.3 million of food premises, health premises registration fee, and childcare infrastructure and maintenance levy.

Additional costs totalled \$4.5 million:

- \$1.1 million of expenditure on our vulnerable community (homeless and food), personal protective equipment, additional COVID-19 cleaning, and security.
- \$0.7 million payments to staff classified as vulnerable and COVID-19 leave in accordance with our HR policy.
- \$2.7 million of additional expenditure funded from additional operating funding.

Notes to the Financial Report for the year ended 30 June 2021

Note 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 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$1 million where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

| 1.1 Income and Expenditure | Budget 2021 \$'000 | Actual 2021 \$'000 | Variance 2021 \$'000 | Variance 2021 % | Ref |
|--------------------------------------------------------------------------|--------------------------|--------------------------|----------------------------|-----------------------|-----|
| Income | | | | | |
| Rates and charges | 132,585 | 133,663 | 1,078 | 0.81% | 1 |
| Statutory fees and fines | 18,667 | 16,942 | (1,725) | -9.24% | 2 |
| User fees | 32,650 | 31,251 | (1,399) | -4.28% | 3 |
| Grants - operating | 9,386 | 13,492 | 4,106 | 43.74% | 4 |
| Grants - capital | 3,370 | 3,860 | 490 | 14.54% | 5 |
| Contributions - monetary | 2,532 | 6,235 | 3,703 | 146.25% | 6 |
| Contributions - non-monetary | - | 826 | 826 | 0.00% | 7 |
| Other income | 19,114 | 19,509 | 395 | 2.07% | |
| Total income | 218,304 | 225,778 | 7,474 | 3.42% | |
| Expenses | | | | | |
| Employee costs | 91,046 | 92,895 | (1,849) | -2.03% | 8 |
| Materials and services | 91,011 | 77,263 | 13,748 | 15.11% | 9 |
| Depreciation | 25,276 | 19,525 | 5,751 | 22.75% | 10 |
| Amortisation- Right of use assets | 950 | 843 | 107 | 0.00% | |
| Bad and doubtful debts | 5,141 | 4,545 | 596 | 11.59% | 11 |
| Borrowing costs | 349 | 349 | - | 0.00% | |
| Finance costs- Leases | 75 | 77 | (2) | 0.00% | |
| Other expenses | 17,873 | 17,599 | 274 | 1.53% | |
| Net loss on disposal of property, infrastructure, plant and equipment | 3,896 | 219 | 3,677 | 94.38% | 12 |
| Share of net profits losses of associates and joint ventures | - | 37 | (37) | 0.00% | |
| Total expenses | 235,617 | 213,352 | 22,265 | 9.45% | |
| Surplus for the year | (17,313) | 12,426 | 29,739 | 12.87% | |

Notes to the Financial Report for the year ended 30 June 2021

Note 1 Performance against budget (continued)

1.1 Income and Expenditure- Explanation of Material Variances

| Ref | Item | Explanation |
|-----|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Rates and charges | The favourable variance of \$1.08 million is mainly due to the net increase of 1,291 rateable properties during the financial year. |
| 2 | Statutory fees and fines | The unfavourable variance of \$1.73 million is mainly due to COVID-19 pandemic lockdown restrictions during the year impacted on parking enforcement income. |
| 3 | User fees | The unfavourable variance of \$1.40 million is due to the impact of COVID-19 pandemic lockdown restrictions on paid parking by \$2.2 million, major events permits \$0.4 million, and Esplanade Market rent \$0.3 million. This is partially offset by \$1.5 million of favourable childcare income. |
| 4 | Grants- Operating | The favourable variance of \$4.11 million is due to: <ul style="list-style-type: none"> • Additional Victorian Government funding as part of their COVID-19 pandemic response included \$1.5 million Working For Victorian funding offset by additional expenditure mainly employee costs and \$1.1 million of Pubic Space Activation offset by additional expenditure. • \$1.35 million early receipt of the 2021/22 Victorian Grants Commission instalments. • \$0.2 million of unbudgeted kindergarten funding. |
| 5 | Grants - capital | The favourable variance of \$0.49 million is mainly due to: <ul style="list-style-type: none"> • \$1.6 million of Commonwealth Local Road and Community Infrastructure funding as part of their COVID-19 pandemic response. Most of the project spend will take place in 2021/22. • \$0.4 million comprising a number of capital projects including Dog Park at Moran Reserve, Rotary Park Playspace, Alma Park East minor construction, and Safe System Infrastructure program. • (\$0.87) million Budgeted EcoCentre Redevelopment funding was not received in 2020/21 (likely 2021/22 as it was announced in the 2021/22 Victorian Government Budget). • (\$0.65) million Palais Theatre and Luna Park Precinct funding was received in the 2019/20 financial year. |
| 6 | Contributions - monetary | The favourable variance of \$3.70 million is due to higher than expected property development within the municipality, especially the following neighbourhoods; St Kilda Hill, Montague at Fishermans Bend, South Melbourne and Elwood. |
| 7 | Contributions - non monetary | Another cost shift has taken place in the 2020/21 financial year from the Victorian Government due to amendments to the Road Management Act which resulted in Council responsible for maintaining and renewing three bridges (previously a State asset). |

Notes to the Financial Report for the year ended 30 June 2021

Note 1 Performance against budget (continued)

1.1 Income and Expenditure- Explanation of Material Variances (continued)

| Ref | Item | Explanation |
|-----|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8 | Employee costs | <p>The unfavourable variance of \$1.85 million is mainly due to:</p> <ul style="list-style-type: none"> • (\$1.1) million relates to expenditure funded by Victorian Government for their Working for Victoria program. • (\$1.0) million of Customer Experience program staff expenditure incurred as a result of greater usage of in-house staff over contractors. Total program within budget. • (\$0.9) million of COVID-19 expenditure mainly for vulnerable staff and additional Summer Management expenditure. • (\$1.3) million of increased leave provision due to lower staff leave taken during the financial year. • (\$0.7) relates to Councils estimated share of the MAV Worksafe scheme funding shortfall. • \$1.6 million relates to the lower utilisation and temporary lockdown closure of Council services included Council managed long day child care centres, libraries, and independent living. • \$1.5 million relates to enterprise vacancies during the year, tight fiscal controls put in place due to COVID-19 including vacant positions were put on hold unless necessary, agency and contract minimised. |
| 9 | Materials and services | <p>The favourable variance of \$13.7 million is mainly due to:</p> <ul style="list-style-type: none"> • \$6.0 million relates to lower enterprise spend due to lower utilisation of council buildings and temporary lockdown closure of council services from COVID-19 pandemic. • \$3.1 million relates to the deferrals and reductions in the capital works program to address the financial impacts of COVID-19 - this has resulted in lower than budgeted non-capitalised costs such as landscaping and demolitions costs. • \$1.9 million Customer Experience Program lower contractor spend due to greater utilisation in-house staff and deferred expenditure due to timing of work streams and contingency not being required - project completion date in August 2021 expected to be met. • \$1.5 million of operating project deferrals to 2021/22 financial year partly due to COVID-19 pandemic delays. • \$1.2 million relates to the tight fiscal controls put in place to reduce operational expenditure to address the financial impact of COVID-19 including lower staff training and fleet running costs. |
| 10 | Depreciation | A thorough review of asset conditions and useful lives assessment as part of the Customer Experience program resulted in lower depreciation charges. |
| 11 | Bad and doubtful debts | The favourable variance of \$0.60 million is mainly due to lower parking infringements issued during the financial year. |
| 12 | Net loss on disposal of property, infrastructure, plant and equipment | The favourable variance of \$3.68 million is mainly due to the lower residual value written off for infrastructure assets upgraded in 2020/21 as a result of the capital works program reduction and deferral to future years due to COVID-19 pandemic. |

Notes to the Financial Report for the year ended 30 June 2021

Note 1 Performance against budget (continued)

| 1.2 Capital Works | Budget 2021 \$'000 | Actual 2021 \$'000 | Variance 2021 \$'000 | Variance 2021 % | Ref |
|----------------------------------------|--------------------------|--------------------------|----------------------------|-----------------------|-----|
| Property | | | | | |
| Land | - | - | - | 0% | |
| Total land | - | - | - | 0% | |
| Buildings | 12,992 | 3,932 | (9,060) | -70% | 1 |
| Total buildings | 12,992 | 3,932 | (9,060) | -70% | |
| Total property | 12,992 | 3,932 | (9,060) | -70% | |
| Plant and equipment | | | | | |
| Heritage plant and equipment | 30 | - | (30) | -100% | |
| Plant, machinery and equipment | 1,837 | 991 | (846) | -46% | 2 |
| Fixtures, fittings and furniture | 116 | 259 | 143 | 123% | 3 |
| Computers and telecommunications | 750 | 1,035 | 285 | 38% | 4 |
| Library books | 652 | 732 | 80 | 12% | |
| Total plant and equipment | 3,385 | 3,017 | (368) | -11% | |
| Infrastructure | | | | | |
| Roads | 2,636 | 1,966 | (670) | -25% | 5 |
| Footpaths and cycleways | 1,445 | 1,337 | (108) | -7% | 6 |
| Drainage | 965 | 651 | (314) | -33% | 7 |
| Parks, open space and streetscapes | 9,649 | 4,175 | (5,474) | -57% | 8 |
| Other infrastructure | 100 | - | (100) | -100% | 9 |
| Total infrastructure | 14,795 | 8,129 | (6,666) | -45% | |
| Total capital works expenditure | 31,172 | 15,078 | (16,094) | -52% | |
| Represented by: | | | | | |
| New asset expenditure | 1,524 | 332 | (1,192) | -78% | 10 |
| Asset renewal expenditure | 16,932 | 9,165 | (7,767) | -46% | 11 |
| Asset expansion expenditure | 78 | 30 | (48) | -62% | |
| Asset upgrade expenditure | 12,638 | 5,551 | (7,087) | -56% | 12 |
| Total capital works expenditure | 31,172 | 15,078 | (16,094) | -52% | |

Notes to the Financial Report for the year ended 30 June 2021

Note 1 Performance against budget (continued)

1.2 Capital Works- Explanation of Material Variances

| Ref | Item | Explanation |
|-----|------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Building | Net under-spend of \$9 million due to a number of large building projects deferred to future years including \$1.8 million EcoCentre redevelopment, \$1 million South Melbourne Market Compliance Works, \$0.7 million Childcare Centre Fence Compliance, \$0.7 million Building Asset Renewals, \$0.6 million Bubup Nairn Cladding works, \$0.6 million South Melbourne Town Hall Renewal Works. |
| 2 | Plant, machinery and equipment | Net under expenditure of \$0.8 million mainly due to procurement delays with Tipper Truck, Beach Tech unit, and other fleet vehicles. |
| 3 | Fixtures, fittings and furniture | Net over expenditure of \$0.1 million due to additional workplace storage and furniture required in work and meeting spaces in response to COVID-19 requirements. |
| 4 | Computers and telecommunications | Net over expenditure of \$0.3 million is due to additional equipment requirements for staff for the transition to remote working in response to COVID-19 directives. |
| 5 | Roads | Net under expenditure of \$0.7 million due to projects deferred to future years including \$0.2 million Moran Reserve Pedestrian & Cycle Bridge, \$0.2 million Wellington Street upgrade, \$0.2 million discontinued Broadway Bridge works, \$0.1 million Fitzroy & Loch Street Safety Improvements. |
| 6 | Footpaths and cycleways | Net under-spend of \$0.1 million due to deferral of projects including \$0.3 million Garden City Bike Path, \$0.1 million St Kilda Junction Safety Upgrade partially offset by (\$0.2) million Implement Parking Area Signs. |
| 7 | Drainage | Net under expenditure of \$0.3 million mainly due to expensing of expenditure relating to Stormwater Capital program. |
| 8 | Parks, open space and streetscapes | Under expenditure of \$5.5 million due to deferral of projects including \$2.7 million Palais Theatre & Luna Park Precinct, \$0.8 million Elwood Park Sports Field Lighting, \$0.6 million Elwood Foreshore Lighting, \$0.5 million Graham Street Overpass |
| 9 | Other infrastructure | A large portion of expenditure did not meet Asset Accounting Policy criteria for capitalisation. |

Notes to the Financial Report for the year ended 30 June 2021

Note 1 Performance against budget (continued)

1.2 Capital Works- Explanation of Material Variances (continued)

| Ref | Item | Explanation |
|-----|---------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10 | New asset expenditure | Under expenditure of \$1.2 million on new asset primarily relate to deferral of open space and building expenditure. |
| 11 | Asset renewal expenditure | Under expenditure of \$7.8 million mainly due to reduction of renewal works program with a mix of both scope reductions and deferrals to future years to address the impacts of COVID and extended lockdowns. |
| 12 | Asset upgrade expenditure | Under expenditure of \$7.1 million mainly due to deferral of Openspace and building projects caused by COVID pandemic delays. |

Notes to the Financial Report for the year ended 30 June 2021

Note 2 Analysis of Council results by program

In the 2020/21 financial year, Council restructured the organisation in order to realign services and create process efficiencies and long term savings. The new divisional structure is outlined at a) and the 2019/20 results in b) have been restated to reflect the new structure

Council delivers its functions and activities through the following programs.

2 (a) Description of Council programs

Community Wellbeing and Inclusion

This division is responsible for delivering high quality services and programs that improve the lives of all who live, work, learn and play in the City.

The division ensures that people who face barriers to improving their lives and participating in all that the City offers can do so.

They provide high-quality front-line services, design and fund community-wide interventions as well as ensure that our settings and public spaces maximise wellbeing and participation.

Council's investment in the area catalyses the creation of healthy and liveable communities. We also coordinate emergency management.

Advise on needs, priorities and trends in community health and wellbeing, social services, community organisations, affordable housing programs and community grant funding.

Deliver assessment services, direct services and library services often to vulnerable people and residents.

Plan and deliver programs for children and young people from age zero to 25 across multiple disciplines including early childhood education and care, maternal and child health, supported playgroups, adventure playgrounds and youth participation.

Work with local sporting clubs, recreation providers and our community to facilitate participation in recreation and leisure activities. Coordinate emergency management and the Municipal Emergency Management Plan (MEMP). Delivery of Open Space Projects and Planning, Urban Forest Planning, Foreshore and Summer Management

City Growth and Organisational Capability

This division provides safety, human resources, communication and engagement, governance, strategy and management services.

Provides organisational strategy and performance including council planning, risk and audit

Responsible for the operation of the Enterprise Portfolio Management Office

Leads the Council's focus on recovery for our City from the impact of COVID-19 on business, events, tourism, the arts and live music.

Supports economic growth in the municipality through culture, activation and promotion of the many unique places in the City of Port Phillip.

Incorporates placemaking, planning legislation, urban design, heritage and a commitment to sustainability and environmental best practice into developing the strategies for our future City.

Responsible for services including advice on governance issues, Council meetings, administrative support to Councillors, Freedom of Information as well as Privacy.

Enables our employees an experience where they feel welcomed, safe, informed and equipped to contribute and perform at their best.

Manage all elements of the operations, marketing and licensing of the South Melbourne Market.

Manage the St Kilda Esplanade Market, and deliver Council's festivals program.

Notes to the Financial Report for the year ended 30 June 2021

Note 2 Analysis of Council results by program (continued)

2 (a) Description of Council programs (continued)

Customer, Operations and Infrastructure

This division enables a high performing organisation that delivers best value to our growing community.

Provide technology, asset management, infrastructure management and maintenance, project delivery, financial, and customer service leadership and support to the organisation.

Build, maintain and manage our City's infrastructure, deliver quality services and projects all retaining the unique look and feel of our parks, villages and streets.

Incorporate environmental sustainability into our practices, to maintain our City and our assets leaving the City in a better place for our community.

High quality core services like waste management and infrastructure maintenance. Reduce environmental impact of Council through the introduction of new initiatives in the areas of waste management and civil construction. Manage the tender, procurement and contract processes

Deliver the Customer Experience Program and provide a Customer Service Centre of Excellence in first point resolution of customer enquiries on behalf of all Council service departments

Manage all core IT applications ,develop IT solutions ensure compliance with data retention and support continuous improvement in relation to technology.

Facilitate all financial transactions for Council, including the purchase of goods and services, financial system support, accounts receivable, payroll and the effective management and control of financial resources including cash flow management, long term financial planning and investment of surplus funds

Development, Transport and City Amenity

This division is focused on enhancing the livability of our city through advocacy and development, safe and accessible transport modes and services that ensure community health safety and amenity.

Leads statutory planning and building solutions and manages the impacts of new development and changes in land use.

Ensures strategies and policies achieve outcomes which are sensitive, sustainable and respectful of the character and heritage of Port Phillip, and minimising the impact of development existing communities.

Delivers major transport projects, transport strategy and transport safety.

Leads the delivery of Move, Connect, Live strategy and works to ensure our community has access to safe and convenient public transport.

Delivers services that ensure community safety and amenity throughout the City, working closely with all parts of the organisation to protect, maintain and improve the safety and amenity of our community with a focus on animal management, planning compliance, our local laws, parking equity and health services.

Coordinates the permitting of most business activities for Council including footpath trading, public advertising, road closures, construction and private use of public land

Notes to the Financial Report for the year ended 30 June 2021

Note 2 Analysis of Council results by program

2 (b) Summary of revenues, expenses and assets by program

| 2021 | Income \$'000 | Expenses \$'000 | Surplus/ (Deficit) \$'000 | Grants included in income \$'000 | Total Assets \$'000 |
|-------------------------------------------|------------------|--------------------|---------------------------------|-------------------------------------------|------------------------|
| Development, Transport and City Amenity | 43,573 | 27,248 | 16,325 | 434 | 415,165 |
| Community Wellbeing and Inclusion | 16,295 | 36,799 | (20,504) | 6,540 | 560,682 |
| Customer, Operations and Infrastructure | 158,084 | 135,901 | 22,183 | 10,254 | 2,059,333 |
| City Growth and Organisational Capability | 7,826 | 13,404 | (5,578) | 124 | 204,228 |
| | 225,778 | 213,352 | 12,426 | 17,352 | 3,239,408 |

| 2020 | Income \$'000 | Expenses \$'000 | Surplus/ (Deficit) \$'000 | Grants included in income \$'000 | Total Assets \$'000 |
|-------------------------------------------|------------------|--------------------|---------------------------------|-------------------------------------------|------------------------|
| Development, Transport and City Amenity | 54,345 | 30,486 | 23,859 | 224 | 424,267 |
| Community Wellbeing and Inclusion | 18,469 | 33,502 | (15,033) | 7,202 | 466,236 |
| Customer, Operations and Infrastructure | 154,650 | 149,615 | 5,035 | 7,641 | 2,082,140 |
| City Growth and Organisational Capability | 9,409 | 16,363 | (6,954) | 185 | 227,727 |
| | 236,873 | 229,966 | 6,907 | 15,252 | 3,200,370 |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |

Note 3 Funding for the delivery of our services

3.1 Rates and charges

Council uses Net Annual Value (NAV) as the basis of valuation for rating purposes of all properties within the municipal district. The NAV of a property is its imputed rental value.

The valuation base used to calculate general rates for 2020/2021 was \$3.528 billion (2019/2020 was \$3.457 billion). The 2020/2021 rate in the NAV dollar was \$0.037282 (2019/2020: \$0.037139).

| | | |
|------------------------------------------|----------------|----------------|
| General Rates | 131,052 | 127,973 |
| Waste management charge | 279 | 214 |
| Special rates and charges | 644 | 655 |
| Special rates and charges applied | (644) | (655) |
| Supplementary rates and rate adjustments | 1,772 | 489 |
| Interest on rates and charges | 561 | 341 |
| Total rates and charges | 133,663 | 129,017 |

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020 and this valuation was applied to the rating year commencing 1 July 2020.

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 | 162 | 353 |
| Court recoveries | 33 | 16 |
| Town planning fees | 1,704 | 1,408 |
| Land information certificates | 222 | 176 |
| Permits | 1,639 | 1,483 |
| Parking fines and parking permits | 13,182 | 16,047 |
| Total statutory fees and fines | 16,942 | 19,483 |

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

3.3 User fees

| | | |
|--------------------------------|---------------|---------------|
| Aged and health services | 435 | 509 |
| Leisure centre and recreation | 285 | 495 |
| Child care/children's programs | 9,669 | 9,670 |
| Parking | 12,860 | 16,641 |
| Registration and other permits | 5,526 | 7,301 |
| Building services | 806 | 630 |
| Waste management services | 236 | 288 |
| Other fees and charges | 1,434 | 2,157 |
| Total user fees | 31,251 | 37,691 |

User fees by timing of revenue recognition

| | | |
|-----------------------------------------|---------------|---------------|
| User fees recognised over time | - | - |
| User fees recognised at a point in time | 31,251 | 37,691 |
| Total user fees | 31,251 | 37,691 |

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

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------------------------------------|----------------|----------------|
| Note 3 Funding for the delivery of our services (continued) | | |
| 3.4 Funding from other levels of government | | |
| Grants were received in respect of the following : | | |
| Summary of grants | | |
| Commonwealth funded grants | 8,898 | 7,369 |
| State funded grants | 8,475 | 7,883 |
| Total grants received | 17,373 | 15,252 |
| a) Operating Grants | | |
| <i>Recurrent - Commonwealth Government</i> | | |
| Aged care | 139 | 232 |
| Community health | 169 | 376 |
| General home care | 2,178 | 2,821 |
| Recreation | 30 | 95 |
| Financial Assistance Grants | 2,785 | 2,932 |
| <i>Recurrent - State Government</i> | | |
| Aged care | 26 | 21 |
| Community health | 190 | 175 |
| Environmental Planning | - | - |
| Family and children | 800 | 700 |
| General home care | 584 | 651 |
| Libraries | 731 | 713 |
| Maternal and child health | 952 | 884 |
| Other | 614 | 693 |
| Recreation | 50 | 79 |
| School crossing supervisors | 157 | 148 |
| Total recurrent operating grants | 9,403 | 10,520 |
| <i>Non-recurrent - Commonwealth Government</i> | | |
| Community health | 24 | 19 |
| Family and children | 82 | 119 |
| General home care | 394 | 492 |
| Other | - | - |
| <i>Non-recurrent - State Government</i> | | |
| Aged Care | | |
| Community health | 402 | 379 |
| Environmental planning | - | - |
| Family and children | 369 | 73 |
| Maternal and Child Health | 25 | - |
| Other | 2,745 | 401 |
| Parks and Streetscapes | 46 | - |
| Recreation | - | - |
| Total non-recurrent operating grants | 4,089 | 1,483 |
| Total operating grants | 13,492 | 12,003 |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|----------------------------------------------------------------------------------------|----------------|----------------|
| Note 3 Funding for the delivery of our services (continued) | | |
| 3.4 Funding from other levels of government (continued) | | |
| b) Capital Grants | | |
| <i>Recurrent - Commonwealth Government</i> | | |
| Roads to recovery | 278 | 277 |
| Total recurrent capital grants | 278 | 277 |
| <i>Non-recurrent - Commonwealth Government</i> | | |
| Building | - | - |
| Environmental Planning | - | - |
| Footpath and cycleway | 23 | - |
| Other | 310 | 6 |
| Parks and Streetscapes | 377 | - |
| Roads | 75 | - |
| <i>Non-recurrent - State Government</i> | | |
| Building | 225 | 1,124 |
| Footpath and cycleway | 254 | - |
| Other | - | 699 |
| Parks and streetscapes | 2,237 | 1,087 |
| Roads | 83 | 56 |
| Total non-recurrent capital grants | 3,583 | 2,972 |
| Total capital grants | 3,860 | 3,249 |
| c) Unspent grants received on condition that they be spent in a specific manner | | |
| Operating | | |
| Balance at start of year | 3,734 | 3,554 |
| Received during the financial year and remained unspent at balance date | 3,583 | 2,979 |
| Received in prior years and spent during the financial year | (4,431) | (2,799) |
| Balance at year end | 2,886 | 3,734 |
| Capital | | |
| Balance at start of year | 650 | - |
| Received during the financial year and remained unspent at balance date | 2,769 | 650 |
| Received in prior years and spent during the financial year | - | - |
| Balance at year end | 3,419 | 650 |

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

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------------------------------------|----------------|----------------|
| Note 3 Funding for the delivery of our services (continued) | | |
| 3.5 Contributions | | |
| Monetary | 6,235 | 10,362 |
| Non-monetary | 826 | 40 |
| Total contributions | 7,061 | 10,402 |

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

| | | |
|-----------------------------------------|------------|-----------|
| Land | - | - |
| Buildings | - | - |
| Roads | 826 | - |
| Other infrastructure | - | - |
| Other | - | 40 |
| Total non-monetary contributions | 826 | 40 |

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

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

| | | |
|-------------------------------------------------------------------------------------------|--------------|----------------|
| Proceeds of sale | 4,083 | 218 |
| Written down value of assets disposed | (4,302) | (1,335) |
| Total net gain/(loss) on disposal of property, infrastructure, plant and equipment | (219) | (1,117) |

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

3.7 Other income

| | | |
|---------------------------|---------------|---------------|
| Interest | 766 | 1,705 |
| Property rental* | 12,025 | 13,802 |
| Other rent | 4,675 | 5,519 |
| Other | 2,043 | 4,002 |
| Total other income | 19,509 | 25,028 |

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.

* Property rental includes the non-cash adjustment for rental subsidies provided by Council to community groups. This is offset by the subsidised rent expenditure reported in Other expenses (Note 4.8).

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|---------------------------------------------------------------------------------------------|----------------|----------------|
| Note 4 The cost of delivering services | | |
| 4.1 (a) Employee costs | | |
| Wages and salaries | 66,499 | 66,309 |
| WorkCover | 2,117 | 2,126 |
| Casual, temporary and agency staff | 7,318 | 9,392 |
| Superannuation | 7,057 | 7,260 |
| Fringe benefits tax | 286 | 386 |
| Annual and long service leave | 9,116 | 8,743 |
| Other | 502 | 459 |
| Total employee costs | 92,895 | 94,675 |
| (b) Superannuation | | |
| Council made contributions to the following funds: | | |
| Defined benefit fund | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 328 | 377 |
| | 328 | 377 |
| Employer contributions payable at reporting date. | - | - |
| Accumulation funds | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 3,948 | 4,508 |
| Employer contributions - other funds | 2,781 | 2,375 |
| | 6,729 | 6,883 |
| Employer contributions payable at reporting date. | - | - |
| Refer to note 9.3 for further information relating to Council's superannuation obligations. | | |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Note 4 The cost of delivering services (continued) | | |
| 4.2 Materials and Services | | |
| Consultants | 12,605 | 13,372 |
| Parks and gardens contract | 11,681 | 9,768 |
| Waste management contracts | 10,709 | 11,833 |
| Maintenance and construction contracts | 10,057 | 9,552 |
| Information technology | 5,474 | 4,233 |
| Parking administration contracts | 5,179 | 5,811 |
| Family and community support contracts | 4,097 | 3,827 |
| Office administration | 3,661 | 5,057 |
| Building and general maintenance | 3,176 | 8,070 |
| Utilities | 3,128 | 3,183 |
| Cleaning contract | 3,100 | 3,300 |
| Insurance | 1,828 | 1,841 |
| Security | 1,593 | 2,155 |
| Other contract payments | 975 | 2,277 |
| Total materials and services | 77,263 | 84,279 |
| 4.3 Depreciation | | |
| Property | 4,543 | 8,478 |
| Plant and equipment | 3,498 | 4,403 |
| Infrastructure | 11,484 | 12,918 |
| Total depreciation | 19,525 | 25,799 |
| <i>Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.</i> | | |
| 4.4 Amortisation- Right of use assets | | |
| Vehicles | 414 | 533 |
| Property, Plant & Equipment | 429 | 167 |
| Total Amortisation - Right of use assets | 843 | 700 |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Note 4 The cost of delivering services (continued) | | |
| 4.5 Bad and doubtful debts | | |
| Parking fine debtors | 4,174 | 4,572 |
| Other debtors | 371 | 64 |
| Total bad and doubtful debts | 4,545 | 4,636 |
| Movement in provisions for doubtful debts | | |
| Balance at the beginning of the year | 22,495 | 19,216 |
| New Provisions recognised during the year | 6,278 | 5,266 |
| Amounts already provided for and written off as uncollectible | (603) | (116) |
| Amounts provided for but recovered during the year | (1,752) | (1,871) |
| Balance at end of year | 26,418 | 22,495 |
| Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment. | | |
| 4.6 Borrowing costs | | |
| Interest - borrowings | 349 | 349 |
| Total borrowing costs | 349 | 349 |
| Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. | | |
| 4.7 Finance costs- Leases | | |
| Interest- Lease liabilities | 77 | 75 |
| Total finance cost- leases | 77 | 75 |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Note 4 The cost of delivering services (continued) | | |
| 4.8 Other expenses | | |
| Contributions and donations* | 12,883 | 12,578 |
| Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals | 74 | 73 |
| Auditors' remuneration - Internal | 180 | 195 |
| Councillors' allowances | 366 | 387 |
| Operating lease rentals | 906 | 1,056 |
| Bank charges | 533 | 605 |
| Catering costs | 47 | 268 |
| Subscriptions | 704 | 524 |
| Other | 1,906 | 2,632 |
| Total other expenses | 17,599 | 18,318 |

* Contributions and donations includes the non-cash adjustment for subsidised rent expenditure- the cost of rental subsidies provided by Council to community groups. This is offset by the subsidised rent income reported in Other income (Note 3.7).

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Note 5 Our financial position | | |
| 5.1 Financial assets | | |
| (a) Cash and cash equivalents | | |
| Cash on hand | 15 | 24 |
| Cash at bank | 13,827 | 4,618 |
| Term deposits | - | 3,000 |
| Total cash and cash equivalents | 13,842 | 7,642 |
| (b) Other financial assets | | |
| <i>Current</i> | | |
| Term deposits | 101,500 | 87,000 |
| | <u>101,500</u> | <u>87,000</u> |
| <i>Non-Current</i> | | |
| Term deposits | 4,511 | - |
| Shares in Municipal Associations Purchasing Scheme (MAPS) | 5 | 5 |
| | <u>4,516</u> | <u>5</u> |
| Total other financial assets | 106,016 | 87,005 |
| Total financial assets | 119,858 | 94,647 |
| Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include: | | |
| - Trust funds and deposits (Note 5.3(b)) | 7,374 | 7,949 |
| Total restricted funds | 7,374 | 7,949 |
| Total unrestricted cash and cash equivalents * | 6,468 | (307) |
| * Council has liquid funds invested longer term disclosed as Other financial assets which, if taken into account, would show a positive balance for unrestricted cash and cash equivalents | | |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 | 2020 |
|-----------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Note 5 Our financial position (continued) | | |
| 5.1 Financial assets (continued) | | |
| Intended allocations | | |
| Although not externally restricted the following amounts have been allocated for specific future purposes by Council: | | |
| - Statutory reserve balances (Note 9.1(b)) | 32,234 | 28,361 |
| - Cash held to fund carried forward capital works | 18,429 | 13,248 |
| - Child Care Centre's infrastructure levy | 6,219 | 5,682 |
| - Tied grants | 6,305 | 4,385 |
| - Palais Theatre | 2,305 | 3,030 |
| - Sustainable transport | 3,786 | 2,749 |
| - In Our Backyard - Growing affordable housing in Port Phillip | 2,755 | 2,000 |
| - Middle Park Beach ongoing maintenance | 239 | 1,223 |
| Total funds subject to intended allocations | 72,272 | 60,678 |

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days 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.

(c) Trade and other receivables

Current

Statutory receivables

| | | |
|----------------------------------------------|----------|----------|
| Rate debtors | 9,275 | 7,113 |
| Infringement debtors | 30,999 | 27,601 |
| Provision for doubtful debts - infringements | (25,641) | (22,079) |
| GST receivable | 1,522 | 1,065 |

Non statutory receivables

| | | |
|--------------------------------------------------|---------------|---------------|
| Other debtors | 4,781 | 4,582 |
| Provision for doubtful debts - other debtors | (777) | (417) |
| Total current trade and other receivables | 20,159 | 17,865 |

Non current

Non statutory receivables

| | | |
|------------------------------------------------------|------------|------------|
| Other debtors | 532 | 516 |
| Total non current trade and other receivables | 532 | 516 |

| | | |
|------------------------------------------|---------------|---------------|
| Total trade and other receivables | 20,691 | 18,381 |
|------------------------------------------|---------------|---------------|

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.

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |

Note 5 Our financial position (continued)

5.1 Financial assets (continued)

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) | 1,023 | 1,252 |
| Past due by up to 30 days | 605 | 56 |
| Past due between 31 and 180 days | 82 | 116 |
| Past due between 181 and 365 days | 18 | 138 |
| Past due by more than 1 year | 109 | 47 |
| Total trade and other receivables | 1,837 | 1,609 |

e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$3.48 million (2020: \$3.49 million) were impaired. The amount of the provision raised against these debtors was \$0.77 million (2020: \$0.42 million). 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 of debtor balances that have been individually determined as impaired at reporting date was:

| | | |
|------------------------------------------|--------------|--------------|
| Current (not yet due) | 1,251 | 2,391 |
| Past due by up to 30 days | 344 | 351 |
| Past due between 31 and 180 days | 660 | 426 |
| Past due between 181 and 365 days | 190 | 145 |
| Past due by more than 1 year | 1,031 | 176 |
| Total trade and other receivables | 3,476 | 3,489 |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 | 2020 |
|--------------------------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Note 5 Our financial position (continued) | | |
| 5.2 Non-financial assets | | |
| (a) Other assets | | |
| Prepayments | 2,183 | 831 |
| Accrued income | 296 | 1,085 |
| Total other assets | 2,479 | 1,916 |
| 5.3 Payables | | |
| (a) Trade and other payables | | |
| Trade payables | 9,327 | 5,259 |
| Accrued expenses | 178 | 480 |
| Total trade and other payables | 9,505 | 5,739 |
| (b) Trust funds and deposits | | |
| Refundable deposits | 960 | 773 |
| Fire Services Levy | 1,072 | 1,231 |
| Other refundable deposits | 5,342 | 5,945 |
| Total trust funds and deposits | 7,374 | 7,949 |
| (c) Unearned income | | |
| Grants received in advance- operating | 978 | - |
| Other | 2,691 | 2,577 |
| Total unearned income | 3,669 | 2,577 |

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

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

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

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

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------------------------------------|----------------|----------------|
| Note 5 Our financial position (continued) | | |
| 5.4 Interest-bearing liabilities | | |
| <i>Current</i> | | |
| Borrowings- secured (1) | 7,500 | - |
| | 7,500 | - |
| <i>Non-current</i> | | |
| Borrowings- secured (1) | - | 7,500 |
| | - | 7,500 |
| Total | 7,500 | 7,500 |
| (1) Borrowings are secured by Council rate income | | |
| a) The maturity profile for Council's borrowings is: | | |
| Not later than one year | 7,500 | - |
| Later than one year and not later than five years | - | 7,500 |
| Later than five years | - | - |
| | 7,500 | 7,500 |

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

5.5 Provisions

(a) Employee Provisions

| | | |
|-----------------------------------------------------------------------------------------------------------|---------------|---------------|
| Balance at beginning of the financial year | 18,022 | 16,254 |
| Additional provisions | 8,857 | 8,868 |
| Amounts used | (7,519) | (7,331) |
| Change in the discounted amount arising because of time and the effect of any change in the discount rate | 1,074 | 231 |
| Balance at the end of the financial year | 20,434 | 18,022 |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------------------------------------------|----------------|----------------|
| Note 5 Our financial position (continued) | | |
| 5.5 Provisions | | |
| (a) Employee Provisions (continued) | | |
| <i>Current provisions expected to be wholly settled within 12 months</i> | | |
| Annual leave | 5,093 | 4,561 |
| Long service leave | 9,209 | 7,908 |
| Retirement gratuity | 13 | 14 |
| Other | 618 | 394 |
| | 14,933 | 12,877 |
| <i>Current provisions expected to be wholly settled after 12 months</i> | | |
| Annual leave | 2,997 | 2,328 |
| Retirement gratuity | 124 | 122 |
| | 3,121 | 2,450 |
| Total current employee provisions | 18,054 | 15,327 |
| <i>Non-current</i> | | |
| Long service leave | 2,380 | 2,622 |
| Total non-current employee provisions | 2,380 | 2,622 |
| Aggregate carrying amount of employee benefits | | |
| Current | 18,054 | 15,327 |
| Non-current | 2,380 | 2,622 |
| Total aggregate carrying amount of employee provisions | 20,434 | 17,949 |

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

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

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. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. 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.

Key assumptions:

| | | |
|-----------------|--------|-------|
| - discount rate | 1.49% | 1.98% |
| - inflation | 2.10% | 2.10% |
| - settlement | 10.60% | 9.45% |

The 2020/21 leave liability calculations used the Department of Treasury & Finance wage and inflation rates in order to present conservative estimates due to uncertainty as a result of Covid. The 2019/20 assumptions were based on the 10 year average assumptions in the long term financial plan.

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------------------|----------------|----------------|
| Note 5 Our financial position (continued) | | |
| 5.5 Provisions (continued) | | |
| (b) Other Provisions | | |
| Current | | |
| Workcover MAV insurance scheme shortfall* | 1,499 | 186 |
| Non Current | | |
| Workcover MAV insurance scheme shortfall* | - | 745 |
| Total Other Provisions | 1,499 | 931 |
| Total Provisions | | |
| Current | 19,553 | 15,513 |
| Non Current | 2,380 | 3,367 |
| | 21,933 | 18,880 |

* Council was a participant in the MAV self insurance WorkCare scheme. The agreement states that each participant is liable for contributions to the Scheme to the extent of their share of any shortfall in the provision and such liability shall continue whether or not the participant remained a participant in future insurance years. The scheme has now ceased however we were advised in June 2020 of a funding shortfall and recognised \$931,000 in 2019/20. Council has been advised of a further funding shortfall and based on our share of the scheme and advice received at date of signing the financial accounts, have increased our liability at 30 June 2021 to \$1.499 million.

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2021

| | | |
|---------------------------------------|---------------|---------------|
| Bank overdraft | 1,500 | 1,500 |
| Credit card facilities | 167 | 167 |
| Purchasing card facilities | 2,000 | 2,000 |
| Other facilities- LGFV Municipal Bond | 7,500 | 7,500 |
| Total facilities | 11,167 | 11,167 |
| Used facilities | 7,599 | 7,533 |
| Unused facilities | 3,568 | 3,634 |

Notes to the Financial Report for the year ended 30 June 2021

Note 5 Our financial position (continued)

5.7 Commitments

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

| 2021 | Not later than 1 year \$'000 | year and not later than 2 years \$'000 | years and not later than 5 years \$'000 | Later than 5 years \$'000 | Total \$'000 |
|------------------------------------------|---------------------------------|--------------------------------------------------------|---------------------------------------------------------|------------------------------|-----------------|
| Operating | | | | | |
| Open space management | 20,653 | 14,743 | 11,014 | - | 46,410 |
| Garbage collection and recycling | 7,541 | 768 | 87 | - | 8,396 |
| Computers and technology | 5,293 | 4,014 | 8,601 | - | 17,908 |
| Operational services | 2,841 | 1,718 | 4,482 | 4,602 | 13,643 |
| Community Services | 2,634 | 1,043 | 403 | - | 4,080 |
| Building maintenance | 1,547 | 342 | 89 | - | 1,978 |
| Consultancies | 1,351 | 444 | - | - | 1,795 |
| Cleaning contracts for council buildings | 500 | 126 | - | - | 626 |
| Total | 42,360 | 23,198 | 24,676 | 4,602 | 94,836 |
| Capital | | | | | |
| Parks, open spaces & streetscapes | 1,200 | - | - | - | 1,200 |
| Buildings | 751 | - | - | - | 751 |
| Total | 1,951 | - | - | - | 1,951 |
| TOTAL | 44,311 | 23,198 | 24,676 | 4,602 | 96,787 |
| 2020 | | | | | |
| | 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 |
| Operating | | | | | |
| Open space management | 20,918 | 4,957 | - | - | 25,875 |
| Garbage collection and recycling | 6,469 | 1,027 | 3,019 | 670 | 11,185 |
| Computers and technology | 3,919 | 3,197 | 7,995 | 2,568 | 17,679 |
| Operational services | 3,026 | 2,412 | 6,125 | 7,952 | 19,515 |
| Community Services | 4,328 | 1,238 | 540 | - | 6,106 |
| Building maintenance | 11,656 | 1,054 | 38 | - | 12,748 |
| Consultancies | 4,850 | 499 | 25 | - | 5,374 |
| Cleaning contracts for council buildings | 455 | 455 | 115 | - | 1,025 |
| Total | 55,621 | 14,839 | 17,857 | 11,190 | 99,507 |
| Capital | | | | | |
| Parks, open spaces & streetscapes | 503 | - | - | - | 503 |
| Buildings | 1,325 | - | - | - | 1,325 |
| Total | 1,828 | - | - | - | 1,828 |
| TOTAL | 57,449 | 14,839 | 17,857 | 11,190 | 101,335 |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Note 5 Our financial position (continued) | | |
| 5.7 Commitments (continued) | | |
| C13 Developer Contributions Scheme | | |
| In 1998 the C13 Developer Contribution Scheme was signed off by Council to facilitate streetscape works to the value of \$8.082 million for works in Port Melbourne over a 20 year period commencing in the year 2000 to 2021. | | |
| These works were completed during the 2021/21 financial year per the terms of the scheme. | | |
| Value of works outstanding at 1 July | - | 124 |
| Adjustment to works outstanding | - | - |
| Works completed | - | (124) |
| | | - |
| CPI adjustment (included in future works 2021/22) | - | - |
| Value of works outstanding at 30 June | - | - |

Notes to the Financial Report for the year ended 30 June 2021

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.

Notes to the Financial Report for the year ended 30 June 2021

Note 5 Our financial position (continued)

5.8 Leases (continued)

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.

| Right-of-Use Assets | Vehicles | Property | Plant & Equipment | Total |
|----------------------------|-----------------|-----------------|------------------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2019 | 1,376 | - | - | 1,376 |
| Additions | 398 | - | 273 | 671 |
| Disposals | (8) | - | - | (8) |
| Amortisation charge | (533) | - | (167) | (700) |
| Balance at 30 June | 1,233 | - | 106 | 1,339 |
| Balance at 1 July 2020 | 1,233 | - | 106 | 1,339 |
| Additions | - | 432 | 373 | 805 |
| Disposals | - | - | - | - |
| Amortisation charge | (414) | (132) | (297) | (843) |
| Balance at 30 June | 819 | 300 | 182 | 1,301 |

| Lease Liabilities | 2021 | 2020 |
|---------------------------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Maturity analysis - contractual undiscounted cash flows | | |
| Less than one year | 767 | 585 |
| One to five years | 563 | 789 |
| More than five years | - | 0 |
| Total undiscounted lease liabilities as at 30 | 1,330 | 1,374 |

Lease liabilities included in the Balance Sheet at 30 June:

| | | |
|-------------------------|--------------|--------------|
| Current | 767 | 585 |
| Non-current | 563 | 789 |
| Total lease liabilities | 1,330 | 1,374 |

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of property and 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 \$5,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

| | 2021 | 2020 |
|------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Expenses relating to: | | |
| Short-term leases | 889 | 1,049 |
| Leases of low value assets | 17 | 7 |
| Total | 906 | 1,056 |

Variable lease payments (not included in measurement of lease liabilities)

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

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

| | | |
|----------------------------------------|------------|------------|
| Payable: | | |
| Within one year | 366 | 287 |
| one year but not later than five years | 297 | 122 |
| Later than 5 years | 2 | 14 |
| Total lease commitments | 665 | 423 |

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------------------------------------|----------------|----------------|
| Note 5 Our financial position (continued) | | |
| Note 6 Assets we manage | | |
| 6.1 Non current assets classified as held for sale | | |
| Asset at carrying value | 11,713 | 2,211 |
| Total non-current assets classified as held for sale | 11,713 | 2,211 |

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

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

| | At Fair Value 30 June 2020 | Additions | Contributions | Revaluation | Depreciation | Disposal | Transfers | Non current assets classified as held for sale | Impaired | At Fair Value 30 June 2021 |
|---------------------|-------------------------------|---------------|---------------|---------------|-----------------|----------------|--------------|---------------------------------------------------------|--------------|-------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | | \$'000 |
| Land | 2,486,475 | - | 9,676 | 54,916 | - | (7,140) | - | (11,600) | | 2,532,327 |
| Buildings | 230,300 | 1,931 | - | - | (4,543) | (116) | 3,702 | (113) | (505) | 230,656 |
| Infrastructure | 441,037 | 5,065 | 826 | - | (11,483) | (1,581) | 6,439 | - | | 440,303 |
| Plant and Equipment | 29,267 | 2,887 | - | - | (3,498) | (511) | 228 | - | | 28,373 |
| Work in progress | 13,291 | 5,203 | - | - | - | - | (10,745) | - | | 7,749 |
| | 3,200,370 | 15,086 | 10,502 | 54,916 | (19,524) | (9,348) | (376) | (11,713) | (505) | 3,239,408 |

Summary of work in progress

| | Opening WIP | Additions | Transfers | Write Offs | Closing WIP |
|---------------------|----------------|--------------|-----------------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Buildings | 4,615 | 2,200 | (3,702) | (85) | 3,028 |
| Infrastructure | 8,452 | 2,714 | (6,439) | (278) | 4,449 |
| Plant and Equipment | 224 | 289 | (228) | (13) | 272 |
| Total | 13,291 | 5,203 | (10,369) | (376) | 7,749 |

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (continued)

| (a) Property | <i>Land- specialised</i> \$'000 | <i>Buildings- specialised</i> \$'000 | Total Property \$'000 |
|------------------------------------------------|------------------------------------|-----------------------------------------|--------------------------|
| At fair value 1 July 2020 | 2,486,475 | 451,719 | 2,938,194 |
| Accumulated depreciation at 1 July 2020 | - | (221,419) | (221,419) |
| WDV at beginning of financial year | 2,486,475 | 230,300 | 2,716,775 |
| Movements in fair value | | | |
| Additions | - | 1,931 | 1,931 |
| Contributions | 9,676 | - | 9,676 |
| Revaluation increments/decrements | 54,916 | - | 54,916 |
| Disposal | (7,140) | (132) | (7,272) |
| Write-off | - | - | - |
| Transfers | - | 3,702 | 3,702 |
| Impaired | - | (561) | (561) |
| Non-current assets classified as held for sale | (11,600) | (565) | (12,165) |
| | 45,852 | 4,375 | 50,227 |
| Movements in accumulated depreciation | | | |
| Depreciation and amortisation | - | (4,543) | (4,543) |
| Accumulated depreciation of disposals | - | 16 | 16 |
| Revaluation increments/decrements | - | - | - |
| Impaired | - | 56 | 56 |
| Non-current assets classified as held for sale | - | 452 | 452 |
| | - | (4,019) | (4,075) |
| At fair value 30 June 2021 | 2,532,327 | 456,094 | 2,988,421 |
| Accumulated depreciation at 30 June 2021 | - | (225,438) | (225,438) |
| WDV at end of financial year | 2,532,327 | 230,656 | 2,762,983 |

Note - all land and buildings are considered specialised by their nature.

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (continued)

| (b) Plant and Equipment | <i>Heritage Plant and Equipment</i> | <i>Plant, Machinery and Equipment</i> | <i>Fixtures Fittings and Furniture</i> | <i>Computers and Telecomms</i> | <i>Library Books</i> | <i>Total Plant and Equipment</i> | <i>Total Works in Progress</i> |
|----------------------------------------------|-------------------------------------|---------------------------------------|----------------------------------------|--------------------------------|----------------------|----------------------------------|--------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At fair value 1 July 2020 | 20,742 | 7,565 | 2,223 | 6,653 | 4,865 | 42,048 | 13,291 |
| Accumulated depreciation at 1 July 2020 | (198) | (5,070) | (899) | (4,060) | (2,554) | (12,781) | - |
| WDV at beginning of financial year | 20,544 | 2,495 | 1,324 | 2,593 | 2,311 | 29,267 | 13,291 |
| Movements in fair value | | | | | | | |
| Additions | - | 1,252 | 70 | 843 | 722 | 2,887 | 5,203 |
| Contributions | - | - | - | - | - | - | - |
| Revaluation increments/decrements | - | - | - | - | - | - | - |
| Disposal | - | (611) | (10) | (748) | - | (1,369) | - |
| Write-off | - | - | - | - | - | - | (376) |
| Transfers | 30 | 14 | - | 120 | 64 | 228 | (10,369) |
| Transfer to/from other asset class | - | - | - | - | - | - | - |
| | 30 | 655 | 60 | 215 | 786 | 1,746 | (5,542) |
| Movements in accumulated depreciation | | | | | | | |
| Depreciation and amortisation | (208) | (941) | (439) | (1,141) | (769) | (3,498) | - |
| Accumulated depreciation of disposals | - | 452 | 7 | 399 | - | 858 | - |
| Revaluation increments/decrements | - | - | - | - | - | - | - |
| Transfer to/from other asset class | - | - | - | - | - | - | - |
| | (208) | (489) | (432) | (742) | (769) | (2,640) | - |
| At fair value 30 June 2021 | 20,772 | 8,220 | 2,283 | 6,868 | 5,651 | 43,794 | 7,749 |
| Accumulated depreciation at 30 June 2021 | (406) | (5,559) | (1,331) | (4,802) | (3,323) | (15,421) | - |
| WDV at end of financial year | 20,366 | 2,661 | 952 | 2,066 | 2,328 | 28,373 | 7,749 |

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (continued)

| (c) Infrastructure | <i>Roads</i> | <i>Bridges</i> | <i>Footpaths and cycleways</i> | <i>Drainage</i> | <i>Parks, open spaces and streetscapes</i> | <i>Off street carparks</i> | <i>Other Infrastructure</i> | <i>Total Infrastructure</i> |
|----------------------------------------------|----------------|----------------|----------------------------------------|-----------------|----------------------------------------------------|--------------------------------|---------------------------------|---------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At fair value 1 July 2020 | 254,468 | 4,714 | 145,131 | 132,702 | 93,363 | 13,479 | 11,961 | 655,818 |
| Accumulated depreciation at 1 July 2020 | (63,268) | (2,884) | (53,701) | (53,530) | (33,380) | (2,194) | (5,824) | (214,781) |
| WDV at beginning of financial year | 191,200 | 1,830 | 91,430 | 79,172 | 59,983 | 11,285 | 6,137 | 441,037 |
| Movements in fair value | | | | | | | | |
| Additions | 445 | - | 2,805 | 510 | 1,123 | - | 182 | 5,065 |
| Contributions | - | 5,390 | - | - | - | - | - | 5,390 |
| Revaluation increments/decrements | - | - | - | - | - | - | - | - |
| Disposal | (249) | - | (287) | (216) | (1,680) | - | (504) | (2,936) |
| Write-off | - | - | - | - | - | - | - | - |
| Transfers | 869 | - | 590 | 904 | 2,616 | - | 1,460 | 6,439 |
| Transfer to other asset class | - | - | (4) | - | 4 | - | - | - |
| | 1,065 | 5,390 | 3,104 | 1,198 | 2,063 | - | 1,138 | 13,958 |
| Movements in accumulated depreciation | | | | | | | | |
| Depreciation and amortisation | (3,040) | (57) | (2,719) | (949) | (3,843) | (82) | (793) | (11,483) |
| Accumulated depreciation of disposals | 118 | - | 126 | 77 | 750 | - | 284 | 1,355 |
| Accumulated depreciation of Contributions | - | (4,564) | - | - | - | - | - | (4,564) |
| Revaluation increments/decrements | - | - | - | - | - | - | - | - |
| Transfer to other asset class | - | - | 3 | - | (3) | - | - | - |
| | (2,922) | (4,621) | (2,590) | (872) | (3,096) | (82) | (509) | (14,692) |
| At fair value 30 June 2021 | 255,533 | 10,104 | 148,235 | 133,900 | 95,426 | 13,479 | 13,099 | 669,776 |
| Accumulated depreciation at 30 June 2021 | (66,190) | (7,505) | (56,291) | (54,402) | (36,476) | (2,276) | (6,333) | (229,473) |
| WDV at end of financial year | 189,343 | 2,599 | 91,944 | 79,498 | 58,950 | 11,203 | 6,766 | 440,303 |

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (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 | Threshold Limit |
|-------------------------------------------------------|---------------------|-----------------|
| Land and land improvements | | |
| land | - | All |
| land improvements | 10 - 100 years | \$5,000 |
| Buildings | | |
| heritage buildings | 100 years | \$5,000 |
| buildings | 25 - 100 years | \$5,000 |
| building improvements | 100 years | \$5,000 |
| Plant and Equipment | | |
| heritage plant and equipment | 100 years | \$2,000 |
| plant, machinery and equipment | 4 - 7 years | \$2,000 |
| fixtures, fittings and furniture | 5 years | \$2,000 |
| computers and telecommunications | 3 - 6 years | \$2,000 |
| library books | 5 years | All |
| motor vehicles | 5 years | All |
| Infrastructure | | |
| road pavements and seals | 18 - 30 years | \$5,000 |
| road substructure | 100 years | \$5,000 |
| road formation and earthworks | 250 years | \$5,000 |
| road kerb, channel and minor culverts and other | 50 years | \$5,000 |
| bridges deck | 20 - 80 years | \$5,000 |
| bridges substructure | 40 - 100 years | \$5,000 |
| footpaths and cycleways | 40 - 50 years | \$5,000 |
| drainage | 150 years | \$5,000 |
| waste management | 10 years | \$5,000 |
| parks, open space and streetscapes | 10 - 100 years | \$5,000 |
| off street carparks | 100 years | \$5,000 |

Depreciation and amortisation

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

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component. 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 Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (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 and buildings were undertaken by a qualified independent valuer, Liam McNamara AAPI (Val 63119). The valuation of buildings is a depreciated replacement cost. 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 englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

The date of the current valuation is detailed in the following table.

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

| | Level 1 \$'000s | Level 2 \$'000s | Level 3 \$'000s | Date of Valuation |
|------------------|--------------------|--------------------|--------------------|----------------------|
| Specialised Land | - | - | 2,532,327 | Jun-21 |
| Buildings | - | - | 230,656 | Jun-20 |
| | - | - | 2,762,983 | |

Valuation of land under roads

Council does not recognise land under roads that it controlled prior to 30 June 2008 in its financial report. From 1 July 2008, Council recognises any material land under roads that comes in Council's control within the financial report at fair value.

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (continued)

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Mr Mohamed El-Saafin ME (Civil).

The date of the current valuations is detailed in the following table.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2021 are as follows:

| | Level 1 \$'000s | Level 2 \$'000s | Level 3 \$'000s | Date of Valuation |
|-------------------------------------|--------------------|--------------------|--------------------|----------------------|
| Roads | - | - | 189,343 | Jun-20 |
| Bridges | - | - | 2,599 | Jun-20 |
| Footpaths and cycleways | - | - | 91,944 | Jun-20 |
| Drainage | - | - | 79,498 | Jun-20 |
| Parks, open spaces and streetscapes | - | - | 58,950 | Jun-20 |
| Off street carparks | - | - | 11,203 | Jun-20 |
| Other infrastructure* | - | - | 6,766 | Jun-20 |
| | - | - | 440,303 | |

* Other infrastructure includes street furniture.

Valuation of heritage and works of art

Valuation of Heritage assets and works of art are undertaken by qualified independent valuers. The valuation is at market value based on current market prices for similar types of assets based on use, type and condition.

Heritage and works of art valuations as at 30 June 2020 were performed by the following independent valuers:

- Australian Art Valuers - contemporary, visual, historical and public art;
- Sainsbury Books - heritage photographs; and
- Leonard Joel - historical items, artworks, monuments and memorials, mayoral robes, chains and other attire

Details of the Council's heritage and works of art and information about the fair value hierarchy as at 30 June 2021 are as follows:

| | Level 1 \$'000s | Level 2 \$'000s | Level 3 \$'000s | Date of Valuation |
|---------------------------|--------------------|--------------------|--------------------|----------------------|
| Heritage and works of art | - | - | 20,366 | Jun-19 |

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (continued)

Description of significant unobservable inputs into level 3 valuations

Specialised land is valued using a replacement cost technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 10% and 65%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1,800 and \$7,000 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 cost is calculated on a square metre basis and ranges from \$1,200 to \$5,000 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 98 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 250 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.

| | 2021 \$'000 | 2020 \$'000 |
|-------------------------------------------|------------------|------------------|
| Reconciliation of specialised land | | |
| Parks and reserves | 1,946,609 | 1,955,511 |
| Commercial | 293,525 | 204,974 |
| Community | 181,353 | 212,503 |
| Council office land | 110,840 | 113,487 |
| Total specialised land | 2,532,327 | 2,486,475 |

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.3 Investments in associates, joint ventures and subsidiaries

Joint Arrangement - Joint Venture

Interests in joint ventures accounted for by the equity method are:

JOINT VENTURE - ALBERT PARK HOCKEY AND TENNIS CENTRE

Background

In 1997 Council entered into a 21 year Joint Venture agreement with Wesley College, St Kilda Rd, Prahran for the maintenance and operation of the Albert Park Hockey and Tennis Centre. The Centre is located in Hockey Drive, St Kilda a part of the Albert Park Reserve and is the subject of a tenancy from the landlord Parks Victoria. A new 21 year lease between Parks Victoria, Wesley College and Council, and a new 21 Year Joint Venture Agreement between Council and Wesley, was executed in 2020.

The objective of the Joint Venture is to provide, manage and maintain the Albert Park Hockey and Tennis Centre for use by sporting clubs, schools and residents of Port Phillip municipality and the students of Wesley College. The Joint Venture Agreement provides for joint control via a Management Committee with 50% representation and 50% voting power for each of the Joint Venture parties with decisions being made by a majority vote. The Joint Venture Agreement also provides for each party to share equally in the profits or losses occurring each year and provides for an equal share of the net assets.

The Joint Venture reporting period has historically been for the 12 months to 31 March each year and this timeframe continues under the renewed Joint Venture Agreement.

Council has been provided with draft audited Joint Venture financial statements for the 12 months ended 31 March 2021 and Council's carrying value in the joint venture investment represents a 50% share of the net assets and liabilities of the Albert Park Hockey & Tennis Centre as at 31 March 2021.

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------------------------------------------------------------------|----------------|----------------|
| Fair value of Council's investment in Albert Park Hockey and Tennis Centre | 270 | 307 |
| <i>Council's share of accumulated surplus/(deficit)</i> | | |
| Council's share of accumulated surplus(deficit) at start of year | 307 | 326 |
| Reported surplus(deficit) for year | (37) | (18) |
| Council's share of accumulated surplus(deficit) at end of year | 270 | 308 |
| <i>Movement in carrying value of specific investment</i> | | |
| Carrying value of investment at start of year | 307 | 326 |
| Share of surplus(deficit) for year | (37) | (18) |
| Carrying value of investment at end of year | 270 | 308 |
| <i>Council's share of expenditure commitments</i> | | |
| Operating commitments | 3 | 3 |
| Capital commitments | 12 | 12 |
| Council's share of expenditure commitments | 15 | 15 |
| Council's share of contingent liabilities and contingent assets | nil | nil |
| Significant restrictions | nil | nil |

Notes to the Financial Report for the year ended 30 June 2021

Note 6 Assets we manage (continued)

6.3 Investments in associates, joint ventures and subsidiaries (continued)

JOINT VENTURE - ALBERT PARK HOCKEY AND TENNIS CENTRE

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

For joint operations, Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations.

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

Committees of management

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

Principles of consolidation

An assessment by management has determined that there are no consolidated entities for the 30 June 2021 reporting period.

Notes to the Financial Report for the year ended 30 June 2021

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

City of Port Phillip is the parent entity

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in Note 7.1

(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 Louise Crawford (Mayor from 11 November 2020)

Councillor Andrew Bond

Councillor Katherine Copsey

Councillor Tim Baxter

Councillor Marcus Pearl

Councillor Rhonda Clark (from 11 November 2020)

Councillor Peter Martin (from 11 November 2020)

Councillor Heather Cunsolo (from 11 November 2020)

Christina Sirakoff (from 11 November 2020)

Councillor Bernadene Voss (Mayor to 24 October 2020)

Councillor Dick Gross (to 24 November 2020)

Councillor Ogy Simic (to 24 October 2020)

Councillor David Brand (to 24 October 2020)

Other

Chief Executive Officer Peter Smith

General Manager City Growth & Organisational Capablity Kylie Bennetts

General Manager- Customer, Operations & Infrastructure Chris Carroll

General Manager Community Wellbeing & Inclusion Tony Keenan

General Manager- Development, Transport & City Amenity Lili Rosic

Chief Financial Officer Dennis O'Keeffe

| | 2021 | 2020 |
|----------------------------------------------------------------------------|-----------|-----------|
| | No. | No. |
| Total Number of Councillors | 13 | 9 |
| Total of Chief Executive Officer and other Key Management Personnel | 6 | 8 |
| Total Number of Key Management Personnel | 19 | 17 |

Notes to the Financial Report for the year ended 30 June 2021

Note 7 People and relationships (continued)

7.1 Council and key management remuneration (continued)

| | 2021 \$'000 | 2020 \$'000 |
|----------------------------------------------------------------|----------------|----------------|
| (c) Remuneration of Key Management Personnel | | |
| Total remuneration of key management personnel was as follows: | | |
| Short-term benefits | 1876 | 2,272 |
| Post-employment benefits | 143 | 183 |
| Other long-term benefits | 37 | 47 |
| Total remuneration* | 2,056 | 2,502 |

* Total remuneration includes salary, bonuses, allowances, superannuation, termination, leave payments and accrued long service leave but excludes accrued annual leave.

| The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands: | 2021 No. | 2020 No. |
|------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| \$10,000 - \$19,999 | 3 | - |
| \$20,000 - \$29,999 | 4 | - |
| \$30,000 - \$39,999 | 5 | 7 |
| \$60,000 - \$69,999 | - | 1 |
| \$80,000 - \$89,999 | 1 | 1 |
| \$190,000 - \$199,999 | - | 1 |
| \$220,000 - \$229,999 | - | 2 |
| \$230,000 - \$239,999 | 1 | - |
| \$250,000 - \$259,999 | 2 | 2 |
| \$260,000 - \$269,999 | 1 | 1 |
| \$280,000 - \$289,999 | 1 | 1 |
| \$390,000 - \$399,999 | 1 | 1 |
| | 19 | 17 |

Notes to the Financial Report for the year ended 30 June 2021

Note 7 People and relationships (continued)

7.1 Council and key management remuneration (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 Officer; or
- b) whose total annual remuneration exceeds \$151,000.

| The number of Senior Officers are shown below in their relevant income bands | 2021 No. | 2020 No. |
|---------------------------------------------------------------------------------------------------|---------------|---------------|
| Income Range: | | |
| \$151,000 - \$159,999 | 9 | 3 |
| \$160,000 - \$169,999 | 3 | 5 |
| \$170,000 - \$179,999 | 3 | 9 |
| \$180,000 - \$189,999 | 4 | 3 |
| \$190,000 - \$199,999 | 6 | 5 |
| \$200,000 - \$209,999 | 4 | 2 |
| \$210,000 - \$219,999 | 1 | 1 |
| \$220,000 - \$229,999 | 1 | - |
| \$320,000 - \$329,999 | - | 1 |
| | 31 | 29 |
| | \$'000 | \$'000 |
| Total Remuneration* for the reporting year for Senior Officers included above, amounted to | 5,595 | 5,352 |

* Total remuneration includes salary, bonuses, allowances, superannuation, termination, leave payments and accrued long service leave but excludes accrued annual leave.

Total Annual Remuneration under AASB 124 includes termination and annual leave and long service leave balance payouts due to senior staff ceasing employment with the City of Port Phillip during the financial year.

Notes to the Financial Report for the year ended 30 June 202

Note 7 People and relationships (continued)

7.2 Related party disclosure

(a) Transactions with related parties

The are no transactions by Council with related parties.

(b) Outstanding balances with related parties

The are no outstanding balances at the end of the reporting period in relation to transactions with related parties.

(c) Loans to/from related parties

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

(d) Commitments to/from related parties

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

Notes to the Financial Report for the year ended 30 June 2021

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |

(a) Contingent assets

Open space contributions

Council estimates that assets will pass to Council in the future in respect of anticipated development contributions for open space improvements.

| | |
|-------|-------|
| 7,383 | 2,532 |
|-------|-------|

Operating lease receivables

Council has entered into leases and licences for some of the property it owns or controls as a Committee of Management for crown land. Properties used for commercial purpose are held under leases which have varying terms. Long term leases usually reflect significant private investment in the buildings on the land. Most leases include an annual rental increase and periodical reviews to market. Council also enters into licence agreements with stallholders at the South Melbourne Market.

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

| | | |
|---------------------------------------------------|---------------|---------------|
| Not later than one year | 10,141 | 9,922 |
| Later than one year and not later than five years | 20,527 | 17,886 |
| Later than five years | 52,288 | 49,926 |
| | 82,956 | 77,734 |

(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

The City of Port Phillip has not had to make any unfunded liability payments to Vision Super during the year (\$ nil for the 2019/2020 year). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2021. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$0.38 million.

Legal matters

The Council is presently involved in a number of confidential legal matters which are being conducted through Council's solicitors. Some of these legal matters may present a liability to council through the course of the matter. Council has not presented any estimate of these amounts in these financial statements, as these matters are ongoing and any reflection of a contingent liability in relation to these matters may unfairly prejudice Council's position in relation to the outcome of these matters.

Notes to the Financial Report for the year ended 30 June 2021

Note 8 Managing uncertainties (continued)

8.1 Contingent assets and liabilities

(b) Contingent liabilities

MAV Workcare

In November 2017, the Victorian WorkCover Authority (the Authority) granted the Municipal Association of Victoria (MAV) a three-year self-insurance licence allowing it to provide workers' compensation insurance to Victorian councils. When the MAV WorkCare Scheme commenced, there were 31 inaugural members, including the MAV.

In accordance with the Authority's decision not to renew the MAV's self-insurance licence, the MAV WorkCare Scheme ceased operation on 30 June 2021. The MAV is continuing to support the orderly transition of claims management responsibilities to the Authority.

Council was a participant of the MAV WorkCare Scheme.

The MAV WorkCare Scheme participation agreement stated that each participant would 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 would continue whether or not the participant remained a participant in future insurance years.

The net financial impact on Council as a result of the cessation of the MAV WorkCare Scheme for the 2020-21 financial year is yet to be determined. Any obligation is dependent upon the Authority's initial actuarial assessment of the tail claims liabilities of the MAV WorkCare Scheme.

In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, there is a six year liability period following the cessation of the MAV WorkCare Scheme. During the liability period, adjustment payments may be required (or received) by Council. The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by the Authority.

8.2 Changes in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. Council assesses the impact of these new standards. As at 30 June 2021 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2022 that are expected to impact Council.

Notes to the Financial Report for the year ended 30 June 2021

Note 8 Managing uncertainties (continued)

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory

(b) Market risk

Market risk is the risk that the fair value or future cash flows of Council's financial instruments will fluctuate

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*.

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

There has been no significant change in the Council's exposure, or its objectives, policies and processes for

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. Council have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

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

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

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

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

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

Notes to the Financial Report for the year ended 30 June 2021

Note 8 Managing uncertainties (continued)

8.3 Financial instruments (continued)

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

The Council's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed in the face of the balance sheet and the amount is related to financial guarantees, 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 +0.5% and -0.4% in market interest rates (AUD) from year-end rates of 0.42%.

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

Notes to the Financial Report for the year ended 30 June 2021

Note 8 Managing uncertainties (continued)

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 3 years. The valuation is performed either by experienced council officers or independent experts.

Notes to the Financial Report for the year ended 30 June 2021

Note 8 Managing uncertainties (continued)

8.4 Fair value measurement (continued)

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Notes to the Financial Report for the year ended 30 June 2021

Note 9 Other matters

9.1 Reserves

(a) Asset revaluation reserves

| | Balance at beginning of reporting period \$'000 | Increment (decrement) \$'000 | Balance at end of reporting period \$'000 |
|-----------------------------------------|----------------------------------------------------------|------------------------------------|----------------------------------------------------|
| 2021 | | | |
| Property | | | |
| Land and land improvements | 2,218,723 | 54,916 | 2,273,639 |
| Buildings | 92,315 | (505) | 91,810 |
| | 2,311,038 | 54,411 | 2,365,449 |
| Infrastructure | | | |
| Roads | 121,099 | - | 121,099 |
| Bridges | 897 | - | 897 |
| Footpaths and cycleways | 38,589 | - | 38,589 |
| Drainage | 36,184 | - | 36,184 |
| Parks, open spaces & streetscapes | 24,134 | - | 24,134 |
| Off street carparks | 8,249 | - | 8,249 |
| Other infrastructure | 3,314 | - | 3,314 |
| | 232,465 | - | 232,465 |
| Plant and equipment | | | |
| Heritage plant & equipment | 14,277 | - | 14,277 |
| | 14,277 | - | 14,277 |
| Total Asset revaluation reserves | 2,557,780 | 54,411 | 2,612,191 |

| | Balance at beginning of reporting period \$'000 | Increment (decrement) \$'000 | Balance at end of reporting period \$'000 |
|-----------------------------------------|----------------------------------------------------------|------------------------------------|----------------------------------------------------|
| 2020 | | | |
| Property | | | |
| Land | 2,216,048 | 2,675 | 2,218,723 |
| Buildings | 94,174 | (1,859) | 92,315 |
| | 2,310,222 | 816 | 2,311,038 |
| Infrastructure | | | |
| Roads | 133,627 | (12,528) | 121,099 |
| Bridges | 942 | (45) | 897 |
| Footpaths and cycleways | 24,446 | 14,143 | 38,589 |
| Drainage | 33,144 | 3,040 | 36,184 |
| Parks, open spaces & streetscapes | 16,816 | 7,318 | 24,134 |
| Off street carparks | 5,003 | 3,246 | 8,249 |
| Other infrastructure | 6,599 | (3,285) | 3,314 |
| | 220,577 | 11,888 | 232,465 |
| Plant and equipment | | | |
| Heritage plant & equipment | 14,277 | - | 14,277 |
| | 14,277 | - | 14,277 |
| Total Asset revaluation reserves | 2,545,076 | 12,704 | 2,557,780 |

The asset revaluation reserve is used to record the movements in fair value of Council's assets over time.

Notes to the Financial Report for the year ended 30 June 2021

Note 9 Other matters (continued)

9.1 Reserves

(b) Other reserves

| | Balance at beginning of reporting period \$'000 | Transfer from accumulated surplus \$'000 | Transfer to accumulated surplus \$'000 | Balance at end of reporting period \$'000 |
|---------------------------------------------|-------------------------------------------------------------|---------------------------------------------------|-------------------------------------------------|----------------------------------------------------|
| 2021 | | | | |
| General Reserve | 49,314 | 38,713 | (28,803) | 59,224 |
| Statutory Reserves | | | | |
| Resort and recreation reserve | 26,570 | 5,959 | (2,086) | 30,443 |
| Contributions for car parking reserve | 1,791 | - | - | 1,791 |
| | 28,361 | 5,959 | (2,086) | 32,234 |
| Total Other reserves | 77,675 | 44,672 | (30,889) | 91,458 |
| 2020 | | | | |
| General Reserve | 40,311 | 33,335 | (24,332) | 49,314 |
| Statutory Reserves | | | | |
| Resort and recreation reserve | 20,518 | 10,028 | (3,976) | 26,570 |
| Contributions for car parking reserve | 1,791 | - | - | 1,791 |
| Contribution for C13 infrastructure reserve | 213 | 56 | (269) | - |
| | 22,522 | 10,084 | (4,245) | 28,361 |
| Total Other reserves | 62,833 | 43,419 | (28,577) | 77,675 |
| | | | | |
| | | | 2021 \$'000 | 2020 \$'000 |
| Asset revaluation reserve | | | 2,612,191 | 2,557,780 |
| Other reserves | | | 91,458 | 77,675 |
| Total Reserves | | | 2,703,649 | 2,635,455 |

General reserve

General Reserves will be maintained at levels sufficient to ensure operational liquidity and for contingencies.

The general reserve also comprises allocations made by the council for the purpose of funding major medium term expenditure initiatives and future commitments that relate to the unexpended portion of government grants received.

Resort and recreation reserve

The resort and recreation reserve is for the accumulation of developer contributions which are to be expended at a future date on recreational infrastructure.

Contributions for car parking reserve

The car parking reserve is for the accumulation of developers contributions which are to be expended at a future date on improved car parking facilities.

Notes to the Financial Report for the year ended 30 June 2021

| | 2021 \$'000 | 2020 \$'000 |
|----------------------------------------------------------------------------------------|----------------|----------------|
| Note 9 Other matters (continued) | | |
| 9.2 Reconciliation of cash flows from operating activities to surplus/(deficit) | | |
| Surplus/(deficit) for the year | 12,426 | 6,907 |
| Depreciation/amortisation | 20,368 | 26,499 |
| (Profit)/loss on disposal of property, infrastructure, plant and equipment | 219 | 1,117 |
| Contributions - non-monetary assets | (826) | (40) |
| Other | 823 | 2,430 |
| <i>Change in assets and liabilities:</i> | | |
| (Increase)/decrease in trade and other receivables | (2,294) | (616) |
| (Increase)/decrease in prepayments | (1,352) | 2,109 |
| (Increase)/decrease in accrued income | 789 | 328 |
| Increase/(decrease) in trade and other payables | 4,858 | (10,568) |
| (Decrease)/increase in other liabilities | (575) | 863 |
| Increase/(decrease) in provisions | 3,053 | 2,626 |
| Net cash provided by operating activities | 37,489 | 31,655 |

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 are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

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

Defined Benefit

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

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

Notes to the Financial Report for the year ended 30 June 2021

Note 9 Other matters (continued)

9.3 Superannuation (continued)

Funding arrangements

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

A triennial actuarial review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

- Net investment returns 5.6% pa
- Salary inflation 2.5% pa for two years and 2.75% pa thereafter
- Price inflation (CPI) 2.0% pa.

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

Vision Super has reported on its website that the estimated VBI for the 31 December quarter end is 109.6%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 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 2020 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries (9.5% in 2020/2021). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation.

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

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

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

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

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

Notes to the Financial Report for the year ended 30 June 2021

Note 9 Other matters (continued)

9.3 Superannuation (continued)

The 2020 triennial 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. A full investigation was conducted as at 30 June 2020.

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

| | 2020 (Triennial) \$m | 2019 (Interim) \$m |
|---------------------------------------|----------------------------|--------------------------|
| A VBI surplus | 100.0 | 151.3 |
| A total service liability surplus | 200.0 | 233.4 |
| A discounted accrued benefits surplus | 217.8 | 256.7 |

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 2020.

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 2020.

Council was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

The 2021 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2021.

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2021 are detailed below:

| Scheme | Type of Scheme | Rate | 2021 \$,000 | 2020 \$,000 |
|--------------|-------------------|-------|----------------|----------------|
| Vision super | Defined benefit | 9.50% | 328 | 377 |
| Vision super | Accumulation fund | 9.50% | 3,948 | 4,508 |

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2021.

Glossary

| Item | Explanation |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Accrual accounting | System of accounting where items are brought to account and included in the Financial Statements as they are earned or incurred, rather than as they are received or paid. |
| Accumulated surplus | The value of all net assets accumulated over time. |
| AIFRS | Australian equivalents to International Financial Reporting Standards. |
| Asset expansion expenditure | Expenditure that extends the capacity of an existing asset to provide benefits to new users at the same standard as is provided to beneficiaries. |
| Asset renewal expenditure | Expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability. |
| Asset upgrade expenditure | Expenditure that: (a) enhances an existing asset to provide a higher level of service or (b) increases the life of the asset beyond its original life. |
| Assets | Future economic benefits controlled by Council as a result of past transactions or other past events. |
| Bad and doubtful debts | Bad debts written off and the movement in the bad debt provision for infringement debtors and sundry debtors. |
| Balance sheet | A quantitative summary of Council's financial condition at 30 June, including assets, liabilities and net equity. |
| Borrowing costs | Interest paid on borrowings. |
| Capital expenditure | Capital expenditure is relatively large (material) expenditure that produces economic benefits expected to last for more than 12 months. A pre-determined 'threshold' may be used which indicates the level of expenditure deemed to be material in accordance with Council's policy. Capital expenditure includes renewal, expansion and upgrade. Where capital projects involve a combination of renewal, expansion and upgrade expenditures, the total project cost needs to be allocated accordingly. |
| Cash and cash equivalents | Cash and investments readily convertible to cash, including cash on hand, cash held in the bank, deposits at call and highly liquid investments. |
| Contributions | Contributions received by Council are received for the purpose of providing and improving public open space, provision/improvement of the drainage system and in relation to specific projects. |
| Comprehensive Income Statement | A financial statement highlighting the accounting surplus or deficit which highlights whether Council has sufficient revenue to meet expenses in the current year, including non-cash costs such as depreciation expenditure. It also includes other comprehensive income items including net asset revaluation increment (decrement reversal) and share of other comprehensive income of associates and joint ventures accounted for by the equity method, to arrive at a 'comprehensive result'. The comprehensive result equates to the movement in net assets or total equity. |
| Current assets | Assets where Council expects to receive the future economic benefit within the next twelve months unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date. |
| Current liabilities | Liabilities where Council expects to fulfil its obligation within the next twelve months unless the Council does not have an unconditional right to defer settlement of the liability for at least twelve months after reporting date. |

Glossary

| Item | Explanation |
|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Depreciation | An expense which recognises the value of a fixed asset as it is used up over time. |
| Employee benefits | Relates to wages and salaries, casual staff payments, annual leave, long service leave, superannuation, fringe benefits tax, WorkCover and redundancy payments. |
| Equity | The residual interest in the assets of Council after deduction of its liabilities, which is made up of accumulated surplus and reserves. Total equity is also equal to net assets. |
| Expense | An outgoing payment made by Council. |
| Financing activities | Financing activities means those activities which relate to changing the size and composition of the financial structure of the entity, including equity and borrowings not falling within the definition of cash. |
| Fixed assets | See Property, infrastructure, plant and equipment. |
| Grants – non-recurrent | Grant income received for a 'one off' specific purpose, generally for a particular project. |
| Grants – recurrent | Grant income received on a regular basis (i.e. quarterly, annually) and granted to Council by another entity for specific or general purposes. |
| Income | Income is the amount of money that Council actually receives from its activities, mostly from rates and services provided to customers and |
| Infrastructure | Non-current property, plant and equipment excluding land. |
| Interest | Includes interest earned on all cash and investment balances, interest earned on rates and unrealised gains on managed fund investments. |
| Interest bearing loans and borrowings | Council's borrowings. |
| Investing activities | Investing activities means those activities which relate to acquisition and disposal of non-current assets, including property, plant and equipment and other productive assets, and investments not falling within the definition of cash. |
| Liabilities | Future sacrifices of economic benefits that Council is presently obliged to make to other entities as a result of past transactions or other past events. |
| Materials and administrative costs | Expenditure incurred in relation to building maintenance, general maintenance, plant and equipment maintenance, office and administration, insurance, registration and Metropolitan Fire Brigade levy, financial and legal costs and information technology costs. |
| Changes in equity for the period | The net movement in the net surplus (deficit) and asset revaluation increments (decrements). This is also equal to the change in net assets. |
| Net asset revaluation increment (decrement) | This represents the increase (decrease) between the old valuation and new valuation of property and infrastructure asset classes, which were re-valued during the year. |
| Net assets | The difference between total assets and total liabilities, which represents Council's net worth. Net assets are also equal to total equity. |
| Net gain (loss) on disposal of property, plant and equipment, infrastructure | The net of income received in relation to the sale of assets and the carrying amount of assets sold, replaced or disposed of during the year. |
| New asset expenditure | Expenditure that creates a new asset that provides a service that does not currently exist. |

Glossary

| Item | Explanation |
|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Non-current assets | Assets where the future economic benefit is not expected to be received within the next twelve months or where the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the |
| Non-current assets classified as held for sale | Non-current assets that Council intends to sell within the next twelve months. |
| Non-recurrent grants | Means a grant obtained on the condition that it is expended in a specified manner and is not expected to be received again during the period covered by a Council's Strategic Resource Plan. |
| Non-current liabilities | Liabilities where the obligation is not expected to be fulfilled within the next twelve months or where Council has a right to defer settlement of the liability for at least twelve months after reporting date. |
| Other expenses | Includes auditors' remuneration, Councillors' allowances, operating lease rentals, impairment losses, community grants and contributions, training and professional development expenditure, contract settlement expenditure and expenditure incurred in relation to special rate schemes. |
| Other income | Income received from donations, insurance recoveries, craft markets, festivals, local laws, right-of-way sales, transport and other sources. |
| Prepayments | Payments made by Council in advance of receiving the goods or services. |
| Property, infrastructure, plant and equipment | Often referred to as Fixed Assets. This is the largest component of Council's asset base or worth. This represents the value of all land, buildings, roads, footpaths, drains, bridges, vehicles, plant and equipment and so on, which are recorded on Council's asset register. |
| Provisions | Includes accrued long-service leave, annual leave, sick leave and rostered days off owing to employees at reporting date. |
| Rate and charges | Income received from ratepayers in relation to general rates, garbage rates and special rate schemes. |
| Recurrent grant | A grant other than a non-recurrent grant. |
| Reserves | Includes the asset revaluation reserve which includes the net revaluation increments and decrements arising from the revaluation of fixed assets in accordance with AASB 1041 'Revaluation of Non-Current Assets'. Other reserves include statutory reserves such as resort and recreation and carpark and general reserves where money is held in reserve for specific projects. |
| Restricted cash | Cash and cash equivalents, within the meaning of AAS, that are not available for use other than a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year. |
| Right-of-way | Former laneway no longer required for access to surrounding properties. |
| Share of net profits (losses) of associates and | Council's share of the net profit/loss recognised in its joint venture partnerships. |
| Statement of capital works | Means a statement which shows all capital expenditure of a council in relation to non-current assets and asset expenditure type. |

Glossary

| Item | Explanation |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Statement of cash flows | The statement of cash flows shows the net cash inflows and outflows in the forthcoming year in the form of a reconciliation between the opening and closing balances of total cash and investments for the year. The cash flow statement should be prepared in accordance with the requirements of AASB 107 Statement of Cash Flows. |
| Statement of changes in equity | The statement of changes in equity shows the movement in Accumulated Surplus and reserves for the year. The net movement in the net surplus (deficit) and asset revaluation increments (decrements). This is also equal to the change in net assets. |
| Statutory fees and fines | Includes parking infringements and costs, PERIN court recoveries, town planning fees, land information certificates and trader parking and street furniture permits. |
| Statutory reserves | Statutory reserves are funds set aside for specified statutory purposes in accordance with various legislative requirements. These reserves are not available for other purposes. |
| Strategic Resource Plan | Means the Strategic Resource Plan prepared by Council under Section 126 of the Act. |
| Surplus (deficit) | Represents the difference between total revenues, expenses, net gain (loss) on disposal of property, plant and equipment, infrastructure and share of net profits (losses) of associates and joint ventures accounted for by the equity method. |
| Trade and other payables | Monies owed by Council to other entities/individuals. |
| Trade and other receivables | Monies owed to Council by ratepayers and other parties less provisions for doubtful debts. |
| Trust funds and deposits | Monies received by Council for a specific purpose, which are to be refunded upon a specific event occurring (e.g.. Council assets are not damaged). If that specific event does not occur, Council is entitled to recognise these monies as income. |
| Unrestricted cash | Unrestricted cash represents all cash and cash equivalents other than restricted cash. |
| User fees | Income received by Council from a variety of fees and charges such as aged and health services fees, animal and local law fines and registrations, building permits and other charges, child care/children's program fees, debt collection recovery charges, debt collection recovery charges, election fines, recreation fees, library fines and other charges and tow-away charges. |