



CITY OF PORT PHILLIP

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 June 2022

CITY OF PORT PHILLIP FINANCIAL REPORT
Table of Contents

FINANCIAL REPORT	Page
Certification of the Financial Statements	
Victorian Auditor-General's Office Audit Report	
Financial Statements	
Comprehensive Income Statement	1
Balance Sheet	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Statement of Capital Works	5
Notes to Financial Statements	6
Note 1 Overview	
Note 2 2.1 Performance against budget	
2.1.1 Income and expenditure	8
2.1.2 Capital works	11
2.2 Analysis of Council results by program	14
Note 3 Funding for the delivery of our services	
3.1 Rates and charges	17
3.2 Statutory fees and fines	17
3.3 User fees	17
3.4 Funding from other levels of government	18
3.5 Contributions	20
3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment	21
3.7 Other income	21
Note 4 The cost of delivering services	
4.1 Employee costs	22
4.2 Materials and services	23
4.3 Depreciation	23
4.4 Amortisation- Right of use assets	23
4.5 Bad and doubtful debts	24
4.6 Borrowing costs	24
4.7 Finance costs- Leases	24
4.8 Other expenses	25
Note 5 Our financial position	
5.1 Financial assets	26
5.2 Non-financial assets	29
5.3 Payables, trust funds and deposits and unearned income/revenue	29
5.4 Interest bearing liabilities	30
5.5 Provisions	30
5.6 Financing arrangements	31
5.7 Commitments	32
5.8 Leases	33

CITY OF PORT PHILLIP FINANCIAL REPORT

Table of Contents

Notes to Financial Statements (continued)		Page
Note 6	Assets we manage	
	6.1 Non current assets classified as held for sale	35
	6.2 Property, infrastructure, plant and equipment	36
	6.3 Investments in associates, joint ventures and subsidiaries	44
Note 7	People and relationships	
	7.1 Council and key management remuneration	46
	7.2 Related party disclosure	49
Note 8	Managing uncertainties	
	8.1 Contingent assets and liabilities	50
	8.2 Changes in accounting standards	51
	8.3 Financial instruments	52
	8.4 Fair value measurement	54
	8.5 Events occurring after balance date	55
Note 9	Other matters	
	9.1 Reserves	56
	9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	58
	9.3 Superannuation	58
	Glossary	62

CITY OF PORT PHILLIP

Certification of the Financial Statements

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

Peter Liu CPA
Principal Accounting Officer

Date: 7 October 2022
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 2022 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances 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 2020* to certify the financial statements in their final form.

Marcus Pearl
Mayor & Councillor

Date: 7 October 2022
St Kilda

Tim Baxter
Councillor

Date: 7 October 2022
St Kilda

Chris Carroll
Chief Executive Officer

Date: 7 October 2022
St Kilda

CITY OF PORT PHILLIP

Comprehensive Income Statement for the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Rates and charges	3.1	137,264	133,663
Statutory fees and fines	3.2	18,803	16,942
User fees	3.3	33,735	31,251
Grants - operating	3.4	17,160	13,492
Grants - capital	3.4	5,448	3,860
Contributions - monetary	3.5	10,005	6,235
Contributions - non-monetary	3.5	8	826
Other income	3.7	21,093	19,509
Total Income		243,516	225,778
Expenses			
Employee costs	4.1	91,413	92,895
Materials and services	4.2	76,550	77,263
Depreciation	4.3	19,752	19,525
Amortisation- Right of use assets	4.4	870	843
Bad and doubtful debts	4.5	4,537	4,545
Borrowing costs	4.6	129	349
Finance costs- Leases	4.7	53	77
Other expenses	4.8	16,262	17,599
Net loss on disposal of property, infrastructure, plant and equipment	3.6	7,325	219
Share of net losses of associates and joint ventures	6.3	31	37
Total Expenses		216,922	213,352
Surplus / (Deficit) for the year		26,594	12,426
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	9.1	193,584	54,411
Total comprehensive result		220,178	66,837

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

CITY OF PORT PHILLIP

Balance Sheet
as at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1(a)	12,339	13,842
Trade and other receivables	5.1(c)	27,337	20,159
Other financial assets	5.1(b)	118,000	101,500
Non-current assets classified as held for sale	6.1	1,202	11,713
Other assets	5.2(a)	3,635	2,479
Total current assets		162,513	149,693
Non-current assets			
Trade and other receivables	5.1(c)	549	532
Other financial assets	5.1(b)	17,019	4,516
Investments in associates and joint ventures	6.3	239	270
Property, infrastructure, plant and equipment	6.2	3,427,490	3,239,408
Right-of-use assets	5.8	787	1,301
Total non-current assets		3,446,084	3,246,027
Total assets		3,608,597	3,395,720
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	13,505	9,505
Trust funds and deposits	5.3(b)	7,062	7,374
Unearned income/revenue	5.3(c)	2,547	3,669
Provisions	5.5	17,953	19,553
Interest-bearing liabilities	5.4	-	7,500
Lease liabilities	5.8	592	767
Total current liabilities		41,659	48,368
Non-current liabilities			
Provisions	5.5	2,138	2,380
Lease liabilities	5.8	213	563
Total non-current liabilities		2,351	2,943
Total liabilities		44,010	51,311
Net Assets		3,564,587	3,344,409
Equity			
Accumulated surplus		630,793	640,760
Reserves	9.1(b)	2,933,794	2,703,649
Total Equity		3,564,587	3,344,409

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

CITY OF PORT PHILLIP

Statement of Changes in Equity
for the year ended 30 June 2022

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2022					
Balance at beginning of the financial year		3,344,409	640,760	2,612,191	91,458
Surplus/(deficit) for the year		26,594	26,594	-	-
Net asset revaluation increment/(decrement)	9.1(a)	193,584	-	193,584	-
Transfers to other reserves	9.1(b)	-	(57,968)	-	57,968
Transfers from other reserves	9.1(b)	-	21,407	-	(21,407)
Balance at end of the financial year		3,564,587	630,793	2,805,775	128,019
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

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. This was 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) was adjusted to reflect the impact on the prior year results.

CITY OF PORT PHILLIP

Statement of Cash Flows
for the year ended 30 June 2022

	2022	2021
	Inflows/ (Outflows)	Inflows/ (Outflows)
Note	\$'000	\$'000
Cash flows from operating activities		
Rates and charges	130,570	131,501
Statutory fees and fines	14,641	13,274
User fees	33,297	30,739
Grants- operating	17,456	13,383
Grants- capital	5,448	3,860
Contributions- monetary	10,005	6,235
Interest received	363	934
Trust funds and deposits taken	21,713	21,488
Other receipts	11,711	9,337
Net GST refund	5,804	6,869
Employee costs	(93,465)	(90,090)
Materials and services	(79,665)	(79,190)
Short term, low value and variable lease payments	(635)	(906)
Trust funds and deposits repaid	(22,025)	(22,063)
Other payments	(7,461)	(7,882)
Net cash provided by/(used in) operating activities	9.2 47,757	37,489
Cash flows from investing activities		
Payments for property, infrastructure, plant and equipment	(22,023)	(15,086)
Proceeds from sale of property, infrastructure, plant and equipment	3.6 10,329	4,083
Payments for investments	(135,019)	(106,011)
Proceeds from sale of investments	106,016	87,000
Net cash provided by/(used in) investing activities	(40,697)	(30,014)
Cash flows from financing activities		
Finance costs	(129)	(349)
Repayment of borrowings	(7,500)	-
Interest paid- lease liability	(53)	(77)
Repayment of lease liabilities	(881)	(849)
Net cash provided by/(used in) financing activities	(8,563)	(1,275)
Net increase (decrease) in cash and cash equivalents	(1,503)	6,200
Cash and cash equivalents at the beginning of the financial year	13,842	7,642
Cash and cash equivalents at the end of the financial year	12,339	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.

CITY OF PORT PHILLIP

Statement of Capital Works
for the year ended 30 June 2022

	2022	2021
Note	\$'000	\$'000
Property		
Buildings	4,566	3,932
Heritage buildings	-	-
Building improvements	-	-
Total buildings	4,566	3,932
Total property	4,566	3,932
Plant and equipment		
Heritage plant and equipment	-	-
Plant, machinery and equipment	3,289	991
Fixtures, fittings and furniture	664	259
Computers and telecommunications	826	1,035
Library books	876	732
Total plant and equipment	5,655	3,017
Infrastructure		
Roads	1,758	1,942
Bridges	137	24
Footpaths and cycleways	2,380	1,337
Drainage	559	651
Parks, open space and streetscapes	6,959	4,175
Off street car parks	-	-
Other infrastructure	-	-
Total infrastructure	11,793	8,129
Total capital works expenditure	22,014	15,078
Represented by:		
New asset expenditure	1,383	332
Asset renewal expenditure	11,223	9,165
Asset expansion expenditure	792	30
Asset upgrade expenditure	8,616	5,551
Total capital works expenditure	22,014	15,078

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 2022

Note 1 Overview

Introduction

The City of Port Phillip (the "Council") was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate. The Council's main office is located at 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 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

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

Significant accounting policies

(a) Basis of accounting

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

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

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

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of 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)
- 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 2022

Note 1 Overview (continued)

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. A state of disaster was subsequently declared on 2 August 2020. The state of disaster was withdrawn on 28 October 2020 and the state of emergency on 15 December 2021.

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

Additional revenue totalled \$2.44 million:

- \$1.6 million operating grant from the Victorian Government from the COVID Safe Outdoor Activation Fund
- \$0.8 million funding for South Side Live Festival

Revenue reductions not noted elsewhere totalled \$7.9 million:

- \$5.6 million of parking fees and parking infringement fine reductions.
- \$0.6 million of revenue loss from festivals, events and markets.
- \$1.7 million of user fee reductions included lower utilisation of council properties (Townhalls, community centres and facilities), building permits, community services, and sports & recreation facilities

Revenue foregone (waived) totalled \$3.6 million:

- \$2.7 million of rent waivers for council commercial rent and South Melbourne Market stallholders.
- \$0.4 million of footpath trading waivers.
- \$0.5 childcare gap fee waivers.

Additional costs totalled \$1.4 million:

- \$0.34 million in business support measures.
- \$0.14 million in support for community organisations.
- \$0.38 million in support of the arts and live music.
- \$0.39 million in rates support in the form of increased pensioner rebates, rate waivers and interest waivers on deferrals.
- \$0.18 million in bicycle and pedestrians accessibility improvements.

Delivery of public activation projects totalling \$1.9 million from current and prior year funding received from the Victorian Government.

CITY OF PORT PHILLIP

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

Note 2.1 Performance against budget

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

2.1.1 Income and Expenditure	Budget 2022 \$'000	Actual 2022 \$'000	Variance 2022 \$'000	Variance 2022 %	Ref
Income					
Rates and charges	135,224	137,264	2,040	1.51%	1
Statutory fees and fines	22,469	18,803	(3,666)	-16.32%	2
User fees	38,170	33,735	(4,435)	-11.62%	3
Grants - operating	10,908	17,160	6,252	57.32%	4
Grants - capital	5,125	5,448	323	6.30%	5
Contributions - monetary	9,193	10,005	812	8.83%	6
Contributions - non-monetary	-	8	8	0.00%	
Other income	21,931	21,093	(838)	-3.82%	7
Total income	243,020	243,516	496	0.20%	
Expenses					
Employee costs	94,368	91,413	2,955	3.13%	8
Materials and services	89,552	76,550	13,002	14.52%	9
Depreciation	22,850	19,752	3,098	13.56%	10
Amortisation- Right of use assets	808	870	(62)	-7.67%	
Bad and doubtful debts	5,135	4,537	598	11.65%	11
Borrowing costs	178	129	49	27.53%	12
Finance costs- Leases	76	53	23	30.26%	13
Other expenses	16,187	16,262	(75)	-0.46%	
Net loss on disposal of property, infrastructure, plant and equipment	3,619	7,325	(3,706)	-102.40%	14
Share of net profits losses of associates and joint ventures	-	31	(31)	0.00%	
Total expenses	232,773	216,922	15,851	6.81%	
Surplus for the year	10,247	26,594	16,347	159.5%	

CITY OF PORT PHILLIP

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

Note 2.1 Performance against budget (continued)

2.1.1 Income and Expenditure- Explanation of Material Variances

Ref	Item	Explanation
1	Rates and charges	The favourable variance of \$2.04 million is mainly due to the net increase of ratable properties during the financial year and lower applications for rates relief support.
2	Statutory fees and fines	The unfavourable variance of \$3.67 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 \$4.44 million is due to the impact of COVID-19 pandemic lockdown restrictions reducing paid parking by \$1.5 million, city permits including street occupation fees \$0.8 million, Childcare Fees by \$0.8 million, footpath trading fees \$0.4 million, festivals and events \$0.4 million and parking permits \$0.2 million.
4	Grants- Operating	The favourable variance of \$6.25 million is largely due to: <ul style="list-style-type: none"> • Additional funding of \$1.4m for the COVID Safe Outdoor Activation and other projects including Metro Tunnel and Popup Bike Lanes. • Net \$1.1 million early receipt of the 2022/23 Victorian Grants Commission instalment (offset against 2021/22 funding received in 2020/21). • \$0.96 million of unearned Commonwealth Home Support Program funding recognised in 2021/22 to align with timing of delivery (received in 2020/21).
5	Grants - capital	The favourable variance of \$0.32 million is mainly due to timing of funding receipt: <ul style="list-style-type: none"> • \$1.6 million of Local Sports Grants to support the development of Elder Smith Reserve Netball Courts, for works to be conducted in 2022/23 • \$1.0 million of Department of Environment, Land, Water and Planning funding to support Port Phillip EcoCentre Redevelopment, for works to be completed in 2022/23 • (\$1.6) million of Commonwealth Local Road and Community Infrastructure funding received in advanced in 2020/21 despite project delivery in 2021/22. • (\$0.5) million Park Street Bike Link funded by Rail Projects Victoria. Funding provided on reimbursement basis and due to project delays, no funding has been provided for 2021/22
6	Contributions - monetary	The favourable variance of \$0.8 million is due to higher than expected property development within the municipality, especially the following neighbourhoods; St Kilda Hill and Montague and Sandridge at Fishermans Bend. All funds received have been ringfenced in Open Space Reserve for future public space enhancements to cater population growth.
7	Other Income	The favourable variance of 0.84 million has largely resulted from additional interest income of \$0.32 million resulting from increasing interest rates and undersubscription of commercial rental waivers

CITY OF PORT PHILLIP

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

Note 2.1 Performance against budget (continued)

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

Ref	Item	Explanation
8	Employee costs	The favourable variance of \$2.96 million is mainly due to: <ul style="list-style-type: none"> • \$2.0 million favourable variance relates to ongoing enterprise vacancies during the year and impact of COVID-19 has on service delivery, including Libraries, Home Care, Middle Years, Arts Festivals and Events and Street Services Operations. • \$0.7 million favourable variance for long service leave provisions as a result of enterprise vacancies. • \$0.2 million favourable variance on budgeted workers compensation premiums.
9	Materials and services	The favourable variance of \$13 million is mainly due to: <ul style="list-style-type: none"> • \$5.2 million relates to deferrals and reductions in the capital works program due to the ongoing impacts of COVID-19 and material and contractors shortages. • \$2.4 million of operating reductions and project deferrals to 2022/23 financial year due to the ongoing impacts of COVID-19 and resourcing challenges. • \$1.3 million relates to lower enterprise spend due to lower utilisation of council buildings and temporary lockdown closure of council services from COVID-19 • \$1.3 million reduction in building maintenance requests, water charges, security and graffiti management resulting from closed services • \$0.9 million reduction in Parks Services owing to contract savings and water savings resulting from less capacity to deliver services
10	Depreciation	The favourable variance of \$3 million is predominately caused by delayed project delivery and reduced capital expenditure (works deferred to 2022/23) and building componentisation still in progress which would increase depreciation when implemented.
11	Bad and doubtful debts	The favourable variance of \$0.9 million is mainly due to lower parking infringements issued during the financial year as a result of COVID-19.
12	Borrowing costs	The favourable variance of \$0.05 million is due to the write back of accrued loan interest following the full repayment of the \$7.5 million loan in November 2021.
13	Finance costs- Leases	The favourable variance of \$0.02 million is due to forecasted new leases not meeting the recognition criteria for right of use assets resulting in lower than expected amortisation charges.
14	Net loss on disposal of property, infrastructure, plant and equipment	The unfavourable variance of \$3.7 million was mainly due to the unbudgeted non-cash transfer of land at Milton Street to the State Government Director of Housing during the financial year.

CITY OF PORT PHILLIP

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

Note 2.1 Performance against budget (continued)

2.1.2 Capital Works	Budget	Actual	Variance	Variance	Ref
	2022	2022	2022	2022	
	\$'000	\$'000	\$'000	%	
Property					
Land	-	-	-	0%	
Total land	-	-	-	0%	
Buildings	13,108	4,566	(8,542)	-65%	1
Total buildings	13,108	4,566	(8,542)	-65%	
Total property	13,108	4,566	(8,542)	-65%	
Plant and equipment					
Heritage plant and equipment	-	-	-	0%	
Plant, machinery and equipment	2,427	3,289	862	36%	2
Fixtures, fittings and furniture	1,194	664	(530)	-44%	3
Computers and telecommunications	1,336	826	(510)	-38%	4
Library books	952	876	(76)	-8%	
Total plant and equipment	5,910	5,655	(255)	-4%	
Infrastructure					
Roads	2,049	1,758	(291)	-14%	5
Bridges	151	137	(13)	-9%	
Footpaths and cycleways	3,432	2,380	(1,052)	-31%	6
Drainage	1,238	559	(679)	-55%	7
Parks, open space and streetscapes	10,884	6,959	(3,926)	-36%	8
Other infrastructure	-	-	-	0%	
Total infrastructure	17,754	11,793	(5,962)	-34%	
Total capital works expenditure	36,772	22,014	(14,758)	-40%	
Represented by:					
New asset expenditure	2,269	1,383	(886)	-39%	9
Asset renewal expenditure	16,556	11,223	(5,333)	-32%	10
Asset expansion expenditure	16,442	792	(15,650)	-95%	11
Asset upgrade expenditure	1,504	8,616	7,112	473%	12
Total capital works expenditure	36,771	22,014	(14,757)	-40%	

CITY OF PORT PHILLIP

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

Note 2.1 Performance against budget (continued)

2.1.2 Capital Works- Explanation of Material Variances

Ref	Item	Explanation
1	Building	Net underspend of \$8.5 million mainly due to building projects deferred to future years, this is as a result of supply chain issues and resource shortage caused by COVID-19. Challenges in product selection, time taken to obtain permits and external approval and change in project scope also contributed to project delays. This includes delays in delivering projects South Melbourne Town Hall Renewal Upgrade, Palais Theatre Concrete Spalling and Access Control Renewal Council Buildings
2	Plant, machinery and equipment	Net overspend of \$0.8 million due to unbudgeted purchase of street sweepers and community buses which were previously leased, which helped lowering carbon emissions and safer fleet, it also assist in achieving lower financing costs
3	Fixtures, fittings and furniture	Net underspend of \$0.5 million due to St Kilda Town Hall Staff Accommodation and Team Storage Roll Out programs deferred due to COVID-19 flexible working condition, supplier delays also contributed to project deferrals.
4	Computers and telecommunications	Net underspend of \$0.5 million due to delivery timing of IT equipment (delayed to 2022/23)
5	Roads	Net underspend of \$0.3 million due to project savings achieved, this include Road resurfacing and Blackspot Safety Improvement at Alma Rd and Alexandra Street
6	Footpaths and cycleways	Net underspend of \$1.05 million due to project savings achieved through contingency (Garden City Bike Path) and project delays as a result of project scope update (Domain Precinct - Park St Bike Link)
7	Drainage	Net underspend of \$0.7 million mainly due to Storm Water Capital Works project deferrals, this is resulted from supply chain challenges and contractor availability
8	Parks, open space and streetscapes	Net underspend of \$3.9 million predominately due to project deferrals as a result of resource shortages within the construction industry. This includes Public Space Lighting - Elwood Foreshore, Graham St Overpass Skatepark and Carpark and Alma Park Playspace Upgrade

CITY OF PORT PHILLIP

Notes to the Financial Report for the year ended 30 June 2022**Note 2.1 Performance against budget (continued)****2.1.2 Capital Works- Explanation of Material Variances (continued)**

Ref	Item	Explanation
9	New asset expenditure	Under expenditure of \$0.8 million on new asset primarily relate to deferral of open space and building expenditure.
10	Asset renewal expenditure	Under expenditure of \$10.3 million mainly due to reductions or renewal works program with a mix of both scope reductions and deferrals to future years to address the impacts of COVID and extended lockdowns.
11	Asset expansion expenditure	Over expenditure of \$4.2 million mainly due to re-allocation of spend between expansion and upgrade expenditure
12	Asset upgrade expenditure	Under expenditure of \$7.8 million mainly due to re-allocation of spend between expansion and upgrade expenditure and balance due to deferral of works to 2022/23

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

Note 2.2 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 2.2.1 and the 2020/21 results in 2.2.2 have been restated to reflect the new structure

Council delivers its functions and activities through the following programs.

2.2.1 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.

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

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

Plans and delivers 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.

Works 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 Development

This division provides safety, communication and engagement, sustainability, city development and planning services.

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.

Leads statutory planning and building solutions and manages the impacts of new development and changes in land use to protect Port Phillip's character and heritage.

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.

Focuses on services that ensure community safety and amenity throughout the City.

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

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

Note 2.2 Analysis of Council results by program (continued)

2.2.1 (continued)

Customer, Operations and Infrastructure

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

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

Builds, maintains and manages our City's infrastructure, deliver quality services and projects all retaining the unique look and feel of our parks, villages and streets.

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

Provides 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

Supports the delivery of services to the community by maximising the delivery of benefits, minimising risk and environmental impact and demonstrate best value.

Delivers 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

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

Facilitates all financial transactions for Council, including the purchase of goods and services, supplier payments, 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.

Governance and Organisational Capability

This division provides oversight for Council governance, organisational performance, staff management and safety, and South Melbourne Market operations

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.

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

CITY OF PORT PHILLIP

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

Note 2 Analysis of Council results by program

2.2.2 Summary of revenues, expenses and assets by program

	Income \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in income \$'000	Total Assets \$'000
2022					
Governance and Organisational Performance	7,608	17,108	(9,500)	-	269,847
Community Wellbeing and Inclusion	17,681	39,145	(21,464)	7,946	617,665
Customer, Operations and Infrastructure	164,360	115,593	48,767	13,449	2,010,122
City Growth and Development	53,867	45,076	8,791	1,213	710,963
	243,516	216,922	26,594	22,608	3,608,597
2021					
Governance and Organisational Performance	43,573	27,248	16,325	434	249,852
Community Wellbeing and Inclusion	16,295	36,799	(20,504)	6,540	568,776
Customer, Operations and Infrastructure	158,084	135,901	22,183	10,254	1,949,561
City Growth and Development	7,826	13,404	(5,578)	124	627,531
	225,778	213,352	12,426	17,352	3,395,720

* 2021 figures have been restated to reflect the organisational structure as at 30 June 2022.

CITY OF PORT PHILLIP

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

	2022	2021
	\$'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 2021/2022 was \$3.546 billion (2020/2021 was \$3.528 billion). The 2021/2022 rate in the NAV dollar was \$0.038181 (2020/2021: \$0.037282).

General Rates	134,631	131,052
Waste management charge	408	279
Special rates and charges	684	644
Special rates and charges applied	(782)	(644)
Supplementary rates and rate adjustments	1,458	1,772
Interest on rates and charges	865	561
Total rates and charges	137,264	133,663

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2021 and this valuation was applied to the rating year commencing 1 July 2021.

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

3.2 Statutory fees and fines

Infringements and costs	213	162
Court recoveries	24	33
Town planning fees	1,805	1,704
Land information certificates	279	222
Permits	1,735	1,639
Parking fines and parking permits	14,747	13,182
Total statutory fees and fines	18,803	16,942

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	415	435
Leisure centre and recreation	352	285
Child care/children's programs	9,113	9,669
Parking	15,648	12,860
Registration and other permits	5,731	5,526
Building services	977	806
Waste management services	294	236
Other fees and charges	1,205	1,434
Total user fees	33,735	31,251
User fees by timing of revenue recognition		
User fees recognised over time	-	-
User fees recognised at a point in time	33,735	31,251
Total user fees	33,735	31,251

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.

CITY OF PORT PHILLIP

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

	2022 \$'000	2021 \$'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	10,554	11,685
State funded grants	12,053	5,667
Total grants received	22,607	17,352
a) Operating Grants		
Recurrent - Commonwealth Government		
Aged care	332	139
Community health	796	169
General home care	3,291	2,176
Recreation	-	30
Financial Assistance Grants	3,929	2,785
Recurrent - State Government		
Aged care	27	26
Community health	152	190
Environmental Planning	-	-
Family and children	891	800
General home care	566	584
Libraries	756	731
Maternal and child health	956	952
Other	347	614
Recreation	50	50
School crossing supervisors	167	157
Total recurrent operating grants	12,260	9,403
Non-recurrent - Commonwealth Government		
Community health	6	24
Family and children	57	82
General home care	42	395
Other	6	-
Non-recurrent - State Government		
Aged Care	-	-
Community health	208	402
Environmental planning	-	-
Family and children	5	369
General home care	56	0
Maternal and Child Health	-	25
Other	3,768	2,746
Parks and Streetscapes	-	46
Recreation	752	-
Total non-recurrent operating grants	4,900	4,089
Total operating grants	17,160	13,492

CITY OF PORT PHILLIP

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

	2022 \$'000	2021 \$'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	278
Total recurrent capital grants	278	278
<i>Non-recurrent - Commonwealth Government</i>		
Building	180	-
Environmental Planning	-	-
Footpath and cycleway	594	23
Other	-	309
Parks and Streetscapes	977	377
Roads	66	75
<i>Non-recurrent - State Government</i>		
Building	2,654	225
Footpath and cycleway	227	254
Other	-	0
Parks and streetscapes	444	2236
Roads	28	83
Total non-recurrent capital grants	5,170	3,582
Total capital grants	5,448	3,860
c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	4,228	3,734
Received during the financial year and remained unspent at balance date	2,850	3,583
Received in prior years and spent during the financial year	(3,366)	(3,089)
Balance at year end	3,712	4,228
Capital		
Balance at start of year	3,419	650
Received during the financial year and remained unspent at balance date	4,062	2,769
Received in prior years and spent during the financial year	(2,183)	-
Balance at year end	5,298	3,419

CITY OF PORT PHILLIP

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

	2022 \$'000	2021 \$'000
Note 3 Funding for the delivery of our services (continued)		
3.4 Funding from other levels of government (continued)		
(d) Recognition of grant income		
Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with <i>AASB 15 Revenue from Contracts with Customers</i> . When both these conditions are satisfied, the Council:		
- identifies each performance obligation relating to revenue under the contract/agreement		
- determines the transaction price		
- recognises a contract liability for its obligations under the agreement		
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.		
Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies <i>AASB 1058 Income for Not-for-Profit Entities</i> .		
Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.		
Income recognised under AASB 1058 Income of Not-for-Profit Entities		
General purpose	4,394	3,254
Specific purpose grants to acquire non-financial assets	7,990	5,997
Other specific purpose grants	3,044	1,731
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	7,179	6,370
	22,607	17,352
3.5 Contributions		
Monetary	10,005	6,235
Non-monetary	8	826
Total contributions	10,013	7,061
Contributions of non-monetary assets were received in relation to the following asset classes:		
Roads	-	826
Other infrastructure	8	-
Total non-monetary contributions	8	826
Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.		

CITY OF PORT PHILLIP

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

	2022	2021
	\$'000	\$'000
Note 3 Funding for the delivery of our services (continued)		
3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	10,329	4,083
Written down value of assets disposed	(17,654)	(4,302)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(7,325)	(219)

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	709	766
Property rental*	12,074	12,025
Other rent	5,354	4,675
Other	2,956	2,043
Total other income	21,093	19,509

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).

CITY OF PORT PHILLIP

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

	2022	2021
	\$'000	\$'000
Note 4 The cost of delivering services		
4.1 (a) Employee costs		
Wages and salaries	66,065	66,499
WorkCover	1,254	2,117
Casual, temporary and agency staff	8,054	7,318
Superannuation	7,477	7,057
Fringe benefits tax	269	286
Annual and long service leave	7,777	9,116
Other	517	502
Total employee costs	91,413	92,895
(b) Superannuation		
Council made contributions to the following funds:		
<i>Defined benefit fund</i>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	307	328
	307	328
Employer contributions payable at reporting date.	-	-
<i>Accumulation funds</i>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,906	3,948
Employer contributions - other funds	3,264	2,781
	7,170	6,729
Employer contributions payable at reporting date.	-	-
Refer to note 9.3 for further information relating to Council's superannuation obligations.		

CITY OF PORT PHILLIP

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

	2022 \$'000	2021 \$'000
Note 4 The cost of delivering services (continued)		
4.2 Materials and Services		
Waste management contracts	13,180	10,709
Maintenance and construction contracts	11,460	10,057
Parks and gardens contract	9,830	11,681
Consultants	7,640	12,605
Family and community support contracts	5,814	4,097
Parking administration contracts	5,702	5,179
Building and general maintenance	3,996	3,176
Office administration	3,964	3,661
Information technology	3,858	5,474
Utilities	3,450	3,128
Cleaning contract	3,055	3,100
Insurance	2,213	1,828
Security	1,841	1,593
Other contract payments	547	975
Total materials and services	76,550	77,263
4.3 Depreciation		
Property	4,550	4,543
Plant and equipment	3,539	3,498
Infrastructure	11,663	11,484
Total depreciation	19,752	19,525
<i>Refer to note 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	494	414
Property, Plant & Equipment	376	429
Total Amortisation - Right of use assets	870	843

CITY OF PORT PHILLIP

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

	2022 \$'000	2021 \$'000
Note 4 The cost of delivering services (continued)		
4.5 Bad and doubtful debts		
Parking fine debtors	4,551	4,174
Other debtors	(14)	371
Total bad and doubtful debts	4,537	4,545
Movement in provisions for doubtful debts		
Balance at the beginning of the year	26,417	22,494
New Provisions recognised during the year	6,204	6,278
Amounts already provided for and written off as uncollectible	(394)	(603)
Amounts provided for but recovered during the year	(2,116)	(1,752)
Balance at end of year	30,111	26,417
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*	129	349
Total borrowing costs	129	349
* In November 2021 Council fully repaid the \$7 million Local Government Funding Vehicle loan. There are no plans for future borrowings at this time.		
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	53	77
Total finance cost- leases	53	77

CITY OF PORT PHILLIP

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

	2022 \$'000	2021 \$'000
Note 4 The cost of delivering services (continued)		
4.8 Other expenses		
Contributions and donations*	11,525	12,883
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	76	74
Auditors' remuneration - Internal	186	180
Councillors' allowances	417	366
Operating lease rentals	635	906
Bank charges	533	533
Catering costs	99	47
Subscriptions	577	704
Other	2,214	1,906
Total other expenses	16,262	17,599

* 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).

CITY OF PORT PHILLIP

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

	2022	2021
	\$'000	\$'000
Note 5 Our financial position		
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	14	15
Cash at bank	10,325	13,827
Term deposits	2,000	-
Total cash and cash equivalents	12,339	13,842
(b) Other financial assets		
<i>Current</i>		
Term deposits	118,000	101,500
	118,000	101,500
<i>Non-Current</i>		
Term deposits	17,014	4,511
Shares in Municipal Associations Purchasing Scheme (MAPS)	5	5
	17,019	4,516
Total other financial assets	135,019	106,016
Total financial assets	147,358	119,858
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))	7,062	7,374
Total restricted funds	7,062	7,374
Total unrestricted cash and cash equivalents *	5,277	6,468

CITY OF PORT PHILLIP

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

	2022	2021
	\$'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))	41,280	32,234
- Cash held to fund carried forward capital works	23,450	18,429
- Child Care Centre's infrastructure levy	6,009	6,219
- Tied grants	9,012	6,305
- Palais Theatre	2,599	2,305
- Sustainable transport	4,253	3,786
- In Our Backyard - Growing affordable housing in Port Phillip	3,255	2,755
- Middle Park Beach ongoing maintenance	246	239
Total funds subject to intended allocations	90,104	72,272

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.

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

(c) Trade and other receivables*Current***Statutory receivables**

Rate debtors	15,970	9,275
Infringement debtors	34,602	30,999
Provision for doubtful debts - infringements	(29,409)	(25,641)
GST receivable	2,770	1,522

Non statutory receivables

Other debtors	4,106	4,781
Provision for doubtful debts - other debtors	(702)	(777)
Total current trade and other receivables	27,337	20,159

*Non current***Non statutory receivables**

Other debtors	549	532
Total non current trade and other receivables	549	532

Total trade and other receivables	27,886	20,691
--	---------------	---------------

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.

CITY OF PORT PHILLIP

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

	2022	2021
	\$'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)	78	491
Past due by up to 30 days	312	605
Past due between 31 and 180 days	393	82
Past due between 181 and 365 days	198	18
Past due by more than 1 year	558	641
Total trade and other receivables	1,539	1,837

e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$3.12 million (2021: \$3.48 million) were impaired. The amount of the provision raised against these debtors was \$0.70 million (2021: \$0.77 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)	13	1,251
Past due by up to 30 days	1,021	344
Past due between 31 and 180 days	1,050	660
Past due between 181 and 365 days	540	190
Past due by more than 1 year	492	1,031
Total trade and other receivables	3,116	3,476

CITY OF PORT PHILLIP

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

	2022	2021
	\$'000	\$'000
Note 5 Our financial position (continued)		
5.2 Non-financial assets		
(a) Other assets		
Prepayments	3,078	2,183
Accrued income	557	296
Total other assets	3,635	2,479
5.3 Payables, trust funds and deposits and unearned income/revenue		
(a) Trade and other payables		
Trade payables	13,265	9,327
Accrued expenses	240	178
Total trade and other payables	13,505	9,505
(b) Trust funds and deposits		
Refundable deposits	995	960
Fire Services Levy	1,145	1,072
Other refundable deposits	4,922	5,342
Total trust funds and deposits	7,062	7,374
(c) Unearned income		
Grants received in advance- operating	440	978
Other	2,107	2,691
Total unearned income	2,547	3,669

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of government funding, rent in advance and prepaid fees. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

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

Purpose and nature of items

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.

CITY OF PORT PHILLIP

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

	2022	2021
	\$'000	\$'000
Note 5 Our financial position (continued)		
5.4 Interest-bearing liabilities		
<i>Current</i>		
Borrowings- secured (1) *	-	7,500
	-	7,500
Total	-	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	-	-
Later than five years	-	-
Total	-	7,500

* In November 2021 Council fully repaid the \$7.5 million Local Government Funding Vehicle loan. There are no plans for future borrowings at this time.

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

Balance at beginning of the financial year	20,434	18,022
Additional provisions	8,632	8,857
Amounts used	(8,928)	(7,519)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(527)	1,074
Balance at the end of the financial year	19,611	20,434

CITY OF PORT PHILLIP

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

	2022 \$'000	2021 \$'000
Note 5 Our financial position (continued)		
5.5 Provisions		
(a) Employee Provisions		
<i>Current provisions expected to be wholly settled within 12 months</i>		
Annual leave	5,007	5,093
Long service leave	8,784	9,209
Retirement gratuity	14	13
Other	697	618
	14,502	14,933
<i>Current provisions expected to be wholly settled after 12 months</i>		
Annual leave	3,091	2,997
Retirement gratuity	120	124
	3,211	3,121
Total current employee provisions	17,713	18,054
<i>Non-current</i>		
Long service leave	1,898	2,380
Total non-current employee provisions	1,898	2,380
Aggregate carrying amount of employee benefits		
Current	17,713	18,054
Non-current	1,898	2,380
Total aggregate carrying amount of employee provisions	19,611	20,434

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

Annual leave

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

- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability and measured at present value.

Key assumptions:

- discount rate	3.37%	1.49%
- inflation	3.85%	2.10%

CITY OF PORT PHILLIP

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

	2022 \$'000	2021 \$'000
Note 5 Our financial position (continued)		
5.5 Provisions (continued)		
(b) Other Provisions		
Current		
Workcover MAV insurance scheme shortfall*	-	1,499
Council rates waivers**	240	-
Non Current		
Workcover MAV insurance scheme shortfall*	240	-
Total Other Provisions	480	1,499
Total Provisions		
Current	17,953	19,553
Non Current	2,138	2,380
	20,091	21,933

* 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. Based on our share of the scheme we increased our liability at 30 June 2021 to \$1.499 million, and a further \$0.24 million in 21/22 to cover future liability as the fund is wound up.

** In 2021/22 Council endorsed a rates hardship waiver program due to the COVID 19 pandemic. The policy enables ratepayers to apply for waivers retrospectively therefore Councils obligation to pay will continue into 2022/23 financial year, and a \$0.24 million provision has been recognised at 2021/22.

5.6 Financing arrangements

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

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
Total facilities	3,667	11,167
Used facilities	61	7,599
Unused facilities	3,606	3,568

CITY OF PORT PHILLIP

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

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.

2022	Not later	Later than 1	Later than 2	Later than 5	Total
	than 1 year	year and not	years and	years	
	\$'000	later than 2	not later	than 5	\$'000
		years	than 5 years	years	
		\$'000	\$'000	\$'000	\$'000
Operating					
Open space management	12,987	9,741	-	-	22,728
Garbage collection and recycling	7,265	5,670	4,173	-	17,108
Computers and technology	5,149	3,994	6,356	-	15,499
Building maintenance	4,306	4,178	12,522	60	21,066
Community Services	3,098	924	1,024	4,174	9,220
Operational services	1,480	749	1,349	-	3,578
Cleaning contracts for council buildings	1,391	1,135	2,554	-	5,080
Consultancies	382	177	-	-	559
Total	36,058	26,568	27,978	4,234	94,837
Capital					
Parks, open spaces & streetscapes	1,458	141	-	-	1,599
Plant, machinery and equipment	348	-	-	-	348
Fixtures, fittings and furniture	269	-	-	-	269
Buildings	4,637	1,378	-	-	6,015
Total	6,712	1,519	-	-	8,231
TOTAL	42,770	28,087	27,978	4,234	103,068
2021	Not later	Later than 1	Later than 2	Later than 5	Total
	than 1 year	year and not	years and	years	
	\$'000	later than 2	not later	than 5	\$'000
		years	than 5 years	years	
		\$'000	\$'000	\$'000	\$'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
Building maintenance	1,547	342	89	-	1,978
Community Services	2,634	1,043	403	-	4,080
Operational services	2,841	1,718	4,482	4,602	13,643
Cleaning contracts for council buildings	500	126	-	-	626
Consultancies	1,351	444	-	-	1,795
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

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

Note 5 Our financial position (continued)

5.8 Leases

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

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

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

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

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

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

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

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

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

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

CITY OF PORT PHILLIP

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

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 2020	1,233	-	106	1,339
Additions	-	432	373	805
Disposals	-	-	-	-
Amortisation charge	(414)	(132)	(297)	(843)
Balance at 30 June 2021	819	300	182	1,301
Balance at 1 July 2021	819	300	182	1,301
Additions	341	-	15	356
Disposals	-	-	-	-
Amortisation charge	(494)	(144)	(232)	(870)
Balance at 30 June 2022	666	156	(35)	787
Lease Liabilities			2022	2021
Maturity analysis - contractual undiscounted cash flows			\$'000	\$'000
Less than one year			612	812
One to five years			219	579
More than five years			-	-
Minimum future lease payments			831	1,391
Less future finance charges			(26)	(61)
Present value of Lease Liabilities			805	1,330
Lease liabilities included in the Balance Sheet at 30 June:				
Current			592	767
Non-current			213	563
Total lease liabilities			805	1,330

CITY OF PORT PHILLIP

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

Note 5 Our financial position (continued)

5.8 Leases (continued)

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.

	2022 \$'000	2021 \$'000
Expenses relating to:		
Short-term leases	614	889
Leases of low value assets	21	17
Total	635	906

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	336	366
Later than one year but not later than five years	3	297
Later than 5 years	-	2
Total lease commitments	339	665

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

Asset at carrying value	1,202	11,713
Total non-current assets classified as held for sale	1,202	11,713

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 2022

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	<i>At Fair Value 30 June 2021</i>	<i>Additions</i>	<i>Contributions</i>	<i>Revaluation</i>	<i>Depreciation</i>	<i>Disposal</i>	<i>Transfers</i>	<i>Non current assets classified as held for sale</i>	<i>At Fair Value 30 June 2022</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Land	2,532,327	-	-	158,748	-	(2,144)	-	(1,202)	2,687,729
Buildings	230,656	1,824	-	24,871	(4,550)	(1,260)	941	-	252,482
Infrastructure	440,303	8,870	8	6,060	(11,663)	(1,517)	1,523	-	443,584
Plant and Equipment	28,373	5,106	-	3,401	(3,539)	(515)	37	-	32,863
Work in progress	7,749	6,214	-	-	-	-	(3,131)	-	10,832
	3,239,408	22,014	8	193,080	(19,752)	(5,436)	(630)	(1,202)	3,427,490

Summary of work in progress

	<i>Opening WIP</i>	<i>Additions</i>	<i>Transfers</i>	<i>Write Offs</i>	<i>Closing WIP</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Buildings	3,028	2,441	(941)	(211)	4,317
Infrastructure	4,449	3,773	(1,302)	(412)	6,508
Plant and Equipment	272	-	(258)	(7)	7
Total	7,749	6,214	(2,501)	(630)	10,832

CITY OF PORT PHILLIP

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

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (continued)

(a) Property	Land- specialised \$'000	Buildings- specialised \$'000	Total Property \$'000
At fair value 1 July 2021	2,532,327	456,094	2,988,421
Accumulated depreciation at 1 July 2021	-	(225,438)	(225,438)
WDV at beginning of financial year	2,532,327	230,656	2,762,983
Movements in fair value			
Additions	-	1,824	1,824
Revaluation increments/(decrements)	158,748	21,597	180,345
Disposal	(2,144)	(2,299)	(4,443)
Transfers	-	941	941
Non-current assets classified as held for sale	(1,202)	-	(1,202)
	155,402	22,063	177,465
Movements in accumulated depreciation			
Depreciation and amortisation	-	(4,550)	(4,550)
Accumulated depreciation of disposals	-	1,039	1,039
Revaluation increments/(decrements)	-	3,274	3,274
	-	(237)	(237)
At fair value 30 June 2022	2,687,729	478,157	3,165,886
Accumulated depreciation at 30 June 2022	-	(225,675)	(225,675)
Carrying amount	2,687,729	252,482	2,940,211

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

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

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (continued)

(b) Plant and Equipment	Heritage Plant and Equipment	Plant, Machinery and Equipment	Fixtures Fittings and Furniture	Computers and Telecomms	Library Books	Total Plant and Equipment	Total Works in Progress
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	20,772	8,220	2,283	6,868	5,651	43,794	7,749
Accumulated depreciation at 1 July 2021	(406)	(5,559)	(1,331)	(4,802)	(3,323)	(15,421)	-
WDV at beginning of financial year	20,366	2,661	952	2,066	2,328	28,373	7,749
Movements in fair value							
Additions	-	2,944	283	1,003	876	5,106	6,214
Revaluation increments/(decrements)	2,787	-	-	-	-	2,787	-
Disposal	-	(1,601)	-	(3,504)	-	(5,105)	-
Write-off	-	-	-	-	-	-	(630)
Transfers	-	-	-	28	9	37	(2,501)
	2,787	1,343	283	(2,473)	885	2,825	3,083
Movements in accumulated depreciation							
Depreciation and amortisation	(208)	(1,056)	(409)	(1,116)	(750)	(3,539)	-
Accumulated depreciation of disposals	-	1,232	-	3,358	-	4,590	-
Revaluation increments/(decrements)	614	-	-	-	-	614	-
	406	176	(409)	2,242	(750)	1,665	-
At fair value 30 June 2022	23,559	9,563	2,566	4,395	6,536	46,619	10,832
Accumulated depreciation at 30 June 2022	-	(5,383)	(1,740)	(2,560)	(4,073)	(13,756)	-
Carrying amount	23,559	4,180	826	1,835	2,463	32,863	10,832

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

Note 6 Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment (continued)

(c) Infrastructure	Roads	Bridges	Footpaths and cycleways	Drainage	Parks, open spaces and streetscapes	Off street carparks	Other Infrastructure	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	255,533	10,104	148,235	133,900	95,426	13,479	13,099	669,776
Accumulated depreciation at 1 July 2021	(66,190)	(7,505)	(56,291)	(54,402)	(36,476)	(2,276)	(6,333)	(229,473)
WDV at beginning of financial year	189,343	2,599	91,944	79,498	58,950	11,203	6,766	440,303
Movements in fair value								
Additions	1,825	-	1,063	531	4,485	-	966	8,870
Contributions	-	-	-	-	8	-	-	8
Revaluation increments/(decrements)	-	-	-	10,681	-	-	-	10,681
Disposal	(690)	-	(487)	(72)	(1,770)	-	(72)	(3,091)
Transfers	658	25	-	91	483	-	266	1,523
Transfer to other asset class	-	-	(25)	-	25	-	-	-
	1,793	25	551	11,231	3,231	-	1,160	17,991
Movements in accumulated depreciation								
Depreciation and amortisation	(3,035)	(112)	(2,719)	(955)	(3,879)	(124)	(839)	(11,663)
Accumulated depreciation of disposals	301	-	135	22	1,075	-	41	1,574
Revaluation increments/(decrements)	-	-	-	(4,621)	-	-	-	(4,621)
	(2,734)	(112)	(2,584)	(5,554)	(2,804)	(124)	(798)	(14,710)
At fair value 30 June 2022	257,326	10,129	148,786	145,131	98,657	13,479	14,259	687,767
Accumulated depreciation at 30 June 2022	(68,924)	(7,617)	(58,875)	(59,956)	(39,280)	(2,400)	(7,131)	(244,183)
Carrying amount	188,402	2,512	89,911	85,175	59,377	11,079	7,128	443,584

CITY OF PORT PHILLIP

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

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 carpark	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.

CITY OF PORT PHILLIP

Notes to the Financial Report for the year ended 30 June 2022**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	-	-	2,687,729	Jun-22
Buildings	-	-	252,482	Jun-22
	-	-	2,940,211	

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.

CITY OF PORT PHILLIP

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

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 2022 are as follows:

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Date of Valuation
Roads	-	-	188,402	Jun-20
Bridges	-	-	2,512	Jun-21
Footpaths and cycleways	-	-	89,911	Jun-21
Drainage	-	-	85,175	Jun-22
Parks, open spaces and streetscapes	-	-	59,377	Jun-20
Off street carparks	-	-	11,079	Jun-20
Other infrastructure*	-	-	7,128	Jun-20
	-	-	443,584	

* 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 2022 were performed by the following independent valuers:

- Australian Art Valuers - contemporary, visual, historical and public art;
- Sainsbury Books - heritage photographs; and
- Sophie Ullin Art Advisory - 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 2022 are as follows:

	Level 1 \$'000s	Level 2 \$'000s	Level 3 \$'000s	Date of Valuation
Heritage and works of art	-	-	23,559	Jun-22

CITY OF PORT PHILLIP

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

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 market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 10% and 90%. 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 \$7,900 per square metre.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement cost is calculated on a square metre basis and ranges from \$330 to \$17,080 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 years to 88 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.

Reconciliation of specialised land	2022	2021
	\$'000	\$'000
Parks and reserves	2,055,895	1,946,609
Commercial	314,047	293,525
Community	202,279	181,353
Council office land	115,508	110,840
Total specialised land	2,687,729	2,532,327

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

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 Joint Venture financial statements for the 12 months ended 31 March 2022 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 2022.

	2022 \$'000	2021 \$'000
Fair value of Council's investment in Albert Park Hockey and Tennis Centre	239	270
<i>Council's share of accumulated surplus/(deficit)</i>		
Council's share of accumulated surplus/(deficit) at start of year	270	307
Reported surplus/(deficit) for year	(31)	(37)
Council's share of accumulated surplus/(deficit) at end of year	239	270
<i>Movement in carrying value of specific investment</i>		
Carrying value of investment at start of year	270	307
Share of surplus/(deficit) for year	(31)	(37)
Carrying value of investment at end of year	239	270
<i>Council's share of expenditure commitments</i>		
Operating commitments	15	15
Council's share of expenditure commitments	15	15
Council's share of contingent liabilities and contingent assets	nil	nil
Significant restrictions	nil	nil

CITY OF PORT PHILLIP

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

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 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.

Community Asset Committee

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

Principles of consolidation

An assessment by management has determined that there are no consolidated entities for the 30 June 2022 reporting period.

CITY OF PORT PHILLIP

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

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 6.3

(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 Marcus Pearl (Mayor from 17th November 2021)

Councillor Louise Crawford (Mayor to 16th November 2021)

Councillor Andrew Bond

Councillor Katherine Copsey

Councillor Tim Baxter

Councillor Rhonda Clark

Councillor Peter Martin

Councillor Heather Cunsolo

Councillor Christina Sirakoff

Other

Chief Executive Officer Peter Smith

General Manager City Growth & Organisational Capability Kylie Bennetts

General Manager- Customer, Operations & Infrastructure Chris Carroll

General Manager Community Wellbeing & Inclusion Anthony Keenan

General Manager Governance & Organisational Capability Claire Stevens (from 31st January 2022)

General Manager- Development, Transport & City Amenity Lili Rosic (to 20th August 2021)

A/General Manager- Development, Transport & City Amenity Brian Tee (16th August to 30th January 2022)

Chief Financial Officer Dennis O'Keeffe (until 26th November 2021)

A/Chief Financial Officer Jennifer Blunt (29th November to 7th January 2022, 14th March to 13th May 2022)

A/Chief Financial Officer Peter Liu (24th January to 11th March 2022, 16th May to 30th June 2022)

	2022	2021
	No.	No.
<i>Total Number of Councillors</i>	9	13
<i>Total of Chief Executive Officer and other Key Management Personnel</i>	10	6
Total Number of Key Management Personnel	19	19

CITY OF PORT PHILLIP

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

Note 7 People and relationships (continued)

7.1 Council and key management remuneration (continued)

	2022 \$'000	2021 \$'000
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits**	2,495	1,876
Post-employment benefits	49	143
Other long-term benefits	184	37
Total remuneration*	2,728	2,056

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

** 2 positions were filled by multiple staff throughout the financial year as part of interim arrangements until permanent appointments were secured. These additional salaries are included in the 2021/22 figures as they were all key management personnel at the time of performing these roles.

	2022 No.	2021 No.
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$10,000 - \$19,999	-	3
\$20,000 - \$29,999	-	4
\$30,000 - \$39,999	6	5
\$40,000 - \$49,999	1	-
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	1	-
\$80,000 - \$89,999	1	1
\$110,000- \$119,999	1	-
\$180,000 - \$189,999	2	-
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	-	1
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	-	2
\$260,000 - \$269,999	-	1
\$280,000 - \$289,999	2	1
\$300,000- \$309,000	1	-
\$390,000 - \$399,999	-	1
\$400,000- \$409,999	1	-
	19	19

CITY OF PORT PHILLIP

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

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:	2022 No.	2021 No.
<i>Income Range:</i>		
\$151,000 - \$159,999	20	9
\$160,000 - \$169,999	10	3
\$170,000 - \$179,999	2	3
\$180,000 - \$189,999	1	4
\$190,000 - \$199,999	6	6
\$200,000 - \$209,999	5	4
\$210,000 - \$219,999	1	1
\$220,000 - \$229,999	1	1
\$250,000 - \$259,999	1	
\$220,000 - \$229,999	1	
\$360,000 - \$369,999	1	-
	49	31
	\$'000	\$'000
Total Remuneration* for the reporting year for Senior Officers included above, amounted to	8,739	5,595

* Total Annual Remuneration under AASB 124 includes salary, bonuses, allowances, superannuation, termination, leave payments, leave balance payouts upon ceasing employment and accrued long service leave but excludes accrued annual leave.

** The 2021/22 balance has been impacted by: 4 redundancies and EA increase for banded staff resulting in 15 additional staff members (\$2.79 million) exceeding the reportable threshold of \$151,000, which was unchanged from 2019/20 (two financial years).

CITY OF PORT PHILLIP

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

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.

CITY OF PORT PHILLIP

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

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

	2022	2021
	\$'000	\$'000

(a) Contingent assets

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.

Open space contributions

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

6,111	7,383
-------	-------

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	10,558	10,141
Later than one year and not later than five years	32,060	20,527
Later than five years	68,234	52,288
	110,852	82,956

(b) Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
 - or
 - the amount of the obligation cannot be measured with sufficient reliability.

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 2022

Note 8 Managing uncertainties (continued)

8.1 Contingent assets and liabilities

(b) Contingent liabilities

MAV Workcare

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

8.2 Changes in accounting standards

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

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

Note 8 Managing uncertainties (continued)

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of Council's financial instruments will fluctuate because of changes in market prices. The Council's exposures to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

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

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

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

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

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause 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.

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

Note 8 Managing uncertainties (continued)

8.3 Financial instruments (continued)

c) Credit risk (continued)

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.

(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 on the face of the balance sheet 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 +3.0% and -0.0% in market interest rates (AUD) from year-end rates of 1.39%.

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 2022

Note 8 Managing uncertainties (continued)

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 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 2022

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 matters have occurred after balance date that require disclosure in the financial report.

CITY OF PORT PHILLIP

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

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
2022			
<i>Property</i>			
Land and land improvements	2,273,639	158,748	2,432,387
Buildings	91,810	25,375	117,185
	2,365,449	184,123	2,549,572
<i>Infrastructure</i>			
Roads	121,099		121,099
Bridges	897		897
Footpaths and cycleways	38,589		38,589
Drainage	36,184	6,060	42,244
Parks, open spaces & streetscapes	24,134		24,134
Off street carparks	8,249		8,249
Other infrastructure	3,314		3,314
	232,465	6,060	238,525
<i>Plant and equipment</i>			
Heritage plant & equipment	14,277	3,401	17,678
	14,277	3,401	17,678
Total Asset revaluation reserves	2,612,191	193,584	2,805,775

(a) Asset revaluation reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
2021			
<i>Property</i>			
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
<i>Infrastructure</i>			
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
<i>Plant and equipment</i>			
Heritage plant & equipment	14,277	-	14,277
	14,277	-	14,277
Total Asset revaluation reserves	2,557,780	54,411	2,612,191

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

CITY OF PORT PHILLIP

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

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
2022				
<i>General Reserve</i>	59,224	47,964	(20,449)	86,739
<i>Statutory Reserves</i>				
Resort and recreation reserve	30,443	10,004	(958)	39,489
Contributions for car parking reserve	1,791	-	-	1,791
	32,234	10,004	(958)	41,280
Total Other reserves	91,458	57,968	(21,407)	128,019
2021				
<i>General Reserve</i>	49,314	38,713	(28,803)	59,224
<i>Statutory Reserves</i>				
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
			2022 \$'000	2021 \$'000
Asset revaluation reserve			2,805,775	2,612,191
Other reserves			128,019	91,458
Total Reserves			2,933,794	2,703,649

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.

CITY OF PORT PHILLIP

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

	2022	2021
	\$'000	\$'000
Note 9 Other matters (continued)		
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	26,594	12,426
Depreciation/amortisation	20,622	20,368
(Profit)/loss on disposal of property, infrastructure, plant and equipment	7,325	219
Contributions - non-monetary assets	(8)	(826)
Other	835	823
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(7,178)	(2,294)
(Increase)/decrease in prepayments	(895)	(1,352)
(Increase)/decrease in accrued income	(261)	789
Increase/(decrease) in trade and other payables	2,877	4,858
(Decrease)/increase in other liabilities	(312)	(575)
Increase/(decrease) in provisions	(1,842)	3,053
Net cash provided by operating activities	47,757	37,489

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

Defined Benefit

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

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

CITY OF PORT PHILLIP

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

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.

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

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

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

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

Vision Super has advised that the VBI at 30 June 2022 was 102.2%. The financial assumptions used to calculate this VBI were:

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

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

Employer contributions

Regular contributions

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

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

CITY OF PORT PHILLIP

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

Note 9 Other matters (continued)

9.3 Superannuation (continued)

Funding calls

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

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

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

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

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

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

The 2021 interim actuarial investigation surplus amounts

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

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

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

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

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

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

Council was notified of the 30 June 2022 VBI in August 2022

CITY OF PORT PHILLIP

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

Note 9 Other matters (continued)

9.3 Superannuation (continued)

The 2022 interim actuarial investigation

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

Superannuation contributions

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

Scheme	Type of Scheme	Rate	2022	2021
			\$,000	\$,000
Vision super	Defined benefit	10.0%	307	328
		(2021:9.5%)		
Vision super	Accumulation fund	10.0%	3,906	3,948
		(2021:9.5%)		

Council has not paid any unfunded liability payments to Vision Super during the 2021/22 year (2020/21 \$nil).

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

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$298,517.

CITY OF PORT PHILLIP

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.

CITY OF PORT PHILLIP

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 ratepayers.
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.

CITY OF PORT PHILLIP

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.

CITY OF PORT PHILLIP

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.