

Council Meeting

Agenda

Date: Wednesday 26 October 2022

Time: 6pm

Venue: Civic Centre (Council Meeting Room)
13 Mair Street, Benalla

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In accordance with Rule 6.4 of the *Governance Rules 2020* an audio recording will be made of the proceedings of the meeting.

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Contents

Opening and Acknowledgment of Country	3
Statement of Commitment	3
Disclosures of Conflict of Interest.....	4
Apologies.....	4
Business	5
1. <i>Benalla Rural City Council 2021/22 Audited Financial Statements and Annual Report 2021/22.....</i>	<i>5</i>
Closure of the meeting	11

Agenda

Chair	Councillor Bernie Hearn (Mayor)	
Councillors	Councillor Danny Claridge	
	Councillor Peter Davis	
	Councillor Don Firth	
	Councillor Punarji Hewa Gunaratne	
	Councillor Justin King	
In attendance	Councillor Gail O'Brien	
	Dom Testoni	Chief Executive Officer
	Robert Barber	General Manager Corporate
	Cathy Fitzpatrick	Manager Finance
	Jessica Beaton	Governance Coordinator

Opening and Acknowledgment of Country

The chair will recite the following Acknowledgement of Country.

We, the Benalla Rural City Council, acknowledge the traditional custodians of the land on which we are meeting. We pay our respects to their Elders past and present and to Elders from other communities who may be here today.

Statement of Commitment

The Councillors will recite the following Statement of Commitment:

*I declare,
that as a Councillor of Benalla Rural City
I will undertake on every occasion
to carry out my duties in the best interests of the community
and that my conduct shall maintain the standards of our Councillor Code of Conduct
so that I may faithfully represent
and uphold the trust placed in the Council
by the people of Benalla and District.*

Governance Matters

This Council Meeting is conducted in accordance with the *Local Government Act 2020* and the Benalla Rural City Council *Governance Rules 2020*.

Recording of Council Meetings

In accordance with the *Governance Rules 2020* clause 6.4 meetings of Council will be audio recorded and made available for public access, with the exception of matters identified as confidential items in the agenda.

Behaviour at Meetings

Members of the public present at a meeting must remain silent during the proceedings other than when specifically invited to address the Committee.

The Chair may remove a person from a meeting for interjecting or gesticulating offensively after being asked to desist, and the chair may cause the removal of any object or material that is deemed by the Chair to be objectionable or disrespectful.

The Chair may call a break in a meeting for either a short time, or to resume another day if the behaviour at the Council table or in the gallery is significantly disrupting the Meeting.

Disclosures of Conflict of Interest

In accordance with the *Local Government Act 2020*, a Councillor must declare any Conflict of Interest pursuant to Section 130 of the Act in any items on this Agenda.

At the time indicated in the agenda, a Councillor with a conflict of interest in an item on that agenda must indicate they have a conflict of interest by clearly stating:

- the item for which they have a conflict of interest;
- whether their conflict of interest is general or material; and
- the circumstances that give rise to the conflict of interest.

Immediately prior to the consideration of the item in which they have a conflict of interest, a Councillor must indicate to the Meeting the existence of the conflict of interest and leave the Meeting.

Apologies

Recommendation:

That the apology/ies be accepted and a leave of absence granted.

Business

1. Benalla Rural City Council 2021/22 Audited Financial Statements and Annual Report 2021/22

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Dom Testoni – Chief Executive Officer
Robert Barber – General Manager Corporate
Cathy Fitzpatrick – Manager Finance

PURPOSE OF REPORT

The report presents for in principle approval the *Annual Financial Report and Performance Statement* for the year ended June 2022 and for consideration the *Benalla Rural City Council Annual Report 2021/22*.

BACKGROUND

The *Local Government Act 2020* (the Act) requires that the Annual Financial Report and Performance Statement be approved in principle by the Council prior to being submitted to its auditor and the Minister for Local Government.

The Act also requires the completed financial statements and performance statement to be certified by two councillors having regard to the recommendations, if any, from the Victorian Auditor-General.

The *2021/22 Annual Financial Report* (refer **Appendix 1**) and *2021/22 Performance Statement* (refer **Appendix 2**) are provided for in principle approval.

The draft statements were presented to the Audit and Risk Committee and the Council at a meeting on 18 October 2022 where the Committee resolved:

That the Audit and Risk Committee recommended to the Council that it give its approval in principle to submit to the Victorian Auditor-General the *Benalla Rural City Council Annual Financial Report for the Year Ended 30 June 2022* and the *Benalla Rural City Council Performance Statement for the Year Ended 30 June 2022*.

Sections 98 and 99 of the *Local Government Act 2022* (the Act), require all councils to prepare, and meet to consider, an annual report in respect of each financial year.

The *Benalla Rural City Council Annual Report 2021/22* is provided under separate cover or can be downloaded from the Council's website.

DISCUSSION

Annual Financial Report

The Annual Financial Report is prepared in accordance with the applicable Australian Accounting Standards which includes the Australian equivalent to International Financial Reporting Standards (AIFRS). These Standards require the preparation of five mandatory statements.

These statements are:

- **Comprehensive Income Statement** (Operating – Accrual Statement): comprises non-cash items such as depreciation and cost of goods (assets) sold and excludes Capital Expenditure and Transfers to and from Other Reserves.
- **Balance Sheet**: lists the Council's assets and liabilities. It indicates the overall financial position of the Council.
- **Statement of Changes in Equity**: indicates movements in the Council's Reserve Funds.
- **Statement of Cash Flows**: indicates all cash expended and received for all activities during the financial year.
- **Statement of Capital Works**: details the Council's capital works expenditure for the financial year. It sets out the expenditure on creating or buying property, infrastructure, plant and equipment by each category of asset.

The Performance Statement is a key section of the annual report whereby the Council makes itself accountable to the community. The statement must contain the key strategic activities and performance targets and measures specified in the budget and actual results achieved.

Once approved by the Victorian Auditor-General's Office, the 2021/22 Financial Report and Performance Statement will be certified by the Mayor Cr Bernie Hearn, Chair of the Finance and Operations Committee Cr Justin King and Chief Executive Officer Dom Testoni.

Principal Accounting Officer Cathy Fitzpatrick will also certify the documents.

Net Result

Council achieved a surplus of \$4.851 million in 2021/22 against a budgeted surplus of \$1.953 million. As per the Comprehensive Income Statement in the Financial Report, the favourable variance is mainly due to the receipt of unbudgeted operating grant income (\$5.664 million more than budgeted). This is offset by less than budgeted capital grant income \$3.604 million less than budget) due to delays in the delivery of projects in the 2021/22 Capital Projects Program.

Contributions were \$435,000 more than budgeted and Rates and Charges \$403,000 more than budgeted.

A summary of the Council's financial position for the past four years as at 30 June is summarised below:

	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000
Total Revenue	\$32,933	\$35,517	\$36,589	\$39,300
Total Expenses	\$31,396	\$39,414	\$31,120	\$34,449
Surplus (Deficit)	\$1,537	(\$3,897)	\$5,469	\$4,851
Total Assets	\$274,118	\$270,394	\$289,957	\$330,503
Net Assets	\$255,012	\$249,551	\$264,724	\$298,968
Rates and Charges	\$17,702	\$18,487	\$19,027	\$19,978
Capital Projects	\$4,502	\$5,119	\$5,967	\$6,525

Capital Works

During 2021/21 \$6.525 million of capital works were undertaken, with \$3.716 million of new asset expenditure, \$1.720 million of asset renewal and \$1.088 million of asset upgrade expenditure.

Key expenditure areas were:

Roads	\$2.655 million
Waste management	\$2.054 million
Plant and equipment	\$601,000
Off-street carparks	\$352,000
Parks, open space and streetscapes	\$331,000

Landfill Restoration Provision

The provision to restore cells at the Benalla Landfill and Recreation Centre has increased from \$9.008 million to \$13.308 million. The increase incorporates aftercare and monitoring costs detailed in the *Benalla Landfill and Resource Recovery Centre Updated Masterplan (June 2019)*.

Once the EPA has made a decision on rehabilitation and cell construction designs submitted to it for approval, this outdated report will be updated in the 2021/22 financial year to more accurately detail costs and timing associated with future cell construction, rehabilitation and 30 year costs related with post closure activities.

Performance Statement

The Performance Statement is a key component of the Local Government Performance Reporting Framework. The framework is a mandatory system of performance reporting for all Victorian councils. It ensures councils are measuring and reporting on their performance in a consistent way to promote transparency and accountability in the local government sector.

The framework is made up of a range of measures, including roads, planning, animal management and waste. It is complemented by a Governance and Management checklist of 24 items, which shows the policies, plans and procedures in place at each council.

The framework and checklist build a comprehensive picture of council performance, which can be viewed on the 'Know Your Council' website.

Financial Performance Indicators

Financial Performance indicators can be found on pages 10 to 17 of the Performance Statement (**Appendix 2**).

Key Financial Ratios	2018/19	2019/20	2020/21	2021/22
Working Capital (Current assets/current liabilities):	215%	187%	203%	198%
Indebtedness (Non-current liabilities/own source revenue):	54%	52%	50%	59%
Adjusted Underlying Result (Adjusted underlying surplus [deficit]/adjusted underlying revenue)	-0.19%	-21%	7%	6%
Asset Renewal and Upgrade (Asset renewal and upgrade expense/Asset depreciation)	NA	51%	40%	47%

Annual Report 2021/22

The Annual Report provides an account to the community of the Council's performance to our community. The report details achievements against the goals of the Council Plan and performance against stipulated measures.

COUNCIL PLAN 2021-2025 IMPLICATIONS

Leadership

- *Good governance.*
- *Engaged and informed community.*

FINANCIAL IMPLICATIONS

Costs associated with the production of the Annual Report were met from existing budget allocations.

LEGAL AND STATUTORY IMPLICATIONS

This proposal is consistent with sections 98 and 99 of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020* Part 4.

COMMUNITY ENGAGEMENT

In accordance with the Council's *Community Engagement Policy*, it is proposed that community engagement be undertaken at the 'Inform' level under the International Association for Public Participation's IAP2 public participation spectrum as detailed in the table below:

Level of Public Participation	Promise to the community	Techniques to be used
Inform	We will provide information	<ul style="list-style-type: none"> Annual Report presented in a public report to the Council. Annual Report to be published on Council's website.

OFFICER DECLARATION OF CONFLICT OF INTEREST

No officers involved in the preparation of this report have any general or material conflicts of interest in this matter.

CONCLUSION

The Annual Finance Report and Performance Statement remain under review by the Victorian Auditor-General's Office. Any material changes to the documents presented in this report will be reported to the Council at the Finance and Operations Committee Meeting on 9 November 2022.

Recommendation:

1. That approval in principle be given to the *Benalla Rural City Council Annual Financial Report for the Year Ended 30 June 2022* and *Benalla Rural City Council Performance Statement For the Year Ended 30 June 2022*.
2. That Mayor Cr Bernie Hearn, Cr Justin King and Chief Executive Officer Dom Testoni be authorised to certify the *Benalla Rural City Council Annual Financial Report For the Year Ended 30 June 2022* and *Benalla Rural City Council Performance Statement For the Year Ended 30 June 2022* in their final form after any changes recommended or agreed to by the auditor have been made.
3. That the *Benalla Rural City Council Annual Report 2021/22* be received.

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BENALLA

RURAL CITY COUNCIL

BENALLA RURAL CITY COUNCIL

ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2022

Benalla Rural City Council Financial Report

FINANCIAL REPORT		Page
Certification of the Financial Statements		1
Financial Statements		
Comprehensive Income Statement		4
Balance Sheet		5
Statement of Changes in Equity		6
Statement of Cash Flows		7
Statement of Capital Works		8
Notes to Financial Statements		
Note 1	Overview	9
Note 2	2.1 Performance against budget	10
	2.1.1. Income and expenditure	10
	2.1.2. Capital works	12
	2.2 Analysis of Council results by program	13
Note 3	Funding for the delivery of our services	14
	3.1. Rates and charges	14
	3.2. Statutory fees and fines	14
	3.3. User fees	14
	3.4. Funding from other levels of government	14
	3.5. Contributions	16
	3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	16
	3.7. Other income	17
Note 4	The cost of delivering services	17
	4.1. Employee costs	17
	4.2. Materials and services	17
	4.3. Depreciation	18
	4.4. Amortisation - Intangible assets	18
	4.5. Amortisation - Right of use assets	18
	4.6. Bad and doubtful debts	18
	4.7. Borrowing costs	18
	4.8. Finance Costs - Leases	18
	4.9. Other expenses	18
Note 5	Our financial position	19
	5.1. Financial assets	19
	5.2. Non-financial assets	21
	5.3. Payables, trust funds and deposits and unearned income/revenue	21
	5.4. Interest-bearing liabilities	22
	5.5. Provisions	22
	5.6. Financing arrangements	23
	5.7. Commitments	24
	5.8. Leases	25
Note 6	Assets we manage	26
	6.1. Property, infrastructure plant and equipment	26
Note 7	People and relationships	33
	7.1. Council and key management remuneration	33
	7.2. Related party disclosure	34
Note 8	Managing uncertainties	35
	8.1. Contingent assets and liabilities	35
	8.2. Change in accounting standards	35
	8.3. Financial instruments	35
	8.4. Fair value measurement	38
	8.5. Events occurring after balance date	38
	8.6. Adjustments directly to equity	38
Note 9	Other matters	39
	9.1. Reserves	39
	9.2. Reconciliation of cash flows from operating activities to surplus	41
	9.3. Superannuation	41
Note 10	Change in accounting policy	42

Certification of the Financial Statements

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

Catherine Fitzpatrick, CPA
Principal Accounting Officer

Date : <Date>
Benalla

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

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

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

Bernie Hearn
Councillor
Date : <Date>
Benalla

Justin King
Councillor
Date : <Date>
Benalla

Dom Testoni
Chief Executive Officer
Date : <Date>
Benalla

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Comprehensive Income Statement For the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Rates and charges	3.1	19,978	19,027
Statutory fees and fines	3.2	731	546
User fees	3.3	3,831	3,122
Grants - operating	3.4	10,401	9,400
Grants - capital	3.4	3,720	3,940
Contributions - monetary	3.5	391	373
Contributions - non monetary	3.5	139	146
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(71)	(99)
Other income	3.7	180	134
Total income		39,300	36,589
Expenses			
Employee costs	4.1	13,889	12,806
Materials and services	4.2	12,947	11,087
Depreciation	4.3	6,039	6,419
Amortisation - intangible assets	4.4	253	387
Amortisation - right of use assets	4.5	366	402
Bad and doubtful debts	4.6	21	14
Borrowing costs	4.7	92	92
Finance costs - leases	4.8	31	31
Other expenses	4.9	811	(118)
Total expenses		34,449	31,120
Surplus for the year		4,851	5,469
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.1	35,128	8,326
Total other comprehensive income		35,128	8,326
Total comprehensive result		39,979	13,795

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

Balance Sheet As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1(a)	17,782	12,412
Trade and other receivables	5.1(c)	3,681	2,065
Other financial assets	5.1(b)	12,209	12,208
Inventories	5.2(a)	27	34
Other assets	5.2(b)	154	171
Total current assets		33,853	26,890
Non-current assets			
Property, infrastructure, plant and equipment	6.1	292,166	262,317
Right-of-use assets	5.8	548	461
Intangible assets	5.2(c)	3,936	289
Total non-current assets		296,650	263,067
Total assets		330,503	289,957
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	4,780	1,993
Trust funds and deposits	5.3(b)	1,053	839
Unearned income/revenue	5.3(c)	5,030	4,823
Provisions	5.5	4,987	4,233
Interest-bearing liabilities	5.4	977	1,107
Lease liabilities	5.8	270	277
Total current liabilities		17,097	13,272
Non-current liabilities			
Provisions	5.5	11,337	7,968
Interest-bearing liabilities	5.4	2,809	3,796
Lease liabilities	5.8	292	197
Total non-current liabilities		14,438	11,961
Total liabilities		31,535	25,233
Net assets		298,968	264,724
Equity			
Accumulated surplus		147,908	143,206
Reserves	9.1	151,060	121,518
Total Equity		298,968	264,724

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

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

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2022					
Balance at beginning of the financial year		264,724	143,206	120,706	812
Surplus for the year		4,851	4,851	-	-
Net asset revaluation increment	6.1	35,128	-	35,128	-
Impairment losses recognised with in revaluation reserve	6.1	(5,735)	-	(5,735)	-
Transfers to other reserves	9.1(b)	-	(149)	-	149
Balance at end of the financial year		298,968	147,908	150,099	961

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2021					
Balance at beginning of the financial year		249,551	136,442	112,380	729
Recognition of found assets property and infrastructure	8.6	1,378	1,378	-	-
Adjusted opening balance		250,929	137,820	112,380	729
Surplus for the year		5,469	5,469	-	-
Net asset revaluation increment	9.1(a)	8,326	-	8,326	-
Transfers to other reserves	9.1(b)	-	(83)	-	83
Balance at end of the financial year		264,724	143,206	120,706	812

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

Statement of Cash Flows For the Year Ended 30 June 2022

	Note	2022 Inflows/ (Outflows) \$'000	2021 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		20,122	18,982
Statutory fees and fines		731	546
User fees		3,831	4,302
Grants - operating		9,341	8,853
Grants - capital		3,371	8,048
Contributions - monetary		391	373
Interest received		57	30
Net GST refund / (payment)		936	1,005
Employee costs		(14,066)	(12,656)
Materials and services		(12,651)	(12,342)
Short-term, low value and variable lease payments		(127)	(250)
Receipts from other Income		270	(285)
Trust funds and deposits repaid		214	(50)
Other payments		(392)	(345)
Net cash provided by/(used in) operating activities	9.2	13,519	16,211
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(6,523)	(5,966)
Payments for investments		(20)	(7,882)
Payments for sale of investments		(1)	-
Payments of loans and advances		-	(2)
Net cash provided by/(used in) investing activities		(6,544)	(13,850)
Cash flows from financing activities			
Finance costs		(92)	(92)
Proceeds from borrowings		-	1,900
Repayment of borrowings		(1,117)	(897)
Interest paid - lease liability		(31)	(31)
ROU Asset - Principal Repayments		(365)	(406)
Net cash provided by/(used in) financing activities		(1,605)	474
Net increase (decrease) in cash and cash equivalents		5,370	2,835
Cash and cash equivalents at the beginning of the financial year		12,412	9,577
Cash and cash equivalents at the end of the financial year		17,782	12,412
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Statement of Capital Works For the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Property			
Buildings		173	1,192
Building improvements		3	-
Total buildings		176	1,192
Total property		176	1,192
Plant and equipment			
Plant, machinery and equipment		312	820
Fixtures, fittings and furniture		190	46
Computers and telecommunications		10	390
Library books		89	85
Total plant and equipment		601	1,341
Infrastructure			
Roads		2,655	1,450
Footpaths and cycleways		75	216
Drainage		140	11
Waste management		2,054	1,053
Parks, open space and streetscapes		331	524
Off street car parks		352	175
Other infrastructure		141	5
Total infrastructure		5,748	3,434
Total capital works expenditure		6,525	5,967
Represented by:			
New asset expenditure		3,716	3,212
Asset renewal expenditure		1,720	1,880
Asset expansion expenditure		-	181
Asset upgrade expenditure		1,088	694
Total capital works expenditure		6,525	5,967

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

Note 1 OVERVIEW

Introduction

The Benalla Rural City Council was established by an Order of the Governor in Council on 28 October 2002 and is a body corporate. The Council's main office is located at the Customer Service Centre, 1 Bridge Street East, Benalla.

Statement of compliance

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

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

Significant accounting policies

(a) Basis of accounting

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

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

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- whether or not *AASB 1059 Service Concession Arrangements: Grantors* is applicable
- other areas requiring judgements

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

(b) Impact of Covid-19

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

- Additional revenue – add details of grant funding received:

Working For Victoria Grant Funding \$0.265 million

Local Roads and Community Infrastructure Grant Agreement Phase 1 and 2 \$0.618 million

COVID-19 community activation and social isolation initiative \$4,250

- Revenue reductions – user fees associated with facilities which have been required to close at times such as Benalla Aerodrome, Benalla Art Gallery, Cinema and Library facility.

- Revenue foregone – the Council adopted COVID-19 Financial Hardship Policy throughout 2021/21 has reduced revenue from local law fines during period and nil interest charges on unpaid rates and charges during the pandemic where ratepayers register for ongoing assistance.

- Additional costs – which relate to grant funding \$0.636 million in various areas including employee costs and materials and services.

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 \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

2.1.1 Income and expenditure

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Income					
Rates and charges	19,575	19,978	403	2%	1
Statutory fees and fines	493	731	238	48%	2
User fees	4,196	3,831	(365)	-9%	3
Grants - operating	4,737	10,401	5,664	120%	4
Grants - capital	7,324	3,720	(3,604)	-49%	5
Contributions - monetary	95	391	296	312%	6
Contributions - non monetary	-	139	139	0%	7
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	25	(71)	(96)	-384%	8
Other income	74	180	106	143%	9
Total income	36,519	39,300	2,781	8%	
Expenses					
Employee costs	13,627	13,889	(262)	-2%	10
Materials and services	12,838	12,947	(109)	-1%	11
Depreciation	6,586	6,039	547	8%	12
Amortisation - intangible assets	575	253	322	56%	13
Amortisation - right of use assets	360	366	(6)	-2%	
Bad and doubtful debts	15	21	(6)	-40%	14
Borrowing costs	111	92	19	17%	15
Finance costs - leases	34	31	3	9%	
Other expenses	420	811	(391)	-93%	16
Total expenses	34,566	34,449	117	0%	
Surplus/(deficit) for the year	1,953	4,851	2,898	148%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Increases in rates and charges includes supplementary rates raised \$203,000. Additional revenue in lieu of rates \$230,000. No interest income for year on outstanding rates.
2	Statutory fees and fines	Significantly higher Planning fees \$137,937; Environmental Health fees \$41,254; Building fees \$23,739; Certificate charges \$21,802; and Compliance fines \$7,003.

(i) Explanation of material variations (cont.)

3	User Fees	\$1.5m of internal user fees between different Council functions have been eliminated from user fee revenue and materials and services expenses, with these internal charges not having been eliminated within the budget balances. If the eliminated internal user fees were added back into current year balances this would reflect a \$1.1m increase from the budgeted balance. After enforced closures several services fees were lower due in part to the timing of services being accessible to public. Additional income was from Benalla Performing Arts and Convention Centre operations \$101,811; Benalla Art Gallery operations \$67,036 and Statutory Planning Fees \$56,000.
4	Grants - operating	Additional \$3.468 million in recurrent operational income (Financial Assistance Grants) representing a 75% advancement of 2022/23 financial year grant received in June 2022. Additional income associated with the 28-30 January 2022 storm event \$946,512; Benalla Economic Diversification Plan \$250,000; Working for Victoria Grant \$175,034; Benalla Urban Growth Plan Project \$119,600; Business Development Projects \$90,000; Transfer Station Upgrade fund \$80,000; and glass collection service planning \$21,222. Additional Aged Care acquittal funds 20/21 \$185,753; additional 21/22 Aged Care funding \$62,536; Youth Programs \$71,651; and Maternal and Child Health programs \$43,612.
5	Grants - capital	Reduced grant income due to delays in 21/22 Capital Works program: Art Gallery Off-Site Storage Facility \$1.1 million and Benalla Art Gallery Redevelopment \$1.4 million. Benalla Visitor Information Centre Redevelopment \$0.955 million and Local Road and Community Infrastructure Fund \$0.814 million. Additional income associated with the 28-30 January 2022 Storm Event \$0.669 million.
6	Contributions - monetary	Contributions received towards community projects \$217,400 and contributions Public Open space \$79,600.
7	Contributions - non monetary	Recognition of Volunteer Services \$96,000, donation of items to the Benalla Art Gallery collection \$43,000.
8	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	No income generated from sale of major plant and machinery, property improvements, costs associated with disposal of infrastructure assets as part of renewal works.
9	Other income	Favourable return on investments due to increased cash held \$26,000 and higher investment rates, reimbursement of COVID-19 Testing Site expenses from October 2021 to December 2021 \$25,241 and other reimbursements such as insurance \$54,000.
10	Employee costs	Increase employee costs associated with grant funded projects, primarily Working for Victoria - 26 positions \$0.262 million.
11	Materials and services	\$1.5m of internal internal user fees between different Council functions have been eliminated from user fee revenue and materials and services expenses, with these internal charges not having been eliminated within the budget balances. If the eliminated materials and services were added back into current year balances this would reflect a \$1.1m increase from the budgeted balance. Increased materials costs associated with the 28 - 30 January 2022 Storm Event \$946,512 and Emergency Events \$91,865 required additional materials, contract payments and contract staff, this was offset by reduced maintenance operating costs due to closures and reduced access to operating areas. Increased fees collected at Landfill requiring payment of EPA Levy \$400,614, additional Environmental Grant funded Projects \$123,650, additional merchandise items Benalla Art Gallery \$27,000.
12	Depreciation	Reduced depreciation charges \$0.547 million as community building and infrastructure projects not finalised in prior year.
13	Amortisation - intangible assets	Reduced amortisation expense as Cell 2 airspace fully amortised in 21/22 and Cell 3 airspace yet to be used.
14	Bad and doubtful debts	Increased bad debts as a result of closure of Aged Care and Disability services at 30 June 2022.
15	Borrowing Costs	Reduced borrowing costs due to decreases in variable interest rates.
16	Other expenses	Increased rehabilitation costs in Landfill provision additional expense \$0.328 million due to revised inflation and discount rates.

2.1.2 Capital works

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Property					
Buildings	4,454	176	(4,278)	-96%	1
Total buildings	4,454	176	(4,278)	-96%	
Total property	4,454	176	(4,278)	-96%	
Plant and equipment					
Plant, machinery and equipment	285	312	27	9%	2
Fixtures, fittings and furniture	275	190	(85)	-31%	3
Computers and telecommunications	200	10	(190)	-95%	4
Library books	96	89	(7)	-7%	5
Total plant and equipment	856	601	(255)	-30%	
Infrastructure					
Roads	2,140	2,655	515	24%	6
Footpaths and cycleways	198	75	(123)	-62%	7
Drainage	1,144	140	(1,004)	-88%	8
Waste management	3,510	2,054	(1,456)	-41%	9
Parks, open space and streetscapes	611	331	(280)	-46%	10
Off street car parks	296	352	56	19%	11
Other infrastructure	180	141	(39)	-22%	12
Total infrastructure	8,079	5,748	(2,331)	-29%	
Total capital works expenditure	13,389	6,525	(6,864)	-51%	
Represented by:					
New asset expenditure	5,902	3,716	(2,186)	-37%	
Asset renewal expenditure	4,136	1,720	(2,416)	-58%	
Asset upgrade expenditure	3,351	1,088	(2,262)	-68%	
Total capital works expenditure	13,389	6,525	(6,864)	-51%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Art Gallery Off-Site Storage Facility \$1.1 million and Art Gallery Redevelopment \$1.4 million projects - planning and community consultation in 2021/22. Benalla Visitor Information Centre Redevelopment Building commenced June 2022 \$1.9 million.
2	Plant, machinery and equipment	Major plant - water truck price increase due to COVID-19 supply issues.
3	Fixtures, fittings and furniture	Grant funding received Victorian State Government Outdoor Activation for Denny Street Carpark improvements \$90,000 community engagement on project location will delay delivery until 22/23.
4	Computers and telecommunications	Delays experienced in delivery of IT items due to COVID-19 supply chain issues.
5	Library books	Council's contribution towards Alpine Regional Library Hub Book Stock is based on regional population figures. Actual required contribution was less than budgeted.
6	Roads	Unbudgeted road works due to Storm Event January 2022 \$0.669 million.
7	Footpaths and cycleways	Delayed program delivery due to unavailability of contractors.
8	Drainage	Local Road and Community Infrastructure Fund (Australian Government) - Phase 2 Drainage delayed program \$1.1 million delivery due to unavailability of contractors. Cowan Street Basin commenced in May 2022 to be finalised 2022/23.
9	Waste management	Approval for Cell 3 construction program delayed until 2022. Landfill Rehabilitation \$1.2 million delayed until 2022/23.
10	Parks, open space and streetscapes	Additional grant funding received Lakeside Precinct Building Works Package (Australian Government) - Interpretive Trail/Sculptures undertaken community consultation in 2021/22 project to finalise \$120,000 in 2022/23. Streetscape Upgrade Bridge Street Project is incorporate in Other Infrastructure.
11	Off street car parks	Grant funding received Lakeside Precinct Building Works Package (Australian Government) - Mair Street Car Park Stage 2 additional works undertaken \$84,432.
12	Other infrastructure	Streetscape Upgrade Bridge Street, Benalla \$300,000 delayed until 2022/23 as community engagement continues. This is offset by the Streetscape Upgrade Bridge Street Project which has been included within actual balances for this category, but was included within Parks, open space and streetscapes within the budget balances.

Note 2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

Chief Executive Officer Division

Corporate Division

1 Chief Executive Officer Division

The Chief Executive division oversees the running of the entire organisation.

2 Corporate Division

The Corporate Division coordinates a wide range of services for the community through its various programs: Arts, Communication, Tourism and Events, Capital Projects, Community, Development, Economic Development, Facilities, Finance, Operations, People and Performance, and Sustainability.

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

	Income	Expenses	Surplus	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Chief Executive Officer Division	18	709	(691)	-	-
Corporate Division	39,282	33,740	5,542	14,121	330,503
	39,300	34,449	4,851	14,121	330,503
	Income	Expenses	Surplus	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Chief Executive Officer Division	1,057	1,526	(469)	1,012	-
Corporate Division	35,532	29,594	5,938	12,328	289,957
	36,589	31,120	5,469	13,340	289,957

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

Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is its land plus all improvements on that land.

The valuation base used to calculate general rates for 2021/22 was \$3.669 billion (2020/21 \$3.083 billion).

General rates	13,736	13,371
Municipal charge	1,987	1,954
Waste management charge	3,730	3,525
Cultural and Recreational Properties	20	20
Supplementary rates and rate adjustments	203	143
Interest on rates and charges	56	-
Revenue in lieu of rates	246	14
Total rates and charges	19,978	19,027

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

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

Cultural and Recreational Properties are excluded from Rates cap.

3.2 Statutory fees and fines

Infringements and costs	28	13
Court recoveries	6	-
Town planning fees	364	218
Land information certificates	22	19
Permits	311	295
Total statutory fees and fines	731	546

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	478	621
Leisure centre and recreation	415	230
Children and Youth	-	1
Parking	23	27
Registration and other permits	273	288
Building services	9	15
Waste management services	2,423	1,710
Operations	94	139
Other fees and charges	116	91
Total user fees	3,831	3,122
User fees by timing of revenue recognition		
User fees recognised at a point in time	3,831	3,122
Total user fees	3,831	3,122

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.

3.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	8,339	7,603
State funded grants	5,782	5,736
Total grants received	14,121	13,339

3.4 Funding from other levels of government (cont.)

	2022	2021
	\$'000	\$'000
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	5,725	4,370
General home care	907	716
<i>Recurrent - State Government</i>		
Aged care	331	201
School crossing supervisors	74	59
Libraries	159	153
Maternal and child health	364	490
Creative Arts Victoria	105	105
Youth Programs & Family Support	585	667
Fire Services Property Levy Administrative Support Funding	-	45
Emergency Resourcing	73	113
Total recurrent operating grants	8,323	6,919
<i>Non-recurrent - Commonwealth Government</i>		
Drought Communities Funding	-	410
Environmental planning	-	141
Paid Parental Leave	84	29
COVID-19 Emergency Support	-	50
Local Road and Community Infrastructure	30	35
<i>Non-recurrent - State Government</i>		
Environmental Projects	162	404
Youth Programs & Family Support	37	327
Planning Projects	120	62
Maternal Child Health	-	17
Economic Development	606	834
Building Surveyors Program	75	75
COVID-19 Support	-	15
Art Gallery Consultation Funding	-	45
Natural Disaster Claim	959	-
Other	6	37
Total non-recurrent operating grants	2,078	2,481
Total operating grants	10,401	9,400
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	975	975
Total recurrent capital grants	975	975
<i>Non-recurrent - Commonwealth Government</i>		
Drought Communities Funding	-	480
Local Road and Community Infrastructure	618	398
<i>Non-recurrent - State Government</i>		
Regional Jobs and Infrastructure - Visitor Information Centre	-	75
Sustainability Victoria - Transfer Station	-	325
Sustainability Victoria - E-Waste Shed	-	100
Department of Health & Human Services - Arundel Street Sport Precinct Upgrade	-	488
Department of Jobs, Precincts and Regions - Benalla Splash Park	-	380
Benalla Foreshore Funding	856	619
Rural ICT Support Package	-	100
Department of Treasury & Finance - NDF	668	-
Department of Jobs, Precincts and Regions - AGRI Links	356	-
Department of Jobs, Precincts and Regions - Outdoor Activation Plan	87	-
Department of Jobs, Precincts and Regions - Outdoor Eating & Entertainment	160	-
Total non-recurrent capital grants	2,745	2,965
Total capital grants	3,720	3,940

3.4 Funding from other levels of government (cont.)

	2022	2021
	\$'000	\$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	259	806
Received during the financial year and remained unspent at balance date	158	259
Received in prior years and spent during the financial year	(259)	(806)
Balance at year end	<u>158</u>	<u>259</u>
Capital		
Balance at start of year	4,546	437
Received during the financial year and remained unspent at balance date	1,972	4,546
Received in prior years and spent during the financial year	(1,652)	(437)
Balance at year end	<u>4,866</u>	<u>4,546</u>

(d) Recognition of grant income

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

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

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

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

Income recognised under AASB 1058 *Income of Not-for-Profit Entities*

General purpose	5,834	4,479
Specific purpose grants to acquire non-financial assets	3,720	3,940
Other specific purpose grants	2,953	3,575
Revenue recognised under AASB 15 <i>Revenue from Contracts with Customers</i>		
Specific purpose grants	1,614	1,345
	<u>14,121</u>	<u>13,339</u>

3.5 Contributions

Monetary	391	373
Non-monetary	139	146
Total contributions	<u>530</u>	<u>519</u>

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

Art Collection	43	54
Recognition of Volunteer Services	96	92
Total non-monetary contributions	<u>139</u>	<u>146</u>

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

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

Written down value of assets disposed	(71)	(99)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>(71)</u>	<u>(99)</u>

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

	2022 \$'000	2021 \$'000
3.7 Other income		
Interest	57	30
Other	123	104
Total other income	180	134

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.

Note 4 The cost of delivering services

4.1 (a) Employee costs

Wages and salaries	12,396	11,371
WorkCover	321	357
Superannuation	1,129	1,031
Fringe benefits tax	43	47
Total employee costs	13,889	12,806

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	46	59
	46	59
Employer contributions payable at reporting date.	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	522	484
Employer contributions - Hesta Superannuation Fund	73	69
Employer contributions - Australian Superannuation Fund	65	54
Employer contributions - VicSuper Superannuation Fund	40	35
Employer contributions - REST Superannuation Fund	35	40
Employer contributions - Hostplus Superannuation Fund	29	28
Employer contributions - other funds	319	262
	1,083	972
Employer contributions payable at reporting date.	79	120

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

4.2 Materials and services

Contract Payments	5,548	4,915
Materials and Services	1,363	1,262
Environmental Protection Authority Levy	1,115	483
Services non contract	950	807
Vehicle Expenses	882	918
Insurance	525	504
Electricity and Utilities	476	403
Repairs and Maintenance	338	292
Contract Staff	223	152
Consultants General	236	172
Cleaning Expenses	167	199
Memberships and Subscriptions	157	151
Management Committees	136	138
Advertising and Promotion	111	70
Exhibition/Performance Costs	110	89
Legal Expenses	107	85
Training and development	105	113
Telephone	103	82
Volunteers Services	96	93
Postage	49	52
Machine Hire	26	109
Other	121	-
Total materials and services	12,947	11,087

Expenses are recognised as they are incurred and reported in the financial year to which they relate. Refer note 3.5 Contributions for further information relating to Volunteers Services.

	2022 \$'000	2021 \$'000
4.3 Depreciation		
Property	515	502
Plant and equipment	645	502
Infrastructure	4,879	5,415
Total depreciation	6,039	6,419

Refer to note 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - Intangible assets

Software	30	30
Airspace at Landfill	223	357
Total Amortisation - Intangible assets	253	387

4.5 Amortisation - Right of use assets

Vehicles	281	248
Plant, machinery and equipment	85	154
Total Amortisation - Right of use assets	366	402

4.6 Bad and doubtful debts

Other debtors	21	14
Total bad and doubtful debts	21	14

Movement in provisions for doubtful debts

Balance at the beginning of the year	13	34
New provisions recognised during the year	32	14
Amounts already provided for and written off as uncollectible	(11)	(14)
Amounts provided for but recovered during the year	(3)	(21)
Balance at end of year	31	13

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

4.7 Borrowing costs

Interest - Borrowings	92	92
Total borrowing costs	92	92

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

4.8 Finance Costs - Leases

Interest - Lease Liabilities	31	31
Total finance costs	31	31

4.9 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	49	47
Auditors' remuneration - Internal Audit	8	10
Councillors' allowances	221	189
Contributions - Community Support and Events Street Art	113	99
Recognition of increase / (reduction) landfill rehabilitation	420	(463)
Total other expenses	811	(118)

Note 5 Our financial position

	2022	2021
	\$'000	\$'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	1	2
Cash at bank	17,781	12,410
Total cash and cash equivalents	17,782	12,412
(b) Other financial assets		
Term deposits - current	12,209	12,208
Total other financial assets	12,209	12,208
Total financial assets	29,991	24,620

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

- Trust funds and deposits (Note 5.3)	1,053	839
Total restricted funds	1,053	839
Total unrestricted cash and cash equivalents	16,729	11,573

Intended allocations

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

- cash held to fund carried forward capital works	2,777	3,375
- unexpended grants	5,030	4,823
Total funds subject to intended allocations	7,807	8,198

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

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

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

5.1 Financial assets (cont.)

	2022 \$'000	2021 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	1,122	1,266
GST - BAS Refunds	194	(116)
Other debtors	-	10
<i>Non statutory receivables</i>		
Other debtors	2,396	919
Provision for doubtful debts - other debtors	(31)	(13)
Total current trade and other receivables	3,681	2,066

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

(d) Ageing of Receivables

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

Current (not yet due)	639	707
Past due by up to 30 days	53	119
Past due between 31 and 180 days	12	20
Past due between 181 and 365 days	31	56
Past due by more than 1 year	1	2
Total trade and other receivables	736	904

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$31,000 (2021: \$13,000) were impaired. The amount of the provision raised against these debtors was \$31,000 (2021: \$13,000). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	(6)
Past due between 181 and 365 days	(31)	(5)
Past due by more than 1 year	-	(2)
Total trade & other receivables	(31)	(13)

5.2 Non-financial assets	2022	2021
(a) Inventories	\$'000	\$'000
Inventories held for distribution	27	34
Total inventories	27	34

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

(b) Other assets

Prepayments	154	170
Accrued income	-	1
Total other assets	154	171

(c) Intangible assets

Software	56	66
Landfill air space	3,880	223
Total intangible assets	3,936	289

	Software \$'000	Landfill \$'000	Total \$'000
Gross carrying amount			
Balance at 1 July 2021	114	1,074	1,188
Other additions	21	2,932	2,953
Balance at 30 June 2022	135	4,006	4,141
Accumulated amortisation and impairment			
Balance at 1 July 2021	48	851	899
Amortisation expense	31	223	254
Balance at 30 June 2022	79	1,074	1,153
Net book value at 30 June 2021	66	223	289
Net book value at 30 June 2022	56	2,932	2,988

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

5.3 Payables, trust funds and deposits and unearned income/revenue	2022	2021
(a) Trade and other payables	\$'000	\$'000
<i>Non-statutory payables</i>		
Trade payables	3,441	1,661
Accrued expenses	1,339	332
Total trade and other payables	4,780	1,993

(b) Trust funds and deposits

Refundable deposits	413	328
Retention amounts	140	93
Other refundable deposits	500	418
Total trust funds and deposits	1,053	839

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.

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

(c) Unearned income/revenue		
Grants received in advance - operating	158	259
Grants received in advance - capital	4,866	4,546
Other	6	18
Total unearned income/revenue	5,030	4,823

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of grants received. Unearned income/revenue are derecognised and recorded as revenue when promised goods or services are transferred to the customer. Refer to note 3

5.4 Interest-bearing liabilities	2022 \$'000	2021 \$'000
Current		
Other borrowings - secured	977	1,107
	977	1,107
Non-current		
Other borrowings - secured	2,809	3,796
	2,809	3,796
Total	3,786	4,903

Borrowings are secured by a charge over general rates.

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

Not later than one year	977	1,107
Later than one year and not later than five years	1,885	2,474
Later than five years	924	1,321
	3,786	4,902

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

5.5 Provisions

	Employee	Landfill restoration	Total
2022	\$ '000	\$ '000	\$ '000
Balance at beginning of the financial year	3,193	9,008	12,201
Additional provisions	959	3,972	4,931
Amounts used	(912)	-	(912)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(224)	328	104
Balance at the end of the financial year	3,016	13,308	16,324
2021			
Balance at beginning of the financial year	3,043	9,471	12,514
Additional provisions	950	-	950
Amounts used	(775)	-	(775)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(25)	(463)	(488)
Balance at the end of the financial year	3,193	9,008	12,201
(a) Employee provisions	2022	2021	
	\$'000	\$'000	
Current provisions expected to be wholly settled within 12 months			
Annual leave	1,052	1,036	
Long service leave	120	134	
	1,172	1,170	
Current provisions expected to be wholly settled after 12 months			
Long service leave	1,585	1,746	
	1,585	1,746	
Total current employee provisions	2,757	2,916	
Non-current			
Long service leave	259	277	
Total non-current employee provisions	259	277	
Aggregate carrying amount of employee provisions:			
Current	2,757	2,916	
Non-current	259	277	
Total aggregate carrying amount of employee provisions	3,016	3,193	

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:	2022	2021
- discount rate	3.43%	0.89%
- index rate	1.85%	2.00%

5.5 Provisions (cont.)

	2022	2021
	\$'000	\$'000
(b) Landfill restoration		
Current	2,230	1,317
Non-current	11,078	7,691
Total landfill restoration	13,308	9,008

Council is obligated to restore Benalla Landfill and Resource Recovery Centre landfill site located at Old Farnley Road, Benalla to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs. of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions:	2022	2021
- discount rate	3.69%	0.89%
- index rate	4.3%	1.2%

	2022	2021
	\$'000	\$'000
Provisions		
Current - Employee provisions	2,757	2,916
Current - Landfill restoration provisions	2,230	1,317
Total current provisions	4,987	4,233
Non current - Employee provisions	259	277
Non-current - Landfill restoration provisions	11,078	7,691
Total non - current provisions	11,337	7,968

5.6 Financing arrangements

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

Credit card facilities	100	100
Fixed Rate Loan Facilities	3,786	4,902
Total facilities	3,886	5,002
Used facilities	3,835	4,964
Unused facilities	51	38

5.7 Commitments

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

(a) Commitments for expenditure

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Operating					
Kerbside waste, recyclables, organics collection	1,600	1,600	-	-	3,200
Management of Aquatic Centre	850	850	4,242	850	6,792
Recycling	330	330	-	-	660
High Country Library Network	210	-	-	-	210
Organics acceptance and processing	241	241	-	-	482
Cleaning contracts for council buildings	43	-	-	-	43
Powerline Clearance, Property Service Line Clearance & Auditing Service	100	-	-	-	100
Animal Management	100	100	17	-	217
Insurance Broking	20	22	-	-	42
Landfill dry hire compactor	58	58	58	-	174
Landfill - Consulting and reporting	75	-	-	-	75
After Hours Call Management	12	12	24	-	48
HLCN RFID Supply, Installation & Maintenance	4	4	12	8	28
Building HVAC Maintenance	25	25	75	-	125
Food Services - Meals for delivery	10	-	-	-	10
Total	3,678	3,242	4,428	858	12,205
Capital					
Buildings	2,598	-	-	-	2,598
Drainage	175	-	-	-	175
Total	2,773	-	-	-	2,773
2021					
Operating					
Kerbside waste, recyclables, organics collection	1,600	1,600	1,600	-	4,799
Management of Aquatic Centre	650	650	1,300	-	2,600
Recycling	340	340	340	-	1,020
High Country Library Network	210	210	-	-	420
Organics acceptance and processing	190	-	-	-	190
Cleaning contracts for council buildings	170	170	510	-	850
Food Services - Meals for delivery	156	-	-	-	156
Powerline Clearance, Property Service Line Clearance & Auditing Service	120	300	-	-	420
Animal Management	100	100	-	-	200
Building HVAC Maintenance	68	-	-	-	68
Landfill dry hire compactor	58	70	140	-	268
Landfill - Consulting and reporting	45	135	-	-	180
After Hours Call Management	12	11	-	-	23
HLCN RFID Supply, Installation & Maintenance	4	4	-	-	8
Total	3,722	3,590	3,890	-	11,202
Capital					
Buildings	50	-	-	-	50
Roads	425	-	-	-	425
Waste - Cell Construction / audit	1,989	-	-	-	1,989
Total	2,464	-	-	-	2,464

5.8 Leases

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

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

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

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

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

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

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

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

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

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

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

Right-of-Use Assets

	Property \$'000	Vehicles \$'000	Total \$'000
Balance at 1 July 2021	423	38	461
Additions	204	249	453
Amortisation charge	(281)	(85)	(366)
Balance at 30 June 2022	<u>346</u>	<u>202</u>	<u>548</u>

Lease Liabilities

	2022 \$'000	2021 \$'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	294	340
One to five years	316	204
More than five years	-	-
Total undiscounted lease liabilities as at 30 June:	<u>610</u>	<u>544</u>

Lease liabilities included in the Balance Sheet at 30 June:

Current	270	277
Non-current	292	197
Total lease liabilities	<u>562</u>	<u>474</u>

Short-term and low value leases

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

Expenses relating to:

Short-term leases	47	149
Leases of low value assets	80	101
Total	<u>127</u>	<u>250</u>

**Notes to the Financial Report
For the Year Ended 30 June 2022**

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2021 *	Additions	Contributions	Revaluation	Impairment losses recognised in revaluation reserve	Depreciation	Disposal	Write-off	Transfers	Carrying amount 30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	67,050	3	-	11,127	-	(515)	-	-	-	77,665
Plant and equipment	28,532	601	44	4,803	-	(645)	(57)	-	-	33,278
Infrastructure	166,010	3,514	-	19,198	(5,735)	(4,879)	(14)	(4)	290	178,380
Work in progress	724	2,408	-	-	-	-	-	-	(290)	2,842
	262,317	6,526	44	35,128	(5,735)	(6,039)	(71)	(4)	-	292,166

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	67	173	-	-	240
Infrastructure	657	2,235	-	(290)	2,602
Total	724	2,408	-	(290)	2,842

* Restatement of opening balances, refer note 8.6

Notes to the Financial Report
For the Year Ended 30 June 2022

6.1 Property, infrastructure, plant and equipment (cont.)

(a) Property

	Land - specialised	Land - non specialised	Land under Roads	Total Land & Land Improvements	Heritage buildings	*Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	22,909	11,626	9,875	44,410	-	39,521	4,410	43,931	67	88,408
Accumulated depreciation at 1 July 2021	-	-	-	-	-	(18,340)	(2,951)	(21,291)	-	(21,291)
	22,909	11,626	9,875	44,410	-	21,181	1,459	22,640	67	67,117
Movements in fair value										
Additions	-	-	-	-	-	3	-	3	173	176
Revaluation	(1,667)	612	4,172	3,117	796	13,605	1,345	15,746	-	18,863
Transfers	-	-	-	-	140	5,615	(5,755)	-	-	-
	(1,667)	612	4,172	3,117	936	19,223	(4,410)	15,749	173	19,039
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	-	-	(459)	(56)	(515)	-	(515)
Revaluation	-	-	-	-	(755)	(5,977)	(1,004)	(7,736)	-	(7,736)
Transfers	4,973	(4,973)	-	-	(119)	(3,892)	4,011	-	-	-
	4,973	(4,973)	-	-	(874)	(10,328)	2,951	(8,251)	-	(8,251)
At fair value 30 June 2022	21,242	12,238	14,047	47,527	936	58,744	-	59,680	240	107,447
Accumulated depreciation at 30 June 2022	4,973	(4,973)	-	-	(874)	(28,668)	-	(29,542)	-	(29,542)
Carrying amount	26,215	7,265	14,047	47,527	62	30,076	-	30,138	240	77,905

* Restatement of opening balances, refer note 8.6

**Notes to the Financial Report
For the Year Ended 30 June 2022**

6.1 Property, infrastructure, plant and equipment (cont.)

(b) Plant and Equipment

	Art Works	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	25,382	4,117	2,019	1,211	850	33,578
Accumulated depreciation at 1 July 2021	-	(2,053)	(1,815)	(634)	(544)	(5,046)
	25,382	2,064	204	577	306	28,532
Movements in fair value						
Additions	-	312	190	10	89	601
Contributions	44	-	-	-	-	44
Revaluation	4,730	-	-	-	(114)	4,616
Disposal	-	(385)	(782)	-	-	(1,167)
	4,774	(73)	(592)	10	(25)	4,094
Movements in accumulated depreciation						
Depreciation and amortisation	-	(252)	(57)	(245)	(91)	(645)
Accumulated depreciation of disposals	-	357	753	-	-	1,110
Revaluation	-	-	-	-	187	187
	-	105	696	(245)	96	652
At fair value 30 June 2022	30,156	4,044	1,427	1,221	825	37,672
Accumulated depreciation at 30 June 2022	-	(1,948)	(1,119)	(879)	(448)	(4,394)
Carrying amount	30,156	2,096	308	342	377	33,278

**Notes to the Financial Report
For the Year Ended 30 June 2022**

6.1 Property, infrastructure, plant and equipment (cont.)

(c) Infrastructure

	Roads	Bridges	*Footpaths and cycleways	Drainage	*Recreational, leisure and community facilities	*Waste Management	Parks open space and streetscapes	*Aerodromes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	206,339	41,002	8,339	26,095	771	3,911	2,152	4,462	1,506	32	657	295,265
Accumulated depreciation at 1 July 2021	(79,855)	(23,161)	(4,295)	(15,586)	(339)	(2,048)	(253)	(2,361)	(688)	(12)	-	(128,598)
	126,484	17,841	4,044	10,509	432	1,863	1,899	2,101	818	20	657	166,667
Movements in fair value												
Additions	2,635	-	60	38	5	-	293	-	353	130	2,235	5,749
Revaluation	18,377	27,361	731	2,351	-	(23)	(141)	585	106	-	-	49,347
Disposal	-	(65)	(8)	-	-	-	-	-	-	-	-	(73)
Write-off	(4)	-	-	-	-	-	-	-	-	-	-	(4)
Transfers	(3)	-	-	37	-	-	81	-	175	-	(290)	-
	21,005	27,296	783	2,426	5	(23)	233	585	634	130	1,945	55,019
Movements in accumulated depreciation												
Depreciation and amortisation	(3,141)	(425)	(136)	(261)	(13)	(545)	(163)	(169)	(23)	(3)	-	(4,879)
Accumulated depreciation of disposals	-	55	4	-	-	-	-	-	-	-	-	59
Impairment losses recognised in revaluation reserve	(5,735)	-	-	-	-	-	-	-	-	-	-	(5,735)
Revaluation	(8,100)	(19,699)	(398)	(1,427)	-	2	(17)	(463)	(47)	-	-	(30,149)
	(16,976)	(20,069)	(530)	(1,688)	(13)	(543)	(180)	(632)	(70)	(3)	-	(40,704)
At fair value 30 June 2022	227,344	68,298	9,122	28,521	776	3,888	2,385	5,047	2,140	162	2,602	350,284
Accumulated depreciation at 30 June 2022	(96,831)	(43,230)	(4,825)	(17,274)	(352)	(2,591)	(433)	(2,993)	(758)	(15)	-	(169,302)
Carrying amount	130,513	25,068	4,297	11,247	424	1,297	1,952	2,054	1,382	147	2,602	180,982

* Restatement of opening balances, refer note 8.6

6.1 Property, infrastructure, plant and equipment (cont.)

Acquisition

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

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

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

	Depreciation Period	Threshold Limit
<i>Asset recognition thresholds and depreciation periods</i>		\$'000
Land & land improvements		
land	-	-
land improvements	60 - 100 years	5
Buildings		
buildings	60 - 100 years	5
building and leasehold improvements	60 - 100 years	5
Plant and Equipment		
heritage plant and equipment	4 - 33 years	5
plant, machinery and equipment	4 - 33 years	5
Infrastructure		
roads - pavements, substructure, formation and earthworks	15 - 200 years	5
roads - kerb, channel and minor culverts and other	80 - 100 years	5
bridges - deck and substructure	80 - 100 years	5
bridges - others	80 - 100 years	5
aerodromes	80 - 100 years	5
others	80 - 100 years	5
Intangible assets	1 - 10 years	5

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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

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

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

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

Repairs and maintenance

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

6.1 Property, infrastructure, plant and equipment (cont.)

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer a qualified independent valuer Marcus L W Hann, AAPI, Certified Practising Valuer, of LG Valuation Services. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

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

	\$'000	\$'000	\$'000	
	Level 1	Level 2	Level 3	Date of Valuation
Non - specialised Land	-	7,265	-	Jun-22
Specialised land	-	-	26,215	Jun-22
Land under roads	-	-	14,047	Jun-22
Heritage Buildings	-	-	62	Jun-22
Buildings specialised	-	-	30,076	Jun-22
Total	-	7,265	70,400	

Valuation of infrastructure

Bridges have been revalued by external consultants Pitt and Sherry. All other valuation of infrastructure assets has been determined by the Council's Asset Management Officer. An indexed based revaluation of Infrastructure assets, was conducted in the current year, this valuation was based on the ABS Building Construction index for Roads, Footpaths and cycleway and Drainage. The dates of the current valuations are detailed in the following table.

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

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

	\$'000	\$'000	\$'000	
	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	130,513	Jun-19
Bridges	-	-	25,068	Jun-22
Footpaths and cycleways	-	-	4,297	Jun-19
Drainage	-	-	11,247	Jun-21
Recreational, leisure and community facilities	-	-	424	Jun-22
Waste management	-	-	1,297	Jun-19
Parks, open space and streetscapes	-	-	1,952	Jun-19
Aerodromes	-	-	2,054	Jun-19
Off street car parks	-	-	1,382	Jun-19
Other infrastructure	-	-	147	Jun-19
Total	-	-	178,380	

Valuation of Art Work

Valuation of art work assets has been determined by qualified independent valuer Simon Storey RSV, of Simon Storey Valuers, valued the collections on the basis of Fair Value under the Australian Accounting Standards Board (AASB13) "Fair Value Measurement" and (AASB116) "Property Plant & Equipment", and other relevant accounting and valuations directives and guidance.

The standard AASB13 defines fair value as 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. The assets valued in the Benalla Art Gallery Collection are considered to be level 2 in the AASB 13 Fair Value hierarchy. Briefly, level 2 is a measure of value against similar items in a similar market. Values ascribed were obtained from current market values of like items as at 30 June 2022.

6.1 Property, infrastructure, plant and equipment (cont.)

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 20% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1,200 and \$4.4 million per hectare.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$300 to \$400,000 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 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2022	2021
Reconciliation of specialised land	\$'000	\$'000
Land under roads	14,047	9,875
Land - specialised	26,215	22,909
Total specialised land	40,262	32,784

	2022 No.	2021 No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
Benalla Rural City Council is the parent entity.		
(b) Key Management Personnel		
Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Benalla Rural City Council. The Councillors, Chief Executive Officer and General Manager are deemed KMP.		
Details of KMP at any time during the year are:		
Councillors		
Councillor Bernie Hearn (Mayor) (July 21 - 30 June 2022)	1	1
Councillor Justin King (July 21 - 30 June 2022)	1	1
Councillor Danny Claridge (July 21 - 30 June 2022)	1	1
Councillor Peter Davis ((July 21 - 30 June 2022)	1	1
Councillor Don Firth (Deputy Mayor) (July 21 - 30 June 2022)	1	1
Councillor Punarji Hewa Gunaratne (July 21 - 30 June 2022)	1	1
Councillor Gail O'Brien (July 21 - 30 June 2022)	1	1
Councillor Barbara Alexander AO (July 2016 - Oct 2020)	-	1
Councillor Scott Upston (Oct 2016 - Oct 2020)	-	1
Councillor Willie van Wersch (Oct 2016 - Oct 2020)	-	1
Chief Executive Officer		
Dom Testoni (Chief Executive Officer)	1	1
General Manager		
Robert Barber (General Manager Corporate)	1	1
Total Number of Councillors	7	10
Total of Chief Executive Officer and other Key Management Personnel	2	2
Total Number of Key Management Personnel	9	12
(c) Remuneration of Key Management Personnel	2022	2021
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	620	566
Long-term benefits	11	10
Post employment benefits	39	36
Total	670	612
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:	2022	2021
	No.	No.
\$1- \$9,999	-	3
\$10,000 - \$19,999	-	3
\$20,000 - \$29,999	4	3
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$180,000 - \$189,999	-	1
\$200,000 - \$209,999	1	-
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	1	-
	9	12

7.1 Council and key management remuneration (cont.)

(d) Senior Officer Remuneration

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

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

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

	2022	2021
Income Range:	No.	No.
\$151,000 - \$159,999	3	2
\$160,000 - \$169,999	2	-
\$170,000 - \$179,999	1	-
\$290,000 - \$299,999	-	1
	6	3
	2022	2021
	\$'000	\$'000
Total	965	609

7.2 Related party disclosure

(a) Transactions with related parties

During the period there were no related party transactions exceeding \$5,000 - any related party transaction below \$5,000 are at arm's length and on normal commercial terms.

- -

During the period a key management person had a child receiving remuneration as a casual employee of Council.

15 -

(b) Outstanding balances with related parties

There are nil balances outstanding at the end of the reporting period in relation to transactions with related parties.

- -

(c) Loans to/from related parties

There are no loans to / from related parties.

- -

(d) Commitments to/from related parties

There are no commitments to / from related parties.

- -

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

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

Council has no contingent assets as at 30 June 2022 (2021: Nil)

(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.

Superannuation

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

Bank Guarantees

Council operates a landfill at Lot 27B Old Farnley Road, Benalla. Council will have to carry out site rehabilitation works in the future and has been requested by the Environment Protection Authority to provide a \$400,000 Bank Guarantee as financial assurance in respect of this operation. At balance date Council has recognised a landfill rehabilitation provision to reflect the financial implications of such assurances.

Council has two Landfill Acceptance and Disposal contracts for the receipt of municipal waste which require Council to provide a total of \$164,960 Bank Guarantee as security in respect of these contracts. Each Landfill Acceptance and Disposal contract covers 9 years duration ending 30 June 2024.

Insurance claims

Council is not aware of any major insurance claims that could have a material impact on future operations.

Legal matters

Council is not aware of any major legal matters that could have a material impact on future operations.

Liability Mutual Insurance

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

Building cladding

Council should disclose any potential contingencies that may exist in relation to rectification works or other matters associated with building cladding that may have the potential to adversely impact on Council.

8.2 Change in accounting standards

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

8.3 Financial instruments

(a) Objectives and policies

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

8.3 Financial instruments (cont.)

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(b), 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.

8.3 Financial instruments (cont.)

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1.5% and -1.5% in market interest rates (AUD) from year-end rates of 0.74%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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 3 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

At each reporting date, 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.

8.6 Adjustments directly to equity

Following a review of the Property Assets Register and Infrastructure Asset register for the revaluation process Council identified further assets owned to the value of \$2.875 million that were not reflected in the asset registers. In 2022 these assets adjustments have been brought to account as an adjustment to the Council's accumulated surplus in the 2020-21 year.

	2021
Found Assets	\$'000
Infrastructure	1,188
Property	190
Total Assets Found	1,378

The effect of Council recognising found assets in the 2020/21 year is an increase to that year's opening balance of accumulated surplus of \$1.378 million and an increase to property, infrastructure, plant and equipment of \$1.378 million.

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
2022			
Property			
Land and land improvements	26,483	(1,055)	25,428
Land under Roads	2,496	4,172	6,668
Buildings	5,884	8,010	13,894
	34,863	11,127	45,990
Plant and Equipment			
Art Works	16,287	4,730	21,017
Library Stock	24	73	97
	16,311	4,803	21,114
Infrastructure			
Roads	60,454	4,542	64,996
Bridges	5,494	7,662	13,156
Drainage	1,507	924	2,431
Footpaths and cycleways	835	333	1,168
Waste management	806	(21)	785
Aerodromes	201	122	323
Parks, open space and streetscapes	235	(158)	77
Off Street Car Parks	-	59	59
	69,532	13,463	82,995
Total asset revaluation reserves	120,706	29,393	150,099
2021			
Property			
Land and land improvements	21,664	4,819	26,483
Land under Roads	617	1,879	2,496
Buildings	5,884	-	5,884
	28,165	6,698	34,863
Plant and Equipment			
Art Works	16,287	-	16,287
Library Stock	-	24	24
	16,287	24	16,311
Infrastructure			
Roads	60,357	97	60,454
Bridges	5,494	-	5,494
Footpaths and cycleways	835	-	835
Drainage	-	1,507	1,507
Waste management	806	-	806
Parks, open space and streetscapes	235	-	235
Aerodromes	201	-	201
	67,928	1,604	69,532
Total asset revaluation reserves	112,380	8,326	120,706

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

9.1 Reserves (cont.)	Balance at beginning of reporting period	Transfer from accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000
(b) Other reserves			
2022			
Resort and Recreation	168	80	248
Winton Land	10	-	10
Benalla Urban Grown Headworks Charge	78	-	78
Lake Mokoan inlet Channel	556	69	625
Total Other reserves	812	149	961
2021			
Resort and Recreation	155	13	168
Winton Land	10	-	10
Benalla Urban Grown Headworks Charge	78	-	78
Lake Mokoan inlet Channel	486	70	556
Total Other reserves	729	83	812

Reserve Nature and Purpose

Resort and Recreation Contributions made by developers for recreation purposes (minimum of 5% for any new developments for open space reserves).

Winton Land Originated from the former Shire of Benalla for a community project within the Winton township.

Benalla Urban Growth Headworks Charge Contributions made by developers for connection to the Benalla Urban Growth drainage system.

Lake Mokoan Inlet Channel A reserve of \$69,500 is to be made annually over the next 3 years to re-instate the compensation of \$695,000 received from Goulburn Murray Water in relation to the transfer of assets of the decommissioned Lake Mokoan Inlet Channel. The funding received under the terms of the agreement was to compensate the Council for the ongoing renewal of these assets and was not restricted.

	2022 \$'000	2021 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus		
Surplus for the year	7,382	5,469
Depreciation/amortisation	6,658	7,208
Contributions - Non-monetary assets	(43)	(54)
Borrowing Cost	92	92
Finance Cost - leases	31	31
Loss on disposals of Property, Plant & Equipment	71	99
Landfill Rehabilitation Provision adjustment accounted for as an expense	(2,933)	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(1,616)	(126)
(Increase)/decrease in prepayments	18	(33)
Increase/(decrease) in trade and other payables	2,787	450
(Decrease)/increase in unearned income /revenue	207	3,452
(Increase)/decrease in inventories	7	(14)
(Increase)/decrease in Trust Funds and deposits	214	(50)
(Decrease)/increase in provisions	644	(313)
Net cash provided by/(used in) operating activities	13,519	16,211

9.3 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding arrangements

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

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

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

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

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

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

Net investment returns 5.5% pa
Salary information 2.5% pa to 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.

9.3 Superannuation (cont.)

Employer contributions

(a) Regular contributions

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

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

(b) Funding calls

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

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

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

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

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

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

The 2021 interim actuarial investigation surplus amounts

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

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

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

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

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

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

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

The 2022 interim actuarial investigation

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

10 Change in accounting policy

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

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

BENALLA

RURAL CITY COUNCIL

BENALLA RURAL CITY COUNCIL

PERFORMANCE STATEMENT

For the Year Ended 30 June 2022

Performance Statement

For the year ended 30 June 2022

Description of municipality

The Benalla Rural City Council (the Council) is situated 193 kilometres north east of Melbourne. It includes the eight rural townships of Benalla, Baddaginnie, Devenish, Goorambat, Swanpool, Thoona, Tatong and Winton. Benalla Rural City is renowned for its beautiful and picturesque rural landscape and welcoming rural towns.

Benalla's features include a central lake, Botanical Gardens and Riverine Parklands, walking paths and an attractive and vibrant town centre. Key industries include manufacturing, agriculture, retail and construction. The council covers an area of 235,059 hectares and has a population of 14,131.

Overview of 2022

During the financial year the council income totalled \$39.3 million and expenditure \$34.449 million resulting in a surplus of \$4.851 million. Delivered of services was impacted by COVID compliance regulations. The reopening of many facilities and services was staged throughout the year. Council also experienced supply issues for labour, materials and services which was consistent with issues experienced by many across Victoria during the year. Capital Works for the year totalled \$6.525 million. The delivery of these works was across major asset types of Infrastructure \$5.748 million, Plant and Equipment \$601,000 and Property \$176,000.

A storm event in January 2022 caused significant damage to civil infrastructure resulting in significant impairment of Council assets. Unbudgeted works associated with this storm event totalled \$1.6 million during the year. Future repairs works are estimated to cost \$15 million, however, Council is eligible for assistance under the State Government's funding assistance scheme.

On 30 June 2022, after more than 35 years of service provision, the Council transitioned out of the provision of aged and disability services. Staff entitlements, including applicable redundancy payments, totalled some \$1 million.

Sustainable Capacity Indicators

For the year ended 30 June 2022

Indicator / Measure	Results				Material Variations
	2019	2020	2021	2022	
Population					
Expenses per head of municipal population [Total expenses / Municipal population]	\$2,239	\$2,808	\$2,285	\$2,438	The result for this measure has increased due to a large revaluation of Infrastructure assets of \$29.393 million.
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$15,828	\$15,345	\$15,316	\$17,312	
Population density per length of road [Municipal population / Kilometres of local roads]	10	10	10	10	
Own-source revenue					
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,628	\$1,688	\$1,691	\$1,744	
Recurrent grants					
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$508	\$531	\$558	\$656	The result for this measure has increased due to the early receipt of 75% of the 2022/23 Financial Assistance Grants.

Sustainable Capacity Indicators

For the year ended 30 June 2022

Indicator / Measure	Results				Material Variations
	2019	2020	2021	2022	
Disadvantage					
Relative socio-economic disadvantage [Index of Relative Socio-economic Disadvantage by decile]	2	2	2	2	No material variation.
Workforce turnover					
Percentage of staff turnover [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	10%	7.5%	12%	8.5%	The result for this measure has decreased due to less staff resignations and terminations occurring in 2021/22.

Sustainable Capacity Indicators

For the year ended 30 June 2022

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

Council has utilised the March 2022 Australian Bureau of Statistics release of population estimate.

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

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

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

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Service Performance Indicators

For the year ended 30 June 2022

	Results				
Service / Indicator / Measure	2019	2020	2021	2022	Material Variations
Aquatic facilities					
Utilisation					
Utilisation of aquatic facilities [Number of visits to aquatic facilities / Municipal population]	7	5	2	4	The result for this measure has increased due to the facility reopening after the easing of COVID-19 restrictions.
Animal management					
Health and safety					
Animal management prosecutions [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100]	New in 2020	0%	100%	60%	The result for this measure has decreased due to the reduction of successful animal prosecutions in 2022.
Food safety					
Health and safety					
Critical and major non-compliance notifications [Number of critical non-compliance notifications and major non- compliance notifications about a food premises followed up / Number of critical non- compliance notifications and major non- compliance notifications about a food premises] x100	0%	100%	0%	0%	No critical and major non-compliance outcome notifications for 2022.

Service Performance Indicators

For the year ended 30 June 2022

Service / Indicator / Measure	Results				Material Variations
	2019	2020	2021	2022	
Governance					
Satisfaction					The result for this measure has decreased due to negative publicity regarding key Council projects.
Satisfaction with council decisions [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	56	54	57	48	
Libraries					
Participation					The results for this measure have decreased due to reduced patronage and usage across the Library industry since the COVID-19 pandemic started in 2020. Public Libraries Victoria have launched the campaign “Return Yourself to the Library” to address the issue.
Active library borrowers in municipality [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	18%	17%	15%	13%	
Maternal and child health					
Participation					The result for this measure has increased due to expanded staffing levels, improved coordination and promotion of the Maternal Child Health service.
Participation in the MCH service [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	80%	79%	78%	88%	
Participation					The result for this measure has increased due to expanded staffing levels, improved coordination and promotion of the Maternal Child Health service and increased focus of Enhanced Maternal Child Health service.
Participation in the MCH service by Aboriginal children [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	89%	76%	75%	89%	

Service Performance Indicators

For the year ended 30 June 2022

	Results				
Service / Indicator / Measure	2019	2020	2021	2022	Material Variations
Roads					
Satisfaction					
Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	54	49	53	45	The result for this measure has decreased due to the January Storm Event in 2022, which caused significant damage to both sealed and unsealed roads within the municipality.
Statutory Planning					
Decision making					
Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	0%	50%	0%	33.33%	Three decisions taken to VCAT in 2021/22 which resulted in one matter being affirmed and two matters being set aside.
Waste Collection					
Waste diversion					
Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	61%	61%	61%	60%	No material variation.

Service Performance Indicators

For the year ended 30 June 2022

Definitions

"Aboriginal child" means a child who is an Aboriginal person.

"Aboriginal person" has the same meaning as in the *Aboriginal Heritage Act 2006*.

"active library member" means a member of a library who has borrowed a book from the library.

"annual report" means an annual report prepared by a council under section 98 of the Act.

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

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

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

"food premises" has the same meaning as in the *Food Act 1984*.

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

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

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

Council has utilised the March 2022 Australian Bureau of Statistics release of population estimate.

Financial Performance Indicators

For the year ended 30 June 2022

Dimension / Indicator / Measure	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
Efficiency									
Expenditure level									
Expenses per property assessment	\$3,924	\$4,874	\$3,995		\$4,219	\$4,264	\$4,250	\$4,371	\$4,478
[Total expenses / Number of property assessments]									
Revenue level									
Average rate per property assessment	New in 2020	\$1,850	\$1,913		\$1,951	\$1,959	\$2,003	\$2,053	\$2,104
[General rates and Municipal charges / Number of property assessments]									

Financial Performance Indicators

For the year ended 30 June 2022

Dimension / Indicator / Measure	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
Liquidity									
Working capital									
Current assets compared to current liabilities	215%	187%	203%	198%	167%	215%	247%	233%	
[Current assets / Current liabilities] x100									
Unrestricted cash									
Unrestricted cash compared to current liabilities	51%	63%	26%	52%	127%	164%	197%	189%	
[Unrestricted cash / Current liabilities] x100									

Financial Performance Indicators

For the year ended 30 June 2022

Dimension / Indicator / Measure	Results				Forecasts				Material Variations	
	2019	2020	2021	2022	2023	2024	2025	2026		
Obligations										
Loans and borrowings									The result for this measure has decreased as a result of existing principal repayments of \$1.117 million. No new borrowings have been undertaken.	
Loans and borrowings compared to rates	27%	21%	26%		19%	14%	10%	12%		10%
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100										
Loans and borrowings									The result for this measure has increased due to principal repayments increasing by \$0.140 million to \$1.117 million.	
Loans and borrowings repayments compared to rates	6%	5%	5%		6%	5%	3%	2%		3%
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100										

Financial Performance Indicators

For the year ended 30 June 2022

Dimension / Indicator / Measure	Results				Forecasts				Material Variations	
	2019	2020	2021	2022	2023	2024	2025	2026		
Obligations										
Indebtedness										The result for this measure has increased due to increase in Landfill Provision \$3.4 million offset by greater concentration of own source revenue including Operating Grants \$1.020 million and Rates and Charges \$951,000 and User Fees \$709,000.
Non-current liabilities compared to own source revenue	54%	52%	50%	59%						
[Non-current liabilities / Own source revenue] x100										
Asset renewal and upgrade										The result for this measure has increased due to an increase in the renewal and upgrade capital works spend.
Asset renewal and upgrade compared to depreciation	New in 2020	51%	40%	47%						
[Asset renewal and upgrade expense / Asset depreciation] x100										

Financial Performance Indicators

For the year ended 30 June 2022

Dimension / Indicator / Measure	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
Operating position									
Adjusted underlying result									
Adjusted underlying surplus (or deficit).	-0.19%	-21%	7%	6%	-17%	-4%	-4%	-3%	
[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100									

Financial Performance Indicators

For the year ended 30 June 2022

Dimension / Indicator / Measure	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
Stability									
Rates concentration									
Rates compared to adjusted underlying revenue	56%	57%	55%		55%	69%	63%	63%	63%
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort									
Rates compared to property values	0.66%	0.63%	0.62%		0.59%	0.46%	0.45%	0.45%	0.44%
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									

Financial Performance Indicators

For the year ended 30 June 2022

Results				
Retired measures	2018	2019	2020	Comments
Animal Management				
Health and safety				This measure was replaced by Animal management prosecutions (%) for 2020.
Animal management prosecutions	0	0	Retired in 2020	
[Number of successful animal management prosecutions]				
Efficiency				
Revenue level				This measure was replaced by Average rate per property assessment for 2020.
Average residential rate per residential property assessment	\$1,700	\$1,821	Retired in 2020	
[Residential rate revenue / Number of residential property assessments]				
Obligations				
Asset renewal				This measure was replaced by Asset renewal and upgrade compared to depreciation for 2020.
Asset renewal compared to depreciation	45%	32%	Retired in 2020	
[Asset renewal expense / Asset depreciation] x100				

Financial Performance Indicators

For the year ended 30 June 2022

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

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

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

Council has utilised the March 2022 Australian Bureau of Statistics release of population estimate

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

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

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

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Other Information

For the year ended 30 June 2022

1. Basis of preparation

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

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

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. *The Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by council in its financial plan on 29 June 2022 and which forms part of the council plan. The financial plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General-Purpose Financial Statements. The financial plan can be obtained by contacting council.

Certification of the Performance Statement

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

Catherine Fitzpatrick CPA
Principal Accounting Officer

Dated: 28 September 2022

In our opinion, the accompanying performance statement of the *Benalla Rural City Council* for the year ended 30 June 2022 presents fairly the results of council's performance in accordance with the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020* (as per the transitional provisions of the *Local Government Act 2020*).

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

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

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

Cr Bernie Hearn
Mayor

Dated: 28 September 2022

Cr Justin King
Councillor

Dated: 28 September 2022

Dom Testoni
Chief Executive Officer

Dated: 28 September 2022

Closure of the meeting