



Appendix 5b

16.3 Adoption of 2020-21 Annual Financial Report

2020-21 Financial Statements

Ordinary Meeting of Council

Wednesday 22 September 2021 at 7:00pm

Via Videoconference (Zoom)

Borough of Queenscliffe
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2021

**Borough of Queenscliffe
Financial Report
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Certification of the Financial Statements

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

Gihan Kohobange CA, CPA, FCCA
Principal Accounting Officer

Date : 22nd September 2021
Queenscliff

In our opinion the accompanying financial statements present fairly the financial transactions of the Borough of Queenscliffe for the year ended 30 June 2021 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 2014* to certify the financial statements in their final form.

Councillor Ross Ebbels

Mayor

Date : 22nd September 2021
Queenscliff

Councillor Donnie Grigau

Councillor

Date : 22nd September 2021
Queenscliff

Martin Gill

Chief Executive Officer

Date : 22nd September 2021
Queenscliff

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Comprehensive Income Statement For the Year Ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|--|------|-----------------|-----------------|
| Income | | | |
| Rates and charges | 3.1 | 7,642 | 7,450 |
| Statutory fees and fines | 3.2 | 157 | 104 |
| User fees | 3.3 | 1,760 | 1,699 |
| Grants - operating | 3.4 | 1,551 | 1,665 |
| Grants - capital | 3.4 | 1,382 | 1,097 |
| Contributions - monetary | 3.5 | 52 | 25 |
| Net gain on disposal of property, infrastructure, plant and equipment | 3.6 | - | 7 |
| Share of net profits of associates | 6.3 | - | 33 |
| Other income | 3.7 | 218 | 284 |
| Total income | | 12,762 | 12,364 |
| Expenses | | | |
| Employee costs | 4.1 | (4,445) | (4,353) |
| Materials and services | 4.2 | (5,198) | (4,905) |
| Depreciation | 4.3 | (1,353) | (1,331) |
| Bad and doubtful debts | 4.6 | (4) | (5) |
| Net loss on disposal of property, infrastructure, plant and equipment | 3.6 | (540) | - |
| Share of net loss of associates | 6.3 | (75) | - |
| Borrowing costs | 4.7 | (0) | (1) |
| Other expenses | 4.9 | (1,266) | (1,219) |
| Total expenses | | (12,880) | (11,813) |
| Surplus/(deficit) for the year | | (118) | 551 |
| Other comprehensive income | | | |
| Items that will not be reclassified to surplus or deficit in future periods | | | |
| Net asset revaluation increment/(decrement) | 6.2 | - | 932 |
| Total comprehensive result | | (118) | 1,483 |

Guidance on treatment of prior period error

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

Balance Sheet As at 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|--|------|----------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5.1 | 1,542 | 979 |
| Trade and other receivables | 5.1 | 316 | 533 |
| Other financial assets | 5.1 | 7,075 | 6,862 |
| Inventories | 5.2 | 5 | 4 |
| Non-current assets classified as held for sale | 6.1 | 2,075 | 2,075 |
| Other assets | 5.2 | 342 | 114 |
| Total current assets | | 11,355 | 10,567 |
| Non-current assets | | | |
| Trade and other receivables | 5.1 | - | - |
| Other financial assets | 5.1 | - | - |
| Investments in associates | 6.3 | 165 | 240 |
| Property, infrastructure, plant and equipment | 6.2 | 133,720 | 132,757 |
| Total non-current assets | | 133,885 | 132,997 |
| Total assets | | 145,240 | 143,564 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 5.3 | 648 | 653 |
| Trust funds and deposits | 5.3 | 47 | 16 |
| Provisions | 5.5 | 1,050 | 930 |
| Interest-bearing liabilities | 5.4 | - | 19 |
| Unearned Income | 5.3 | 2,117 | 440 |
| Total current liabilities | | 3,862 | 2,058 |
| Non-current liabilities | | | |
| Provisions | 5.5 | 104 | 103 |
| Interest-bearing liabilities | 5.4 | - | 10 |
| Total non-current liabilities | | 104 | 113 |
| Total liabilities | | 3,965 | 2,171 |
| Net assets | | 141,274 | 141,393 |
| Equity | | | |
| Accumulated surplus | | 93,113 | 91,998 |
| Reserves | 9.1 | 48,161 | 49,395 |
| Total Equity | | 141,274 | 141,393 |

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

Statement of Changes in Equity For the Year Ended 30 June 2021

| 2021 | Note | Total \$'000 | Accumulated Surplus \$'000 | Revaluation Reserve \$'000 | Other Reserves \$'000 |
|---|------|-----------------|----------------------------------|----------------------------------|-----------------------------|
| Balance at beginning of the financial year | | 141,393 | 91,998 | 43,498 | 5,897 |
| Surplus/(deficit) for the year | | (118) | (118) | - | - |
| Net asset revaluation increment/(decrement) | 6.2 | - | - | - | - |
| Transfers to other reserves | 9.1 | - | (1,146) | - | 1,146 |
| Transfers from other reserves | 9.1 | - | 2,379 | - | (2,379) |
| | | (118) | 1,115 | - | (1,234) |
| Balance at end of the financial year | | 141,274 | 93,113 | 43,498 | 4,664 |

| 2020 | | Total \$'000 | Accumulated Surplus \$'000 | Revaluation Reserve \$'000 | Other Reserves \$'000 |
|---|-----|-----------------|----------------------------------|----------------------------------|-----------------------------|
| Balance at beginning of the financial year | | 140,028 | 91,858 | 42,566 | 5,604 |
| Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities | | (118) | - | - | (118) |
| Adjusted Opening balance | | 139,910 | 91,858 | 42,566 | 5,486 |
| Surplus/(deficit) for the year | | 551 | 551 | - | - |
| Net asset revaluation increment/(decrement) | 6.2 | 932 | - | 932 | - |
| Transfers to other reserves | 9.1 | - | (1,890) | - | 1,890 |
| Transfers from other reserves | 9.1 | - | 1,479 | - | (1,479) |
| | | 1,483 | 140 | 932 | 411 |
| Balance at end of the financial year | | 141,393 | 91,998 | 43,498 | 5,897 |

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 2021

| | Note | 2021 Inflows/ (Outflows) \$'000 | 2020 Inflows/ (Outflows) \$'000 |
|---|------|--|--|
| Cash flows from operating activities | | | |
| Rates and charges | | 7,711 | 7,389 |
| Statutory fees and fines | | 160 | 109 |
| User fees | | 1,764 | 1,763 |
| Grants - operating | | 1,549 | 1,820 |
| Grants - capital | | 3,009 | 1,530 |
| Contributions - monetary | | 52 | 25 |
| Interest received | | 51 | 93 |
| Trust funds and deposits taken | | 70 | 173 |
| Other receipts | | 146 | 252 |
| Net GST refund/(payment) | | (21) | (1) |
| Employee costs | | (4,294) | (4,326) |
| Materials and services | | (5,209) | (5,098) |
| Short-term, low value and variable lease payments | | (14) | (16) |
| Trust funds and deposits repaid | | (40) | (257) |
| Other payments | | (1,266) | (610) |
| Net cash provided by/(used in) operating activities | | 3,668 | 2,848 |
| Cash flows from investing activities | | | |
| Payments for property, infrastructure, plant and equipment | 6.2 | (2,883) | (1,893) |
| Proceeds from sale of property, infrastructure, plant and equipment | | 19 | 11 |
| Payments for investments | | (213) | (5,836) |
| Net cash provided by/(used in) investing activities | | (3,077) | (7,718) |
| Cash flows from financing activities | | | |
| Finance costs | | (0) | (1) |
| Repayment of borrowings | | (29) | (17) |
| Net cash provided by/(used in) financing activities | | (29) | (19) |
| Net increase (decrease) in cash and cash equivalents | | 563 | (4,889) |
| Cash and cash equivalents at the beginning of the financial year | | 979 | 5,868 |
| Cash and cash equivalents at the end of the financial year | | 1,542 | 979 |
| Financing arrangements | 5.6 | | |
| Restrictions on cash assets | 5.1 | | |

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

**Statement of Capital Works
For the Year Ended 30 June 2021**

| | Note | 2021 \$'000 | 2020 \$'000 |
|--|------|----------------|----------------|
| Property | | | |
| Land | | | |
| Land improvements | | - | 17 |
| Total land | | - | 17 |
| Buildings | | 1,407 | 614 |
| Total buildings | | 1,407 | 614 |
| Total property | | 1,407 | 631 |
| Plant and equipment | | | |
| Plant, machinery and equipment | | 42 | 41 |
| Fixtures, fittings and furniture | | - | 2 |
| Computers and telecommunications | | 115 | 24 |
| Total plant and equipment | | 157 | 67 |
| Infrastructure | | | |
| Roads | | 629 | 492 |
| Footpaths and cycleways | | 125 | 191 |
| Drainage | | 170 | 91 |
| Recreational, leisure and community facilities | | 129 | 285 |
| Parks, open space and streetscapes | | 45 | 36 |
| Off street car parks | | 5 | - |
| Other infrastructure | | 209 | 263 |
| Total infrastructure | | 1,311 | 1,358 |
| Total capital works expenditure | | 2,875 | 2,056 |
| Represented by: | | | |
| New asset expenditure | | 248 | 433 |
| Asset renewal expenditure | | 783 | 638 |
| Asset upgrade expenditure | | 1,844 | 984 |
| Total capital works expenditure | | 2,875 | 2,056 |

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

OVERVIEW

Introduction

The Borough of Queenscliffe was established by an Order of the Governor in Council on 12th May 1863 and is a body corporate.

The Council's main office is located at 50 Learmonth Street, Queenscliff, VIC, 3225.

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 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of 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 (refer to Note 8.2)
- other areas requiring judgements

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

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

(b) **Impact of Covid-19**

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. While the impacts of the pandemic have abated somewhat through the 2020-21 year, Council has noted the following significant impacts on its financial operations:

| | \$ |
|---|-------------------------|
| Additional revenue (Specific grant funding received as COVID-19 support) | |
| Local councils outdoor eating and entertainment package | 250,000 |
| Community activation and social isolation | 123,860 |
| Rural councils ICT infrastructure program | 56,478 |
| Covid safe Australia day | 8,350 |
| | <u>438,688</u> |
| Revenue reduction | |
| Loss of income from the caravan parks | (241,954) |
| Loss of interest income (due to low interest rates) | (139,524) |
| | <u>(381,478)</u> |
| Revenue foregone | |
| One-off rebate on public waste management charges | (130,000) |
| Lease rental income from council owned properties | (34,429) |
| Environmental health - licences and fees | (23,447) |
| Local law permits fees | (9,495) |
| | <u>(197,371)</u> |
| Additional costs | |
| Cost relate to grant funding stated under additional revenue | (441,338) |
| Additional cleaning cost of public amenities | (35,421) |
| Specific business support initiatives | (23,242) |
| Additional office admin cost (Covid safe) | (8,393) |
| Cost savings due to cancelation of events and sponsorships | 88,596 |
| | <u>(419,799)</u> |
| Net impact | <u><u>(559,959)</u></u> |

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower 10% percent or a dollar variance of +/- \$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 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

1.1 Income and expenditure

| | Budget 2021 \$'000 | Actual 2021 \$'000 | Variance 2021 \$'000 | Variance 2021 % | Ref |
|--|--------------------------|--------------------------|----------------------------|-----------------------|-----------|
| Income | | | | | |
| Rates and charges | 7,631 | 7,642 | 11 | 0% | |
| Statutory fees and fines | 105 | 157 | 52 | 49% | 1 |
| User fees | 1,794 | 1,760 | (34) | -2% | 2 |
| Grants - operating | 880 | 1,551 | 671 | 76% | 3 |
| Grants - capital | 4,225 | 1,382 | (2,843) | -67% | 4 |
| Contributions - monetary | 52 | 52 | 0 | 0% | |
| Contributions - non monetary | - | - | - | 0% | |
| Other income | 242 | 218 | (24) | -10% | 5 |
| Total income | 14,929 | 12,762 | (2,167) | -15% | |
| Expenses | | | | | |
| Employee costs | (4,461) | (4,445) | (16) | 0% | |
| Materials and services | (5,799) | (5,198) | (600) | 10% | 6 |
| Depreciation | (1,326) | (1,353) | 27 | -2% | |
| Bad and doubtful debts | (3) | (4) | 1 | -40% | |
| Borrowing costs | (5) | (0) | (5) | 98% | 7 |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | - | (540) | (540) | #DIV/0! | 8 |
| Share of net losses of associates and joint ventures | - | (75) | (75) | 0% | |
| Other expenses | (335) | (1,266) | 931 | -278% | 9 |
| Total expenses | (11,927) | (12,880) | (278) | 2% | |
| Surplus/(deficit) for the year | 3,002 | (118) | (1,889) | -63% | 10 |

(i) Explanation of material variations

| | | |
|---|--------------------------|---|
| 1 | Statutory fees and fines | The increase of \$52,000 is mainly due to: 1) \$27,000 reclassification of building fees under "Statutory fees and fines" from "User fees"; and 2) \$26,000 increase in town planning fees. |
| 2 | User fees | The decrease mainly represents the reclassification of building fees under "Statutory fees and fines" from "User fees". |
| 3 | Grants - operating | The increase of \$671,000 is mainly due to: 1) \$250,000 new funding for Outdoor Seating and Entertainment, Department of Jobs, Precincts and Regions; 2) \$132,000 additional Financial Assistance Grant (part of 2021-22 grant funding paid in advance), Victoria Grants Commission; 3) \$124,000 new funding for Community Activation and Social Isolation initiatives, Department of Health and Human Services; 4) \$117,000 additional funding (2021-22 grant funding paid in advance) to assist Council with the loss of boat ramp permit income, Better Boating Victoria ; and 5) \$35,000 new funding for Three Year Old Kindergarten Infrastructure and Building Block, Department of Education and Training. |

| | | |
|---|--|---|
| 4 | Grants - capital | <p>The net reduction of \$2,843,000 is mainly due to:</p> <ol style="list-style-type: none">1) \$2,370,000 shift in the timing of grant income accrued/received for the Queenscliffe Cultural Hub project;2) \$400,000 shift in the timing of grant income accrued/received for the Point Lonsdale Lighthouse Reserve upgrade project;4) \$315,000 shift in the timing of grant income for the Queenscliff Sports and Recreation Precinct upgrade project;5) \$181,000 grant income for Fixing Local Roads, received in advance in 2019-20 after the budget was adopted;6) (\$231,000) new grant for road upgrade work under the Commonwealth Road Safety Program 2021;7) (\$72,000) new grant for road upgrade work under the Local Roads and Community Infrastructure Program;8) (\$56,000) new grant for ICT upgrade work under the Rural Councils ICT Infrastructure Program; and9) (\$40,000) new grant (a part of the grant based on the cost incurred as at 30 June 2021) for Queenscliff Boat Ramp upgrade work. |
| 5 | Other income | <p>The decrease of \$24,000 is mainly due to the decrease in lease income of \$15,000 due to the extension of the lease rental waiver for additional 3 months and additional loss of interest income of \$8,000 due to very low-interest rates.</p> |
| 6 | Materials and services | <p>The decrease of \$600,000 is mainly due to:</p> <ol style="list-style-type: none">1) \$178,000 shift in the timing of the rates funded operating projects (mainly Queenscliffe Planning Scheme review, Avenue of Honour tree replacement and economic development initiatives);2) \$120,000 shift in the timing of the Food Organic and Garden Organic collection program;3) \$89,000 savings achieved due to the cancellation of community events;4) \$51,000 savings in utility expenses;5) \$43,000 savings in power line and tree clearance expenses;6) \$38,000 savings in advertising expenses;7) \$35,000 savings in recruitment expenses;8) \$33,000 savings in legal expenses;9) \$30,000 due to a shift in the timing of the building condition survey;10) \$29,000 savings in roads, parks, reserve, open space and foreshore maintenance;11) \$27,000 savings in community engagement priority projects;12) \$24,000 savings in training and staff development expenses;13) \$19,000 savings in feet management expenses;14) \$18,000 savings in community grant;15) \$15,000 savings in office administration expenses;16) \$15,000 savings in Council election related expenses; and17) (\$258,000) new non recurrent grant funded operating project expenses. |
| 7 | Borrowing costs | <p>Due to early settlement of the existing loan in full during the year.</p> |
| 8 | Net gain/(loss) on disposal of property, infrastructure, plant and equipment | <p>\$542,000 accounting loss associated with the demolition of the old Queenscliffe Historical Museum building to make the way for new Queenscliff Cultural Hub.</p> |

| | | |
|----|--------------------------------|---|
| 9 | Other expenses | <p>The increase of \$931,000 is mainly due to:</p> <p>1) \$864,000 reclassification (capital to operating) of expenditure incurred on infrastructure assets (mainly electrical infrastructure assets) owned by third parties in relation to the Hesse Street South upgrade project, in line with the requirements of accounting standards. This was a 71% grant-funded project completed in the 2020-21 financial year. Total grant income for this project had been received in advance in the previous financial years; and</p> <p>2) \$102,000 expenses incurred (other than staff expenses) in relation to Community Activation and Social Isolation initiatives (100% grant-funded).</p> |
| 10 | Surplus/(deficit) for the year | <p>Surplus/(deficit) for the year has mainly been impacted by the accounting loss associated with the demolition of a building (note 8 above) and the reclassification of capital expenditure as operating expenditure of a grant-funded project (note 9 above). Excluding the impact of these accounting adjustments, Council has recorded a surplus of \$1,286,000 for the year.</p> |

1.2 Capital works

| | Budget 2021 \$'000 | Actual 2021 \$'000 | Variance \$'000 | Variance % | Ref |
|--|--------------------------|--------------------------|--------------------|---------------|-----|
| Property | | | | | |
| Buildings | 4,347 | 1,407 | (2,940) | -68% | 1 |
| Total buildings | 4,347 | 1,407 | (2,940) | -68% | |
| Total property | 4,347 | 1,407 | (2,940) | -68% | |
| Plant and equipment | | | | | |
| Plant, machinery and equipment | 150 | 42 | (108) | -72% | 2 |
| Fixtures, fittings and furniture | 5 | - | (5) | -100% | |
| Computers and telecommunications | 45 | 115 | 70 | 156% | 3 |
| Total plant and equipment | 200 | 157 | (43) | -21% | |
| Infrastructure | | | | | |
| Roads | 1,033 | 629 | (404) | -39% | 4 |
| Footpaths and cycleways | 40 | 125 | 85 | 213% | 5 |
| Drainage | 125 | 170 | 45 | 36% | |
| Recreational, leisure and community facilities | 675 | 129 | (546) | -81% | 6 |
| Parks, open space and streetscapes | 750 | 45 | (705) | -94% | 7 |
| Off street car parks | - | 5 | 5 | 0% | |
| Other infrastructure | 131 | 209 | 78 | 59% | |
| Total infrastructure | 2,754 | 1,311 | (1,443) | -52% | |
| Total capital works expenditure | 7,301 | 2,875 | (4,426) | -61% | |
| Represented by: | | | | | |
| New asset expenditure | 1,178 | 248 | (930) | -79% | |
| Asset renewal expenditure | 1,056 | 783 | (273) | -26% | |
| Asset upgrade expenditure | 5,067 | 1,844 | (3,223) | -64% | |
| Total capital works expenditure | 7,301 | 2,875 | (4,426) | -61% | |

(i) Explanation of material variations

| Variance Ref | Item | Explanation |
|-----------------|----------------------------------|---|
| 1 | Buildings | The decrease of \$2,940,000 is mainly due to: 1) \$2,261,000 shift in the timing of Queenscliff Cultural Hub project; 2) \$586,000 shift in the timing of the Queenscliff Sports and Recreation Precinct upgrade project; and 3) \$108,000 annual asset renewal programs carried over to future years. |
| 2 | Plant, machinery and equipment | The decrease of \$108,000 is due to the shift in the timing of replacing of motor vehicle, including extending some vehicles out by a further year before they are replaced. |
| 3 | Computers and telecommunications | The increase is mainly due to the ICT upgrade work carried out under the Rural Councils ICT Infrastructure Program (100% grant funded). |
| 4 | Roads | The net reduction of \$404,000 is mainly due to: 1) \$864,000 reclassification (capital to operating) of expenditure incurred on infrastructure assets (mainly electrical infrastructure assets) owned by third parties in relation to the Hesse Street South upgrade project, in line with the requirements of accounting standards; 2) (\$231,000) new road work carried out under the Commonwealth Road Safety Program (100% grant-funded); 3) (\$134,000) unfinished road work in relation to the Hesse Street South upgrade project, carried over to 2020-21 after finalising the budget (not included in the 2020-21 budget); 4) (\$88,000) cost overrun associated with the Hesse Street South upgrade project; and 5) (\$72,000) new road upgrade work carried out under the Local Roads and Community Infrastructure Program. |

| | | |
|---|--|--|
| 5 | Footpaths and cycleways | The increase of \$85,000 is mainly due to the unfinished work in relation to the Lawrence Road Shared Path Connection project, carried over to 2020-21 after finalising the budget (not included in the budget). |
| 6 | Recreational, leisure and community facilities | The reduction of \$542,000 is mainly due to the shift in the timing of the Queenscliff Sports and Recreation Precinct upgrade project. |
| 7 | Parks, open space and streetscapes | The reduction of \$705,000 is mainly due to the shift in the timing of the Point Lonsdale Lighthouse Reserve upgrade project. |

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (a) Strategic Objective 1- Community Wellbeing

Aged Services

The Aged Services program provides care and assistance to older residents and carers requiring respite so that residents can live independently and remain safe in their homes. The program is focused on maximising the wellbeing, safety and health of frail older people and carers requiring respite. Through the Commonwealth Home Support Programme, support and maintenance services are provided to people living at home, whose capacity for independent living is at risk, or who are at risk of premature or inappropriate admission to long term residential care.

Active Communities

The Active Communities program promotes community wellbeing by supporting people and communities to be involved and active in sport, recreation, arts, culture and other community and civic activities. The program area is responsible for building the capacity of local clubs and community organisations and assisting these organisations to develop and implement projects that support social inclusion, access and equity within the Borough.

Community Events

The Community Events program promotes community wellbeing, celebrates the significance of the Borough and stimulates the local economy through conducting events directly or facilitating, supporting and administering a range of recreation, arts and cultural events planned and implemented by community organisations or commercial businesses. Council also plays a key role in promoting and acknowledging the significant roles played by volunteers in local organisations.

Maternal and Child Health

The Maternal and Child Health program (MCH) plays a key role in supporting and monitoring the health and wellbeing of local families and children from birth to school age. MCH is a primary health service which provides a comprehensive and focused approach for the promotion, prevention, early detection, and intervention of the physical, emotional or social factors affecting young children and their families. Council currently contracts the City of Greater Geelong to provide the Maternal and Child Health services in the Borough.

Kindergarten

The Kindergarten program is an important part of the Borough's early years services. Kindergarten assists in supporting the wellbeing of pre-school children and providing a safe learning environment to enable children to gain early life skills and knowledge and assist their smooth transition to primary school. Whilst the Queenscliff Kindergarten is operated as a not for profit organisation, Council manages the Kindergarten building, facilitates access to external grants and supports the Kindergarten Committee of Management as needs arise.

Environmental Health

The Environmental Health program monitors and maintains a safe environment for public health and wellbeing. This program is designed to meet Council's statutory obligations regarding public health notably under the Food Act 1984 and Public Health and Wellbeing Act 2008. Mandatory assessments of food safety, accommodation and beauty treatment premises are completed in accordance with the regulations and risk management frameworks. Tobacco control activities reduce the prevalence of smoking in the community. Nuisance complaint investigations remedy public health and amenity concerns and infectious disease investigations control and reduce the likelihood of notifiable disease. The Environmental Health program area also facilitates mosquito control activity.

Asset Management and Appearance of Public Places

The Asset Management and Appearance of Public Places program ensures the safety, functionality and aesthetics of public places and infrastructure. This program promotes community wellbeing and encourages people to be active in public settings. The program ensures safe and efficient active transport settings, including the development of a network of connected walking and cycling routes, facilitates safe access to and use of community facilities, parks and gardens, sports ovals and local amenities. Responsibilities extend to include maintenance of local roads, kerb and channel, footpaths, shared use trails, drainage and street cleanliness. Council implements an asset renewal and maintenance program for infrastructure including roads, paths, drainage and all Council-owned and managed community buildings. It is also responsible for the maintenance, cleaning and renewal of 14 public toilets.

Local Laws, Safety and Amenity

The Local Laws, Safety and Amenity program promotes community wellbeing and safety in various settings and through monitoring public behaviour consistent with Council's Local Laws. This is achieved through management of school crossings, the provision of animal management services including animal registration and a dog and cat collection service, enforcement of local laws, issuing of local law permits, management of the boat ramp and enforcement of parking restrictions. This service is also the first Council respondent to out-of-hours emergencies.

Street Lighting

The Street Lighting program assists in the provision of a safe environment for motorists, pedestrians and cyclists. It involves the operation, maintenance, renewal and energy costs associated with the Borough's street lights. Importantly, Council has upgraded the streetlight infrastructure to achieve a high level of energy efficiency.

Powerline Safety

The Powerline Safety program assists in the provision of a safe environment and protection of the Borough's significant public and private assets and vegetation from fire by maintaining clear zones around powerlines to standards as set by legislation.

Library

The Library program promotes community wellbeing by encouraging active participation and life-long learning opportunities in a safe, inclusive setting. Libraries can be restorative places and often a safe haven for people outside their own home. The public library service is provided in Queenscliff in a Council-owned building, and is operated by the Geelong Regional Library Corporation under a deed of agreement with Council. Council is one of four municipalities that make up the membership of the Corporation.

Strategic Objective 2 - Environmental Sustainability

Environmental Sustainability

The Environmental Sustainability program sees the Borough playing its part in protecting the natural environment for future generations. This includes Council measuring, monitoring and reducing its carbon emissions as well as assisting the local community to implement various initiatives designed to reduce greenhouse gases through the Community Environment Alliance. Council plays a key role in responding to the challenges of climate change and sea level rise and where possible working with various Federal, State, regional and local organisations to inform and educate the community about practices that support environmental sustainability.

Coastal Protection

The Coastal Protection program seeks to preserve and enhance the Borough's globally significant, highly-valued coast as an iconic environmental asset for current and future generations. Under this program, Council implements State Government coastal management policy, manages environmental projects and works with State, regional and local services to enhance its management of coastal Crown Land. The program involves weed reduction initiatives and annual planting of trees, shrubs and grasses.

Waste Management and Recycling

The Waste Management and Recycling program seeks to involve the local community in protecting the environment for future generations by minimising waste. Council works with local and regional organisations, including the Barwon South West Waste and Resource Recovery Group and neighbouring councils to increase community awareness and promote behaviours that reduce waste and promote recycling. In addition to regular kerbside waste collection and a hard rubbish collection, the program includes a recycling service, effective e-waste disposal and a green waste bin service for all residential and tourist accommodation properties. A range of public waste services are also provided given the comparatively high level of tourist visitation. It is important to note that full cost recovery of waste management, including recycling, is achieved via application of waste charges to ratepayers in accordance with Council's Rating Strategy.

Strategic Objective 3 - Local Economy

Tourist Parks and Boat Ramp Services

The Tourist Parks and Boat Ramp Services program ensures the Borough remains a special place for visitors while increasing tourism's contribution to the local economy. The program includes management of three tourist parks and one boat ramp. It currently provides approximately 350 camping/caravanning sites and associated facilities, including maintenance of seven amenities blocks, and management of the Queenscliff boat ramp which provides access to fishing opportunities in Port Phillip. While contributing significantly to the local economy, this program generates a net income result, which is used to fund improvements to and maintenance of community facilities, foreshore infrastructure and coastal protection activities on Crown land.

Visitor Information Centre

The Visitor Information Centre program promotes the Borough as a special place for visitors, and supports local tourism and related businesses through the dissemination of tourism information that plays a key role in supporting a diverse and vibrant local economy. This program manages a year round State accredited tourist information service, with paid staff and volunteers offering information and advice about the visitor experiences on offer across the Borough and through other parts of Victoria.

Tourism & Economic Development

The Tourism and Economic Development program seeks to build on the Borough's unique heritage, rich culture and significant natural environment to strengthen the diversity and vibrancy of the local economy. The program is integrated with the activities of state and regional tourism organisations. Marketing and promoting the Borough and its attractions is key to increasing the number of day trippers and overnight visitors. The program's focus is informed by the Council's Economic Development Strategy and includes supporting local businesses and working with neighbouring municipalities, Tourism Greater Geelong & the Bellarine, G21 and the State Government to implement regional economic development and related infrastructure priorities.

Strategic Objective 4 - Planning and Heritage

Design and Project Management

The Design and Project Management program seeks to achieve excellence of design and delivery of projects which enhance the Borough as a special place. Specifically, the program manages project design, tendering and contract management activities as well as the implementation and supervision of Council's annual capital works program. It also manages issues associated with private development activities such as building over easements, legal point of discharge, vehicle point of access and unit development infrastructure.

Land Use Planning

The Land Use Planning program ensures that the Borough conserves its unique heritage, that the built environment is enhanced by design excellence, and that local amenity is protected against inappropriate land use and development. The program implements Council's Planning Scheme and prepares major policy documents including the Municipal Strategic Statement. It maintains and processes amendments to the Queenscliffe Planning Scheme and carries out research on demographic, economic and social issues affecting Council. The program administers Council's statutory planning responsibilities, including the various processes associated with the assessment of planning permit applications and defence of Council decisions at the Victorian Civil and Administrative Tribunal.

Heritage Conservation Advice

The Heritage Conservation Advice program aims to retain the unique heritage and rich culture captured in the Borough's built form. It adds value to the Land Use Planning program by providing an external heritage expert to advise development applicants on how to respect and achieve compliance with heritage objectives, and to inform Council's assessment of planning permit applications in relation to heritage conservation.

Building Control

The Building Control program ensures that building construction and maintenance is such that the community remains safe. It provides statutory building services including processing of siting variation consent, emergency management responsibilities, building inspections, building safety audits, and investigation of complaints and illegal works.

Strategic Objective 5 - Governance and Performance

Council Governance

The Council's Governance program supports the Mayor and Councillors to maintain a cohesive Council and a well-governed municipal Council. The program is structured to meet all legislative requirements associated with the Local Government Act 1989 and any other applicable Act. It supports Council's compliance with the Councillor Code of Conduct and its key relationships and memberships with organisations such as the MAV and G21. Council's participation in the annual Local Government Community Satisfaction Survey also forms part of this program.

Organisational Performance and Compliance

The Organisational Performance and Compliance program supports the Chief Executive Officer and Executive Management Team to maintain a cohesive, well-managed and highly performing organisation. This includes supporting organisation development and statutory compliance, and seeking to ensure that the behaviour of all staff complies with the Staff Code of Conduct. Key outputs of the program are the preparation and/or review of the Council Plan, Strategic Resource Plan and long term budget, Annual Implementation Plan and Council's Annual Budget.

Community Engagement and Customer Service

The Community Engagement and Customer Service program aims to facilitate community involvement in decision-making, and to deliver high quality customer service. It includes practical and strategic advice regarding Council's internal and external communications and issues management, and supports first point of contact to customers at the Council office. The program provides records management services in accordance with Council policy and procedures, administers the requirements of the privacy and freedom of information legislation, coordinates Council and Committee meetings, and provides other associated administrative support.

Financial and Risk Management

The Financial and Risk Management program seeks to ensure the ongoing independence and financial sustainability of the Borough of Queenscliffe. Council ensures sound financial management, and cohesiveness and performance of the organisation's operations, through the maintenance of appropriate systems. The service provides long term financial planning, robust internal risk management, adherence to guidelines on prudent management of debt, cash and asset renewal, and reviews its assets to improve the return on Council's investments. The service predominantly includes management of Council's finances, the raising and collection of revenue, payment of salaries and wages to Council employees, procurement and contracting of services, management and maintenance of robust computer systems, fleet management, insurance and risk management systems. The program also includes the revaluation of properties for rating purposes, processing of supplementary rates and the administration of the State Government's Fire Services Property Levy. The depreciation expense for all Council assets is also included as part of this program.

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

| | Income | Expenses | Surplus/ (Deficit) | Grants included in income | Total assets |
|--|---------------|---------------|-----------------------|---------------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2021 | | | | | |
| Community wellbeing | | | | | |
| Aged Services | 684 | 851 | (167) | 532 | - |
| Active Communities | - | 151 | (151) | - | 24,240 |
| Community Events | 15 | 124 | (109) | 15 | - |
| Maternal and Child Health | 58 | 73 | (16) | 58 | - |
| Kindergarten | 35 | 1 | 34 | 35 | 911 |
| Environmental Health | 36 | 141 | (106) | 29 | - |
| Asset Management and Appearance of Public Places | 115 | 1,271 | (1,156) | 76 | 71,660 |
| Local Laws, Safety and Amenity | 67 | 299 | (232) | 30 | 28 |
| Street Lighting | - | 28 | (28) | - | - |
| Powerline Safety | - | 30 | (30) | - | - |
| Library | - | 301 | (300) | - | 324 |
| Sub total | 1,009 | 3,270 | (2,260) | 774 | 97,162 |
| Environmental Sustainability | | | | | |
| Environmental Sustainability | - | 145 | (145) | - | - |
| Coastal Protection and Boat Ramp Services | 378 | 293 | 85 | 281 | 606 |
| Waste management and Recycling | 999 | 1,087 | (88) | 22 | 75 |
| Sub total | 1,377 | 1,526 | (149) | 304 | 681 |
| Local Economy | | | | | |
| Tourist Parks | 1,551 | 844 | 707 | - | 13,679 |
| Visitor Information Centre | 30 | 213 | (183) | - | 326 |
| Tourism & Economic Development | 251 | 433 | (182) | 250 | 1,778 |
| Sub total | 1,832 | 1,490 | 342 | 250 | 15,783 |
| Planning and Heritage | | | | | |
| Design and Project Management | - | 276 | (276) | - | - |
| Land Use Planning | 124 | 337 | (213) | - | - |
| Heritage Conservation Advice | - | 3 | (3) | - | - |
| Building Control | 29 | 32 | (4) | - | - |
| Sub total | 152 | 648 | (496) | - | - |
| Governance and Performance | | | | | |
| Council Governance | - | 267 | (267) | - | - |
| Organisational Performance and Compliance | 193 | 1,274 | (1,082) | 183 | 1,596 |
| Community Engagement and Customer Service | - | 555 | (555) | - | - |
| Financial and Risk Management | 6,764 | 2,970 | 3,794 | 41 | - |
| Sub total | 6,956 | 5,066 | 1,891 | 224 | 1,596 |
| Total - Strategic Objectives | 11,328 | 12,000 | (671) | 1,551 | 115,223 |
| Other non-attributable | | | | | |
| Asset Write-offs | | 881 | (881) | | |
| Capital Grants and Contributions | 1,434 | | 1,434 | 1,382 | |
| Land Under Roads | | | - | | 16,237 |
| Other Property & Buildings | | | - | | 13,781 |
| | 12,762 | 12,881 | (118) | 2,933 | 145,240 |

| | Income | Expenses | Surplus/(De ficit) | Grants included in income | Total assets |
|--|---------------|---------------|-----------------------|---------------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2020 | | | | | |
| Community wellbeing | | | | | |
| Aged Services | 672 | 737 | (65) | 569 | 4 |
| Active Communities | 3 | 148 | (145) | 3 | 24,947 |
| Community Events | 5 | 111 | (105) | - | - |
| Maternal and Child Health | 55 | 66 | (11) | 55 | - |
| Kindergarten | - | 6 | (6) | - | 926 |
| Environmental Health | 43 | 109 | (66) | 13 | - |
| Asset Management and Appearance of Public Places | 72 | 1,106 | (1,034) | 60 | 70,057 |
| Local Laws, Safety and Amenity | 65 | 291 | (226) | 31 | 42 |
| Street Lighting | - | 31 | (31) | - | - |
| Powerline Safety | - | 48 | (48) | - | - |
| Library | - | 190 | (190) | - | 332 |
| Sub total | 915 | 2,844 | (1,929) | 730 | 96,309 |
| Environmental Sustainability | | | | | |
| Environmental Sustainability | - | 122 | (122) | - | - |
| Coastal Protection | 273 | 408 | (135) | 185 | 347 |
| Waste management and Recycling | 964 | 1,012 | (48) | 25 | 95 |
| Sub total | 1,237 | 1,542 | (305) | 211 | 442 |
| Local Economy | | | | | |
| Tourist Parks and Boat Ramp Services | 1,480 | 795 | 685 | - | 13,897 |
| Visitor Information Centre | 82 | 250 | (169) | - | 335 |
| Tourism & Economic Development | 20 | 168 | (148) | 19 | 2,393 |
| Sub total | 1,582 | 1,214 | 368 | 19 | 16,625 |
| Planning and Heritage | | | | | |
| Design and Project Management | - | 392 | (392) | - | 7 |
| Land Use Planning | 84 | 325 | (241) | - | - |
| Heritage Conservation Advice | - | 22 | (22) | - | - |
| Building Control | 30 | 32 | (2) | - | - |
| Sub total | 114 | 771 | (657) | - | 7 |
| Governance and Performance | | | | | |
| Council Governance | - | 220 | (220) | - | - |
| Organisational Performance and Compliance | 674 | 1,395 | (721) | 665 | 101 |
| Community Engagement and Customer Service | - | 558 | (558) | - | - |
| Financial and Risk Management | 6,692 | 2,367 | 4,325 | 40 | 203 |
| Sub total | 7,366 | 4,540 | 2,826 | 705 | 304 |
| Total - Strategic Objectives | 11,214 | 10,910 | 304 | 1,665 | 113,686 |
| Other non-attributable | | | | | |
| Asset Write-offs | - | 870 | (870) | - | - |
| Capital Grants and Contributions | 1,116 | - | 1,116 | 1,097 | - |
| Land Under Roads | - | - | - | - | 16,237 |
| Other Property & Buildings | - | - | - | - | 13,641 |
| | 12,330 | 11,780 | 551 | 2,762 | 143,564 |

| | | |
|--|---------------|---------------|
| Note 3 Funding for the delivery of our services | 2021 | 2020 |
| 3.1 Rates and charges | \$'000 | \$'000 |

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all its improvements.

The valuation base used to calculate general rates for 2020/21 was \$3,037 million (2019/20 \$2,881 million).

| | | |
|---|--------------|--------------|
| General rates | | |
| Residential | 5,391 | 5,257 |
| Residential vacant land | 131 | 146 |
| Tourist accommodation | 768 | 740 |
| Commercial | 349 | 351 |
| Total general rates | 6,639 | 6,495 |
| Waste management charges | | |
| Kerbside waste | 611 | 525 |
| Public waste | 223 | 280 |
| Green waste | 125 | 116 |
| Additional bins | 18 | 18 |
| Total waste management charges | 977 | 939 |
| Other rates and charges | | |
| Interest on rates and charges | 6 | 8 |
| Cultural and recreational charges - in lieu of rates | 4 | 4 |
| Supplementary rates and charges | 21 | 7 |
| Less: rebate for properties of environmental interest | (4) | (4) |
| Total other rates and charges | 27 | 16 |
| Total rates and charges | 7,642 | 7,450 |

The date of the latest general revaluation of land for rating purposes within the municipal district was 01/01/2021, and the valuation will be first applied in the rating year commencing 01/07/2021.

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

| | | |
|---------------------------------------|---------------|---------------|
| 3.2 Statutory fees and fines | 2021 | 2020 |
| | \$'000 | \$'000 |
| Town planning fees | 144 | 84 |
| Infringements and costs | 3 | 5 |
| Permits | 5 | 9 |
| Fines Victoria court recoveries | (1) | 1 |
| Land information certificates | 5 | 4 |
| Total statutory fees and fines | 157 | 104 |

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 | 2021 | 2020 |
| | \$'000 | \$'000 |
| Tourist park fees | 1,551 | 1,480 |
| Boat ramp parking fees - ticket machines | - | 1 |
| Aged services | 152 | 102 |
| Registration and other permits | 36 | 55 |
| Valuation fees/supplementary charges | - | 2 |
| Building services | - | 30 |
| Tourism | 4 | 14 |
| Other fees and charges (< \$10,000 each) | 17 | 16 |
| Total user fees | 1,760 | 1,699 |
| User fees by timing of revenue recognition | | |
| User fees recognised over time | 1,724 | 1,644 |
| User fees recognised at a point in time | 36 | 55 |
| Total user fees | 1,760 | 1,699 |

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.

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| 3.4 Funding from other levels of government | | |
| Grants were received in respect of the following : | | |
| Summary of grants | | |
| Commonwealth funded grants | 965 | 1,479 |
| State funded grants | 1,907 | 1,269 |
| Other grants | 61 | 14 |
| Total grants received | <u>2,933</u> | <u>2,762</u> |
| (a) Operating Grants | | |
| Recurrent - Commonwealth Government | | |
| Aged Services | 380 | 565 |
| Financial Assistance Grants | 244 | 723 |
| Recurrent - State Government | | |
| Maternal and child health | 58 | 55 |
| Service System Resourcing | 27 | - |
| Fire Services Property Levy administration | 41 | 40 |
| School crossing supervision | 30 | 31 |
| Beach cleaning | 39 | 31 |
| Other (<\$10,000 each) | 7 | 7 |
| Recurrent - Other | | |
| Tobacco Activity Program | 12 | 13 |
| Total recurrent operating grants | <u>838</u> | <u>1,464</u> |
| Non-recurrent - State Government | | |
| Tourism and economic development | 258 | 19 |
| Waste management and recycling | 10 | 14 |
| Coastal protection | 254 | 166 |
| Community development | 159 | - |
| Environmental Health | 14 | - |
| Pedestrian Safety | 15 | - |
| Non-recurrent - Other | | |
| Other (<\$10,000 each) | 3 | 2 |
| Total non-recurrent operating grants | <u>713</u> | <u>201</u> |
| Total operating grants | <u>1,551</u> | <u>1,665</u> |
| (b) Capital Grants | | |
| Recurrent - Commonwealth Government | | |
| Roads to recovery | - | 191 |
| Total recurrent capital grants | <u>-</u> | <u>191</u> |
| Non-recurrent - Commonwealth Government | | |
| Roads | 341 | - |
| Non-recurrent - State Government | | |
| Buildings | 850 | 290 |
| Roads | 14 | 543 |
| Recreation, leisure and community facilities | - | 24 |
| Footpaths and cycleways | 10 | 40 |
| Computers & Telecommunications | 56 | - |
| Other infrastructure | 65 | 9 |
| Non-recurrent - Other | | |
| Other Infrastructure | 46 | - |
| Total non-recurrent capital grants | <u>1,382</u> | <u>906</u> |
| Total capital grants | <u>1,382</u> | <u>1,097</u> |

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

| | 2021 | 2020 |
|---|------------|--------------|
| | \$'000 | \$'000 |
| Operating | | |
| Balance at start of year | 602 | 398 |
| Received during the financial year and remained unspent at balance date | 127 | 379 |
| Received in prior years and spent during the financial year | (441) | (175) |
| Balance at year end | <u>288</u> | <u>602</u> |
| Capital | | |
| Balance at start of year | 1,518 | 1,724 |
| Received during the financial year and remained unspent at balance date | 22 | 340 |
| Received in prior years and spent during the financial year | (1,228) | (546) |
| Balance at year end | <u>312</u> | <u>1,518</u> |

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

3.5 Contributions

| | | |
|----------------------------|------------------|------------------|
| Monetary | <u>52</u> | <u>25</u> |
| Total contributions | <u>52</u> | <u>25</u> |

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

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

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

| | | |
|---|---------------------|-----------------|
| Proceeds of sale | 19 | 11 |
| Written down value of assets disposed | (559) | (4) |
| Total net gain/(loss) on disposal of property, infrastructure, plant and equipment | <u>(540)</u> | <u>7</u> |

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

3.7 Other income

| | | |
|---|-------------------|-------------------|
| Interest | 35 | 96 |
| Other rent - lease of Crown Land properties | 97 | 78 |
| Other rent - lease of Council properties | 17 | 36 |
| Reimbursements | 12 | 6 |
| Contribution from volunteers | 28 | 69 |
| Other | 29 | - |
| Total other income | <u>218</u> | <u>284</u> |

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 | 3,934 | 3,834 |
| Superannuation | 356 | 347 |
| Overtime | 47 | 52 |
| WorkCover | 58 | 63 |
| Fringe benefits tax | 49 | 57 |
| Total employee costs | <u>4,445</u> | <u>4,353</u> |

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| (b) Superannuation | | |
| Council made contributions to the following funds: | | |
| Defined benefit fund | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 3 | 3 |
| Employer contributions - other funds | - | - |
| | <u>3</u> | <u>3</u> |
| Employer contributions payable at reporting date. | - | - |
| Accumulation funds | | |
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 234 | 215 |
| Employer contributions - other funds | 135 | 146 |
| | <u>369</u> | <u>361</u> |
| Employer contributions payable at reporting date. | - | - |

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

4.2 Materials and services

| | | |
|---|--------------|--------------|
| Roads, parks and reserves maintenance | 599 | 598 |
| Cleaning of council buildings, amenities and BBQ's | 130 | 127 |
| Maternal and Child Health | 73 | 66 |
| Drainage maintenance | 61 | 61 |
| Home and community care home maintenance | 44 | 50 |
| Valuation services | 6 | 6 |
| General service delivery | 874 | 1,017 |
| Waste management | 1,087 | 1,013 |
| Non-recurrent operating projects (rates funded) | 91 | 91 |
| Labour contracts (I.T, building surveyor, heritage advisor and specialist backfill) | 398 | 297 |
| Foreshore and open space maintenance | 324 | 377 |
| Buildings, works, plant and equipment maintenance | 239 | 288 |
| Utilities | 213 | 233 |
| Contribution to Geelong Regional Library Corporation | 221 | 216 |
| Insurance | 244 | 222 |
| Information technology software and maintenance agreements | 136 | 135 |
| Local Government election costs | 70 | 3 |
| Non-recurrent operating projects (grant funded) | 294 | 13 |
| Office administration | 37 | 42 |
| Other Exp | 2 | - |
| Training and staff development | 48 | 47 |
| Aged care services | 4 | - |
| Total materials and services | <u>5,198</u> | <u>4,905</u> |

4.3 Depreciation

| | | |
|---------------------------|--------------|--------------|
| Property | 432 | 420 |
| Plant and equipment | 132 | 134 |
| Infrastructure | 789 | 776 |
| Total depreciation | <u>1,353</u> | <u>1,331</u> |

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

| 4.6 Bad and doubtful debts | 2021 \$'000 | 2020 \$'000 |
|-------------------------------------|----------------|----------------|
| Parking fine debtors | 2 | 5 |
| Rates debtors | - | 0 |
| Other debtors | 2 | - |
| Total bad and doubtful debts | 4 | 5 |

Movement in provisions for doubtful debts

| | | |
|---|----------|----------|
| Balance at the beginning of the year | 2 | 2 |
| New provisions recognised during the year | 2 | 0 |
| Amounts already provided for and written off as uncollectible | (2) | - |
| Balance at end of year | <u>2</u> | <u>2</u> |

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 | 0 | 1 |
| Total borrowing costs | 0 | 1 |

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.

4.9 Other expenses

| | | |
|---|--------------|--------------|
| Councillors' allowances | 144 | 149 |
| Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals | 41 | 43 |
| Auditors' remuneration - Internal | 14 | 23 |
| Auditors' remuneration - Other | 1 | - |
| Audit and risk committee sitting fees | 7 | 5 |
| Operating lease rentals | 14 | 16 |
| Others | 135 | 43 |
| Assets written-off / impaired | 882 | 870 |
| Cost of volunteers | 28 | 69 |
| Total other expenses | 1,266 | 1,218 |

Note 5 Our financial position

5.1 Financial assets

(a) Cash and cash equivalents

| | | |
|--|--------------|------------|
| Cash on hand | 2 | 2 |
| Cash at bank | 1,040 | 977 |
| Term deposits | 500 | - |
| Total cash and cash equivalents | 1,542 | 979 |

(b) Other financial assets

| | | |
|-------------------------------------|--------------|--------------|
| Term deposits - current | 7,075 | 6,862 |
| Term deposits - non-current | - | - |
| Total other financial assets | 7,075 | 6,862 |
| Total financial assets | 8,617 | 7,841 |

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) | 47 | 16 |
| Total restricted funds | 47 | 16 |
| Total unrestricted cash and cash equivalents | 1,496 | 963 |

| | 2021 | 2020 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Intended allocations | | |
| Although not externally restricted the following amounts have been allocated for specific future purposes by Council: | | |
| - Cash held to fund carried forward projects (Note 9.1(b))* | 3,252 | 4,885 |
| - Cash held to fund future asset replacement requirements (Note 9.1(b)) | 1,356 | 972 |
| - Cash held to fund future calls on the defined benefits superannuation fund (Note 9.1(b)) | 40 | 40 |
| - Cash held to fund future waste management costs (Note 9.1(b)) | 15 | - |
| Total funds subject to intended allocations | <u>4,663</u> | <u>5,857</u> |

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.

| | 2021 \$'000 | 2020 \$'000 |
|--|-------------------|-------------------|
| (c) Trade and other receivables | | |
| Current | | |
| <i>Statutory receivables</i> | | |
| Rates debtors | 105 | 152 |
| Pensioner rebate | 23 | 24 |
| Infringement debtors | 4 | 8 |
| Provision for doubtful debts - infringements | (2) | (2) |
| Other debtors | | |
| Other | 63 | 250 |
| Net GST receivable | 122 | 102 |
| Total current trade and other receivables | <u>316</u> | <u>533</u> |
| Total trade and other receivables | <u>316</u> | <u>533</u> |

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) | 146 | 320 |
| Past due by up to 30 days | - | - |
| Past due between 31 and 180 days | 36 | 21 |
| Past due between 181 and 365 days | 0 | 7 |
| Past due by more than 1 year | 3 | 3 |
| Total trade and other receivables | <u>185</u> | <u>351</u> |

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$1,533 (2020: \$2,245) were impaired. The amount of the provision raised against these debtors was \$1,533 (2020: \$2,245). 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 | - | - |
| Past due between 181 and 365 days | - | - |
| Past due by more than 1 year | 2 | 2 |
| Total trade & other receivables | <u>2</u> | <u>2</u> |

| 5.2 Non-financial assets | 2021 | 2020 |
|-----------------------------------|----------|----------|
| (a) Inventories | \$'000 | \$'000 |
| Inventories held for distribution | 5 | 4 |
| Total inventories | 5 | 4 |

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 | 91 | 94 |
| Accrued income | 251 | 20 |
| Total other assets | 342 | 114 |

5.3 Payables

(a) Trade and other payables

| | | |
|---------------------------------------|------------|------------|
| Net GST payable | 468 | 504 |
| Accrued expenses | 179 | 150 |
| Total trade and other payables | 648 | 654 |

(b) Trust funds and deposits

| | | |
|---------------------------------------|-----------|-----------|
| Refundable deposits | 9 | 8 |
| Fire services levy | 2 | 2 |
| Retention amounts | 36 | - |
| Other refundable deposits | - | 6 |
| Total trust funds and deposits | 47 | 16 |

(c) Unearned income

| | | |
|--|--------------|------------|
| Grants received in advance - operating | 153 | 155 |
| Grants received in advance - capital | 1,847 | 153 |
| Other | 117 | 131 |
| Total unearned income | 2,117 | 440 |

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

Purpose and nature of items

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

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

| 5.4 Interest-bearing liabilities | 2021 | 2020 |
|----------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Current | | |
| Borrowings - secured | - | 19 |
| | - | 19 |
| Non-current | | |
| Borrowings - secured | - | 10 |
| | - | 10 |
| Total | - | 29 |

Borrowings are secured by rates income

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

| | | |
|---|---|----|
| Not later than one year | - | 19 |
| Later than one year and not later than five years | - | 10 |
| Later than five years | - | - |
| | - | 29 |

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

| | Annual Leave | Long Service Leave | Accrued Days Off | Total |
|---|-----------------|--------------------------|------------------------|--------------|
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| 2021 | | | | |
| Balance at beginning of the financial year | 317 | 689 | 27 | 1,033 |
| Additional provisions | 253 | 88 | 9 | 350 |
| Amounts used | (145) | (19) | (14) | (178) |
| Change in the discounted amount arising because of time and the effect of any change in the discount rate | (3) | (48) | - | (51) |
| Balance at the end of the financial year | 422 | 710 | 23 | 1,154 |
| 2020 | | | | |
| Balance at beginning of the financial year | 315 | 705 | 30 | 1,051 |
| Additional provisions | 138 | 126 | 15 | 279 |
| Amounts used | (138) | (155) | (18) | (311) |
| Change in the discounted amount arising because of time and the effect of any change in the discount rate | 2 | 13 | - | 15 |
| Balance at the end of the financial year | 317 | 689 | 27 | 1,033 |

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| (a) Employee provisions | | |
| Current provisions expected to be wholly settled within 12 months | | |
| Annual leave | 119 | 41 |
| Long service leave | 29 | - |
| Accrued days off | 23 | 27 |
| | 170 | 68 |
| Current provisions expected to be wholly settled after 12 months | | |
| Annual leave | 304 | 276 |
| Long service leave | 577 | 586 |
| | 881 | 862 |
| Total current employee provisions | 1,050 | 930 |
| Non-current | | |
| Long service leave | 104 | 103 |
| Annual leave | - | - |
| Total non-current employee provisions | 104 | 103 |
| Aggregate carrying amount of employee provisions: | | |
| Current | 1,050 | 930 |
| Non-current | 104 | 103 |
| Total aggregate carrying amount of employee provisions | 1,154 | 1,033 |

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

Wages and salaries and annual leave

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

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

| Key assumptions: | 2021 | 2020 |
|------------------|-----------------|------------|
| - index rate | 0.99% - 1.27% | 1% - 1.16% |
| - discount rate | -0.015% - 1.58% | 0% - 0.98% |
| - inflation rate | 2.950% | 4.250% |

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30/06/2021.

| | | |
|------------------------|-----------|-----------|
| Credit card facilities | 26 | 26 |
| Loan facilities | - | 29 |
| Total facilities | 26 | 55 |
| Used facilities | 6 | 30 |
| Unused facilities | 20 | 25 |

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.

| | 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 |
| 2021 | | | | | |
| Operating | | | | | |
| Roads, parks and reserves maintenance | 912 | - | - | - | 912 |
| Provision of Cleaning Services for Amenities Blocks & BBQ Facilities | 82 | - | - | - | 82 |
| Internal audit | 17 | - | - | - | 17 |
| Waste Collection Service | 2 | - | - | - | 2 |
| Total | 1,013 | - | - | - | 1,013 |
| Capital | | | | | |
| Queenscliffe Hub - construction | 4,087 | - | - | - | 4,087 |
| Queenscliff Boat Ramp - upgrade | 3,747 | - | - | - | 3,747 |
| Stormwater drainage Big 4 caravan park Bellarine Hwy | 113 | - | - | - | 113 |
| Pedestrian Crossing, Point Lonsdale Rd Point Lonsdale | 62 | - | - | - | 62 |
| Hesse St pedestrian crossing | 59 | - | - | - | 59 |
| Queenscliff Recreation Reserve Sport Precinct Civil Construction | 53 | - | - | - | 53 |
| Total | 8,121 | - | - | - | 8,121 |
| | 9,133 | - | - | - | 9,133 |
| 2020 | | | | | |
| Operating | | | | | |
| Roads, parks and reserves maintenance | 878 | 878 | - | - | 1,757 |
| Garbage collection | 566 | 2 | - | - | 567 |
| Cleaning Services for Amenities Blocks & BBQ Facilities | 80 | 80 | - | - | 160 |
| Sponsorship agreement - Queenscliff Music Festival | 66 | - | - | - | 66 |
| Review of Planning Scheme Heritage Provisions | 47 | - | - | - | 47 |
| Cleaning contract for council buildings | 40 | - | - | - | 40 |
| Information systems & technology | 37 | - | - | - | 37 |
| Internal Audit | 17 | 17 | - | - | 34 |
| Total | 1,732 | 977 | - | - | 2,709 |
| Capital | | | | | |
| Hesse Street South | 855 | - | - | - | 855 |
| Queenscliffe Hub | 134 | - | - | - | 134 |
| Architectural services for Point Lonsdale Tennis club | 8 | - | - | - | 8 |
| Total | 997 | - | - | - | 997 |

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.

- Lease signed with the State Transport Authority commencing 1 Jan 1985 (Lots 26, 27, 28, 29). No term mentioned. One months' notice required to terminate the lease. Annual lease rental \$104 ex GST.
- Lease signed with the Victorian Railways Commissioners 5 May 1959 (Lot 1). For 33 years. Expired but allows for a week to week rental indefinitely. Annual lease rental \$114 ex GST.
- Lease signed with the Victorian Railways board 1 Oct 1973 (Lot 18). For 50 years. Expiring 2023. Annual lease rental \$104 ex GST.
- Lease signed with Vic Track 1 March 2009 (Lot 41). No term mentioned. One months' notice required to terminate the lease. Annual lease rental \$139.05 ex GST.

There are no restrictions on use of these assets. However, Council is not generating any income from the above properties (land) and some have been provided for community use through various community organisations.

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.

| | 2021 |
|--|-----------|
| | \$'000 |
| Expenses relating to: | |
| Short-term leases | 14 |
| Leases of low value assets | 1 |
| Total | 15 |
| Variable lease payments (not included in measurement of lease liabilities) | - |

| Note 6 Assets we manage | 2021 | 2020 |
|---|--------------|--------------|
| 6.1 Non current assets classified as held for sale | \$'000 | \$'000 |
| Cost of acquisition | - | - |
| Land - At fair value | 2,075 | 2,075 |
| Total non current assets classified as held for sale | 2,075 | 2,075 |

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

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

| | At Fair Value 30 June 2020 | Additions | Contributions | Revaluation | Depreciation | Disposal | Write-off | Transfers | At Fair Value 30 June 2021 |
|---------------------|-------------------------------|-----------|---------------|-------------|--------------|----------|-----------|-----------|-------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property | 109,202 | 53 | - | - | (432) | (543) | - | - | 108,281 |
| Plant and equipment | 475 | 157 | - | - | (132) | (17) | - | - | 483 |
| Infrastructure | 21,226 | 975 | - | - | (789) | - | - | 780 | 22,193 |
| Work in progress | 1,853 | 1,689 | - | - | - | - | - | (780) | 2,762 |
| | 132,757 | 2,875 | - | - | (1,353) | (559) | - | - | 133,720 |

Summary of Work in Progress

| | Opening WIP | Additions | Prior period error | Transfers | Closing WIP |
|---------------------|-------------|-----------|-----------------------|-----------|-------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property | 617 | 1,243 | - | (74) | 1,786 |
| Plant and equipment | - | - | - | - | - |
| Infrastructure | 1,237 | 446 | - | (707) | 976 |
| Total | 1,853 | 1,689 | - | (780) | 2,762 |

(a) Property

| | Land - specialised | Land - non specialised | Land improvements | Total Land & Land Improvements | Heritage buildings | Buildings - specialised | Buildings - non specialised | Building improvements | Leasehold improvements | Total Buildings | Work In Progress | Total Property |
|--|--------------------|------------------------|-------------------|--------------------------------|--------------------|-------------------------|-----------------------------|-----------------------|------------------------|-----------------|------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At fair value 1 July 2020 | 73,227 | 22,588 | - | 95,815 | 351 | 20,880 | 2,496 | - | - | 23,727 | 616 | 120,158 |
| Accumulated depreciation at 1 July 2020 | - | - | - | - | (174) | (9,345) | (820) | - | - | (10,339) | - | (10,339) |
| | 73,227 | 22,588 | - | 95,815 | 176 | 11,535 | 1,676 | - | - | 13,388 | 616 | 109,819 |
| Movements in fair value | | | | | | | | | | | | |
| Additions | - | - | - | - | - | 53 | - | - | - | 53 | 1,243 | 1,296.63 |
| Contributions | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | (543) | - | - | - | (543) | - | (543) |
| Prior period error | - | - | - | - | - | - | - | - | - | - | (74) | (74) |
| Write-off | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - |
| Impairment losses recognised in operating result | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | (489) | - | - | - | (489) | 1,170 | 680 |
| Movements in accumulated depreciation | | | | | | | | | | | | |
| Depreciation and amortisation | - | - | - | - | (6) | (366) | (42) | - | - | (414) | - | (414) |
| Accumulated depreciation of disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| Prior period error | - | - | - | - | - | (18) | - | - | - | (18) | - | (18) |
| Impairment losses recognised in operating result | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | (6) | (384) | (42) | - | - | (432) | - | (432) |
| At fair value 30 June 2021 | 73,227 | 22,588 | - | 95,815 | 351 | 20,391 | 2,496 | - | - | 23,237 | 1,786 | 120,838 |
| Accumulated depreciation at 30 June 2021 | - | - | - | - | (180) | (9,729) | (862) | - | - | (10,771) | - | (10,771) |
| | 73,227 | 22,588 | - | 95,815 | 170 | 10,662 | 1,634 | - | - | 12,466 | 1,786 | 110,067 |

(b) Plant and Equipment

| | Heritage plant and equipment | Plant machinery and equipment | Fixtures fittings and furniture | Computers and telecomms | Work In Progress | Total plant and equipment |
|--|------------------------------------|-------------------------------------|---------------------------------------|-------------------------------|---------------------|---------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At fair value 1 July 2020 | - | 502 | 342 | 596 | - | 1,439 |
| Accumulated depreciation at 1 July 2020 | - | (298) | (300) | (366) | - | (964) |
| | - | 203 | 42 | 230 | - | 476 |
| Movements in fair value | | | | | | |
| Additions | - | 42 | - | 115 | - | 157 |
| Contributions | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - |
| Disposal | - | (17) | - | - | - | (17) |
| Write-off | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - |
| Impairment losses recognised in operating result | - | - | - | - | - | - |
| | - | 25 | - | 115 | - | 140 |
| Movements in accumulated depreciation | | | | | | |
| Depreciation and amortisation | - | - | - | - | - | - |
| Accumulated depreciation of disposals | - | 65.41 | 16.74 | 44.05 | - | (126) |
| Prior period error | - | (69) | 68 | (5) | - | (6) |
| Impairment losses recognised in operating result | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - |
| | - | (135) | 51 | (49) | - | (132) |
| At fair value 30 June 2021 | - | 527 | 342 | 711 | - | 1,580 |
| Accumulated depreciation at 30 June 2021 | - | (433) | (249) | (415) | - | (1,096) |
| | - | 94 | 93 | 296 | - | 484 |

(c) Infrastructure

| | Roads | Bridges | Footpaths and cycleways | Drainage | Recreational, leisure and community | Waste Management | Parks open spaces 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 2020 | 18,807 | - | 1,809 | 4,881 | 3,894 | 221 | 1,861 | - | 923 | 527 | 1,236 | 34,160 |
| Accumulated depreciation at 1 July 2020 | (6,294) | - | (695) | (2,255) | (1,311) | (127) | (550) | - | (299) | (167) | - | (11,698) |
| | 12,513 | - | 1,114 | 2,626 | 2,583 | 94 | 1,311 | - | 624 | 360 | 1,236 | 22,462 |
| Movements in fair value | | | | | | | | | | | | |
| Additions | 235 | - | 200 | 238 | 221 | - | 81 | - | - | - | 446 | 1,421 |
| Contributions | - | - | - | - | - | - | - | - | - | - | - | - |
| Revaluation | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | - | - | - | - | - | - | - |
| Prior period error | - | - | - | - | - | - | - | - | - | - | 74 | 74 |
| Write-off | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers | 253 | - | 144 | 176 | 207 | - | - | - | - | - | (780) | - |
| Impairment losses recognised in operating result | - | - | - | - | - | - | - | - | - | - | - | - |
| | 488 | - | 344 | 414 | 428 | - | 81 | - | - | - | (261) | 1,495 |
| Movements in accumulated depreciation | | | | | | | | | | | | |
| Depreciation and amortisation | (249) | - | (34) | (53) | (220) | (18) | (131) | - | (15) | (44) | - | (764) |
| Accumulated depreciation of disposals | - | - | - | - | - | - | - | - | - | - | - | - |
| Prior period error | (9) | - | (0) | (2) | (3) | (1) | (8) | - | (0) | (2) | - | (25) |
| Impairment losses recognised in operating result | - | - | - | - | - | - | - | - | - | - | - | - |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - |
| | (259) | - | (34) | (54) | (223) | (19) | (140) | - | (15) | (45) | - | (789) |
| At fair value 30 June 2021 | 19,296 | - | 2,153 | 5,295 | 4,322 | 221 | 1,943 | - | 923 | 527 | 976 | 35,655 |
| Accumulated depreciation at 30 June 2021 | (6,553) | - | (729) | (2,310) | (1,534) | (146) | (689) | - | (314) | (212) | - | (12,486) |
| | 12,743 | - | 1,424 | 2,986 | 2,788 | 75 | 1,253 | - | 609 | 315 | 976 | 23,169 |

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

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

| | Depreciation Period | Threshold Limit \$'000 |
|--|------------------------|---------------------------|
| <i>Asset recognition thresholds and depreciation periods</i> | | |
| Land & land improvements | | |
| land | - | 5 |
| land under roads | - | 5 |
| land improvements | - | 5 |
| Buildings | 25 - 200 years | 10 |
| Plant and Equipment | | |
| Plant, machinery and equipment | 2 - 10 years | 0.5 |
| Fixtures, fittings and furniture | 3 - 10 years | 0.5 |
| Computers and telecommunications | 3 - 10 years | 0.5 |
| Infrastructure | | |
| Roads | 12 - 80 years | 10 |
| Footpaths and cycleways | 20 - 50 years | 10 |
| Drainage | 15 - 100 years | 5 |
| Recreation, leisure and community facilities | 10 - 100 years | 5 |
| Waste management | 5 - 15 years | 5 |
| Parks, open space and streetscapes | 5 - 25 years | 5 |
| Off-street car parks | 12 - 80 years | 5 |
| Other infrastructure | 5 - 100 years | 5 |

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

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.

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer from Opteon Property Group (Victoria) ("Opteon") valuer registration number 63379. 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. An index-based revaluation was conducted in the current year, this valuation was based on Valuer General Victoria (VGV) land indexation factors for commercial properties and estimated building cost Indexation factors for commercial properties. There has not been a significant movement on these factors since the last valuation (cumulative movement is less than 10%). As a result, the carrying value of land and buildings has not been adjusted to reflect index-based valuation. A full revaluation of these assets will be conducted in 2021/22.

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

| | Level 1 | Level2 | Level 3 | Date of Valuation |
|-------------------------------------|---------|-----------|-----------|-------------------|
| Freehold Land | - | 22,588 | - | March 2018 |
| Crown Land (specialised land) | - | - | 59,065 | March 2018 |
| Land under roads (specialised land) | - | - | 16,237 | March 2018 |
| Buildings | - | 1,717 | - | June 2019 |
| Buildings Specialised | - | - | 10,615 | June 2019 |
| Total | - | 24,305.22 | 85,917.40 | |

Valuation of infrastructure

Valuation of road network infrastructure assets (roads including kerb and channel, footpaths and cycleways) and off street car parks was conducted by Council's engineer, Mr. Stuart Hansen, during the current financial year using the condition assessment work of Mr Peter Moloney, Dip C.E.C.E.MIE Aust conducted in November 2019. The drainage valuation was conducted by Council's engineer, Mr. Stuart Hansen, in 2019/20. All other infrastructure assets are currently based at cost.

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

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

| | Level 1 | Level2 | Level 3 | Date of Valuation |
|-------------------------|---------|--------|---------|-------------------|
| Roads | - | - | 12,513 | June 2020 |
| Footpaths and cycleways | - | - | 1,114 | June 2020 |
| Drainage | - | - | 2,626 | June 2020 |
| Off street car parks | - | - | 624 | June 2020 |
| Total | - | - | 16,877 | |

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$43 and \$2,335 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$451 to \$4,644 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 0 years to 107 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 5 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.

| | 2021 | 2020 |
|------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Reconciliation of specialised land | | |
| Crown Land | 59,065 | 59,065 |
| Land under roads | 16,237 | 16,237 |
| Total specialised land | 75,302 | 75,302 |

| | 2021 | 2020 |
|---|------------|------------|
| | \$'000 | \$'000 |
| 6.3 Investments in associates, joint arrangements and subsidiaries | | |
| (a) Investments in associates | | |
| - Geelong Regional Library Corporation | 165 | 240 |
| Fair value of Council's investment in Geelong Regional Library | <u>165</u> | <u>240</u> |
| Geelong Regional Library Corporation | | |
| <i>Background</i> | | |
| Council recognises its interest in the Geelong Regional Library Corporation by recording an investment in its financial statements at a value based on Council's underlying interest in the net assets of the service disclosed in its audited financial statements for the year ended 30 June 2021. Council's share of the net assets (1.58%) is calculated on the same ratio as it contributes to the operating costs of the service. Annual contributions to the library service are included in the Comprehensive Income Statement. | | |
| Council's share of accumulated surplus/(deficit) | | |
| Council's share of accumulated surplus(deficit) at start of year | 240 | 207 |
| Reported surplus(deficit) for year | (75) | 33 |
| Council's share of accumulated surplus(deficit) at end of year | <u>165</u> | <u>240</u> |
| Movement in carrying value of specific investment | | |
| Carrying value of investment at start of year | 240 | 207 |
| Share of surplus(deficit) for year | (75) | 33 |
| Carrying value of investment at end of year | <u>165</u> | <u>240</u> |

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

| | 2021 | 2020 |
|--|---------------|---------------|
| | No. | No. |
| Note 7 People and relationships | | |
| 7.1 Council and key management remuneration | | |
| (a) Related Parties | | |
| <i>Parent entity</i> | | |
| Borough of Queenscliffe is the parent entity. | | |
| <i>Subsidiaries and Associates</i> | | |
| Interests in subsidiaries and associates are detailed in Note 6.3. | | |
| (b) Key Management Personnel | | |
| Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are: | | |
| Councillors | | |
| Councillor Ross Ebbels - Mayor from 28 Nov 2019 | 1 | 1 |
| Councillor Donnie Grigau - from 18 Nov 2020 | 1 | |
| Councillor Michael Grout - from 18 Nov 2020 | 1 | |
| Councillor Fleur Hewitt - from 18 Nov 2020 | 1 | |
| Councillor Susan Salter | 1 | 1 |
| Councillor Bob Merriman - up to 24 Oct 2020 | 1 | 1 |
| Councillor Rob Minty - up to 24 Oct 2020 | 1 | 1 |
| Councillor Boyce Pizzey - up to 24 Oct 2020 | 1 | 1 |
| Councillor Tony Francis - up to 01 July 2019 | | 1 |
| Chief Executive Officer | 1 | 1 |
| General Manager, Organisational Performance & Community Services | 1 | 1 |
| General Manager Planning & Infrastructure | 1 | 1 |
| Total Number of Councillors | 8 | 6 |
| Total of Chief Executive Officer and other Key Management Personnel | 3 | 3 |
| Total Number of Key Management Personnel | 11 | 9 |
| (c) Remuneration of Key Management Personnel | 2021 | 2020 |
| | \$'000 | \$'000 |
| Total remuneration of key management personnel was as follows: | | |
| Short-term benefits | 776 | 767 |
| Long-term benefits | 9 | 15 |
| Post employment benefits | - | - |
| Termination benefits | - | - |
| Total | 784 | 782 |
| The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands: | | |
| | 2021 | 2020 |
| | No. | No. |
| \$0 - \$9,999 | 3 | 1 |
| \$10,000 - \$19,999 | 3 | 1 |
| \$20,000 - \$29,999 | 1 | 2 |
| \$30,000 - \$39,999 | - | 1 |
| \$40,000 - \$49,999 | - | 1 |
| \$50,000 - \$59,999 | 1 | - |
| \$160,000 - \$169,999 | - | 1 |
| \$170,000 - \$179,999 | 2 | 1 |
| \$250,000 - \$259,999 | - | 1 |
| \$270,000 - \$279,999 | 1 | - |
| | 11 | 9 |
| (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: | | |
| | 2021 | 2020 |
| | No. | No. |
| Income Range: | | |
| \$130,000 - 139,000 | - | 1 |
| \$140,000 - 149,000 | 1 | - |
| | 1 | 1 |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Total Remuneration for the reporting year for Senior Officers included above, amounted to: | 144 | 135 |

| | 2021 | 2020 |
|---|-----------|-----------|
| 7.2 Related party disclosure | \$ | \$ |
| (a) Transactions with related parties | | |
| During the period Council entered into the following transactions with related parties. | | |
| <i>Geelong Regional Library Corporation - contribution</i> | 239,898 | 205,978 |
| <i>Planting Ideas - horticultural consultancy services</i> | 3,060 | - |
| <i>Laguna Pastoral - catering services</i> | - | 340 |

(b) Outstanding balances with related parties

No balances are outstanding at the end of the reporting period in relation to transactions with related parties (2019–20: nil).

(c) Loans to/from related parties

No loans have been made, guaranteed or secured during the reporting period by Council to a related party (2019–20: nil).

(d) Commitments to/from related parties

No commitments are in existence at balance date that have been made, guaranteed or secured during the reporting period by Council to a related party (2019–20: nil).

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

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

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

| | 2021 | 2020 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Not later than one year | 139 | 112 |
| Later than one year and not later than five years | 570 | 526 |
| Later than five years | 864 | 865 |
| | 1,573 | 1,503 |

(b) Contingent liabilities

There is Nil contingent liabilities as at 30 June 2021 that could have a material impact on future operations (30 June 2020: \$Nil).

Superannuation

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

Future superannuation contributions

There were \$Nil contributions outstanding and \$Nil loans issued from or to the defined benefit superannuation scheme as at 30 June 2021 (30 June 2020: \$Nil).

Insurance claims

There is Nil insurance claims as at 30 June 2021 that could have a material impact on future operations.

Legal matters

There is Nil legal matters as at 30 June 2021 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.

MAV Workcare

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

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

Council was a participant of the MAV WorkCare Scheme.

The MAV WorkCare Scheme participation agreement stated that each participant would remain liable to make further contributions to the Scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability would continue whether or not the participant remained a participant in future insurance years.

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

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

(c) Guarantees for loans to other entities

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

Point Lonsdale Surf Life Saving Club (PLSLSC) has secured a line of credit of up to \$150,000 providing a land as a part of the mortgage which Borough of Queenscliff (Council) has transferred for one dollar (\$1) consideration in April 2015.

As per the agreement under section 173 of the Planning and Environments Act 1987 (Vic) between the Council and PLSLSC, the owner including the Council becoming liable to repay to the mortgagee any moneys secured by the mortgage. In a very unlikely scenarios (current assessment of the management), if Council decide to exercise step in rights, the mortgagee will consent to a transfer of the subject land and the adjoining land to Council for nil consideration subject to the terms of the agreement.

8.2 Change in accounting standards

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

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council'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 / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has 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 1989*. 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.

Though the loss of income from interest has been a material amount in comparison to Council's other own source revenue, interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

All financial liabilities are expected to be settled within normal terms of trade.

Details of the maturity profile for borrowings are disclosed at Note 5.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 0.5% and -0.0% in market interest rates (AUD) from year-end rates of 0.1%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

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

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

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Note 9 Other matters

| | Balance at beginning of reporting period \$'000 | Increment (decrement) \$'000 | Balance at end of reporting period \$'000 |
|---|--|---------------------------------|--|
| 9.1 Reserves | | | |
| (a) Asset revaluation reserves | | | |
| 2021 | | | |
| Property | | | |
| Land | | | |
| - Freehold land | 20,923 | - | 20,923 |
| - Crown land | 4,664 | - | 4,664 |
| - Land under roads | 3,129 | - | 3,129 |
| Buildings | 8,482 | - | 8,482 |
| | <u>37,198</u> | <u>-</u> | <u>37,198</u> |
| Infrastructure | | | |
| Roads | 5,485 | - | 5,485 |
| Footpaths and cycleways | 333 | - | 333 |
| Drainage | 482 | - | 482 |
| | <u>6,300</u> | <u>-</u> | <u>6,300</u> |
| Total asset revaluation reserves | 43,498 | - | 43,498 |
| 2020 | | | |
| Property | | | |
| Land | | | |
| - Freehold land | 20,923 | - | 20,923 |
| - Crown land | 4,664 | - | 4,664 |
| - Land under roads | 3,129 | - | 3,129 |
| Buildings | 8,482 | - | 8,482 |
| | <u>37,198</u> | <u>-</u> | <u>37,198</u> |
| Infrastructure | | | |
| Roads | 4,667 | 818 | 5,485 |
| Footpaths and cycleways | 192 | 141 | 333 |
| Drainage | 509 | (27) | 482 |
| | <u>5,368</u> | <u>932</u> | <u>6,300</u> |
| Total asset revaluation reserves | 42,566 | 932 | 43,498 |

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

| | Balance at beginning of reporting period \$'000 | Transfer from accumulated surplus \$'000 | Transfer to accumulated surplus \$'000 | Balance at end of reporting period \$'000 |
|--|--|---|---|--|
| (b) Other reserves | | | | |
| 2021 | | | | |
| Asset Replacement Reserve - Allocated | 576 | 358 | (25) | 909 |
| Asset Replacement Reserve - Unencumbered | 397 | 50 | - | 447 |
| Future Calls on Defined Benefits Superannuation | 40 | - | - | 40 |
| Funds carried forward to future years | | | | |
| Grant funding not yet expended - Operating | 602 | 127 | (441) | 288 |
| Grant funding not yet expended - Capital | 1,518 | 22 | (1,228) | 312 |
| Incomplete works - Operating | 837 | 325 | (189) | 972 |
| Incomplete works - Capital | 1,955 | 183 | (458) | 1,680 |
| Total funds carried forward to future years | 4,911 | 658 | (2,317) | 3,252 |
| Waste management reserves | | | | |
| Kerbside waste | (21) | 43 | - | 22 |
| Public waste | (24) | 36 | - | 12 |
| Green waste | 18 | - | (37) | (20) |
| Total waste management reserves | (27) | 79 | (37) | 15 |
| Total Other reserves | 5,897 | 1,146 | (2,379) | 4,663 |
| 2020 | | | | |
| Asset Replacement Reserve - Allocated | 297 | 298 | (19) | 576 |
| Asset Replacement Reserve - Unencumbered | 124 | 273 | - | 397 |
| Future Calls on Defined Benefits Superannuation | 40 | - | - | 40 |
| Funds carried forward to future years | | | | |
| Grant funding not yet expended - Operating | 398 | 379 | (175) | 602 |
| Grant funding not yet expended - Capital | 1,724 | 340 | (546) | 1,518 |
| Incomplete works - Operating | 537 | 304 | (4) | 837 |
| Incomplete works - Capital | 2,345 | 297 | (687) | 1,955 |
| Total funds carried forward to future years | 5,004 | 1,319 | (1,412) | 4,912 |
| Waste management reserves | | | | |
| Kerbside waste | (7) | - | (14) | (21) |
| Public waste | 10 | - | (34) | (24) |
| Green waste | 18 | - | (0) | 18 |
| Total waste management reserves | 21 | - | (48) | (27) |
| Total Other reserves | 5,486 | 1,890 | (1,479) | 5,897 |

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| 9.2 Reconciliation of cash flows from operating activities to surplus/(deficit) | | |
| Surplus/(deficit) for the year | (118) | 551 |
| Depreciation | 1,353 | 1,331 |
| (Profit)/loss on disposal of property, infrastructure, plant and equipment | 540 | (7) |
| Assets written off | - | 609 |
| Borrowing costs | (0) | 1 |
| <i>Change in assets and liabilities:</i> | | |
| (Increase)/decrease in trade and other receivables | 218 | 408 |
| (Increase)/decrease in inventories | (1) | 2 |
| (Increase)/decrease in prepayments | 2 | 123 |
| Increase/(decrease) in accrued income | (231) | 24 |
| (Increase)/decrease in regional library equity | 75 | (33) |
| Increase/(decrease) in accrued expenses | (28) | (333) |
| Increase/(decrease) in accrued wages | 30 | 44 |
| Increase/(decrease) in trust funds and deposits | 30 | (84) |
| Increase/(decrease) in income received in advance | 1,678 | 230 |
| Increase/(decrease) in provisions | 121 | (17) |
| Net cash provided by/(used in) operating activities | 3,668 | 2,848 |

9.3 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding arrangements

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

A triennial actuarial review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020.

The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

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

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

Vision Super has advised that the VBI at 30 June 2021 was 109.7%. The financial assumptions used to calculate this VBI

- Net investment returns 4.8% pa
- Salary information 2.75% pa
- Price inflation (CPI) 2.25% pa.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries (9.5% in 2019/2020). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation.

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

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the 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 2020 triennial actuarial investigation surplus amounts

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

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2020.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2020.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2020.

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

The 2021 interim actuarial investigation

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

Superannuation contributions

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

| Scheme | Type of Scheme | Rate | 2021 \$'000 | 2020 \$'000 |
|--------------|-------------------|-------|----------------|----------------|
| Vision super | Defined benefit | 9.50% | 3 | 3 |
| Vision super | Accumulation fund | 9.50% | 234 | 215 |

Unfunded liability payments to Vision Super is \$Nil during the 2020/21 year (2019/20 \$Nil).

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

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 is \$240,000.

10 Change in accounting policy

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)

It is not expected that these standards will have any significant impact on council.