

Borough of Queenscliffe
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2023

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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 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Gihan Kohobange CA, CPA, FCCA
Principal Accounting Officer

Dated : 27/09/2023
Queenscliff

In our opinion, the accompanying financial statements present fairly the financial transactions of the Borough of Queenscliffe for the year ended 30 June 2023 and the financial position of the Council as at that date.

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

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

Isabelle Tolhurst
Councillor

Dated : 27/09/2023
Queenscliff

Donnie Grigau
Councillor

Dated : 27/09/2023
Queenscliff

Martin Gill
Chief Executive Officer

Dated : 27/09/2023
Queenscliff

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Comprehensive Income Statement For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income / Revenue			
Rates and charges	3.1	8,150	7,957
Statutory fees and fines	3.2	201	204
User fees	3.3	2,042	2,020
Grants - operating	3.4	1,370	2,136
Grants - capital	3.4	2,232	7,652
Net gain on disposal of property, infrastructure, plant and equipment	3.5	109	-
Other income	3.6	492	251
Total income / revenue		14,596	20,220
Expenses			
Employee costs	4.1	(4,916)	(4,299)
Materials and services	4.2	(5,648)	(5,548)
Depreciation	4.3	(1,244)	(1,325)
Net loss on disposal of property, infrastructure, plant and equipment	3.5	-	(130)
Share of net loss of associates and joint ventures	6.3	0	(5)
Other expenses	4.5	(1,163)	(559)
Total expenses		(12,971)	(11,866)
Surplus/(deficit) for the year		1,625	8,354
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	(2,397)	33,177
Total other comprehensive income		(2,397)	33,177
Total comprehensive result		(772)	41,531

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

Balance Sheet

As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	3,568	3,778
Trade and other receivables	5.1	230	373
Other financial assets	5.1	7,593	6,506
Inventories	5.2	4	4
Prepayments	5.2	233	102
Non-current assets classified as held for sale	6.1	-	2,577
Other assets	5.2	410	5
Total current assets		<u>12,038</u>	<u>13,345</u>
Non-current assets			
Investments in associates, joint arrangements and subsidiaries	6.3	160	160
Property, infrastructure, plant and equipment	6.2	172,562	173,715
Total non-current assets		<u>172,722</u>	<u>173,875</u>
Total assets		<u>184,760</u>	<u>187,220</u>
Liabilities			
Current liabilities			
Trade and other payables	5.3	829	2,324
Trust funds and deposits	5.3	20	50
Unearned income/revenue	5.3	844	995
Provisions	5.5	935	933
Total current liabilities		<u>2,628</u>	<u>4,302</u>
Non-current liabilities			
Provisions	5.5	98	113
Total non-current liabilities		<u>98</u>	<u>113</u>
Total liabilities		<u>2,726</u>	<u>4,415</u>
Net assets		<u>182,034</u>	<u>182,805</u>
Equity			
Accumulated surplus		99,424	101,380
Reserves	9.1	82,609	81,425
Total Equity		<u>182,034</u>	<u>182,805</u>

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

Statement of Changes in Equity For the Year Ended 30 June 2023

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2023					
Balance at beginning of the financial year		182,806	101,380	76,675	4,751
Surplus/(deficit) for the year		1,625	1,625	-	-
Net asset revaluation increment/(decrement)	6.2	(2,397)	-	(2,397)	-
Transfers to other reserves	9.1	-	(4,520)	-	4,520
Transfers from other reserves	9.1	-	939	-	(939)
Balance at end of the financial year		182,034	99,424	74,278	8,332
2022					
Balance at beginning of the financial year		141,275	93,113	43,498	4,664
Surplus/(deficit) for the year		8,354	8,354	-	-
Net asset revaluation increment/(decrement)	6.2	33,177	-	33,177	-
Transfers to other reserves	9.1	-	(2,376)	-	2,376
Transfers from other reserves	9.1	-	2,289	-	(2,289)
Balance at end of the financial year		182,806	101,380	76,675	4,751

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 2023

	Note	2023 Inflows/ (Outflows) \$'000	2022 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		8,203	7,962
Statutory fees and fines		201	204
User fees		2,035	2,017
Grants - operating		1,457	2,087
Grants - capital		1,686	6,690
Interest received		132	18
Trust funds and deposits taken		12	5
Other receipts		263	374
Net GST refund/ (payment)		109	(65)
Employee costs		(4,883)	(4,415)
Materials and services		(5,786)	(5,334)
Short-term, low value and variable lease payments		(13)	(12)
Trust funds and deposits repaid		(43)	(2)
Other payments		(473)	(559)
Net cash provided by/(used in) operating activities		<u>2,900</u>	<u>8,970</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(5,527)	(7,369)
Proceeds from sale of property, infrastructure, plant and equipment		3,504	66
Payments for investments		(12,240)	(1,752)
Proceeds from sale of investments		11,152	2,321
Net cash provided by/(used in) investing activities		<u>(3,110)</u>	<u>(6,734)</u>
Cash flows from financing activities			
Net cash provided by/(used in) financing activities		<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents		(210)	2,236
Cash and cash equivalents at the beginning of the financial year		3,778	1,542
Cash and cash equivalents at the end of the financial year		<u>3,568</u>	<u>3,778</u>
Financing arrangements	5.6		

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 2023

	Note	2023 \$'000	2022 \$'000
Property			
Land improvements		-	23
Total land		<u>-</u>	<u>23</u>
Buildings		1,117	4,699
Total buildings		<u>1,117</u>	<u>4,699</u>
Total property		<u>1,117</u>	<u>4,722</u>
Plant and equipment			
Plant, machinery and equipment		50	4
Fixtures, fittings and furniture		1	2
Computers and telecommunications		312	138
Total plant and equipment		<u>363</u>	<u>144</u>
Infrastructure			
Roads		190	341
Footpaths and cycleways		49	100
Drainage		107	127
Recreational, leisure and community facilities		495	458
Parks, open space and streetscapes		679	227
Off street car parks		122	386
Other infrastructure		884	2,337
Total infrastructure		<u>2,526</u>	<u>3,976</u>
Total capital works expenditure		<u>4,006</u>	<u>8,842</u>
Represented by:			
New asset expenditure		1,583	1,682
Asset renewal expenditure		1,059	1,652
Asset upgrade expenditure		1,364	5,508
Total capital works expenditure		<u>4,006</u>	<u>8,842</u>

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

Notes to the Financial Report **For the Year Ended 30 June 2023**

Note 1 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

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

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

Significant accounting policies

1.1 Basis of accounting

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Accounting policies applied are disclosed in sections where the related balance or financial statement matter is disclosed.

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

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

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

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

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
- 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.

Goods and Services Tax (GST)

Income and expenses are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Notes to the Financial Report For the Year Ended 30 June 2023

Note 2 ANALYSIS OF OUR RESULTS

2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or a dollar variance +/- \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

2.1.1 Income / Revenue and expenditure

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Income / Revenue					
Rates and charges	8,134	8,150	16	0%	
Statutory fees and fines	134	201	67	50%	1
User fees	1,910	2,042	132	7%	2
Grants - operating	649	1,370	721	111%	3
Grants - capital	1,583	2,232	649	41%	4
Contributions - monetary	35	-	(35)	-100%	5
Net gain on disposal of property, infrastructure, plant and equipment	-	109	109	100%	6
Other income	261	492	231	89%	7
Total income / revenue	12,705	14,596	1,891	15%	
Expenses					
Employee costs	(4,978)	(4,916)	(63)	1%	
Materials and services	(5,780)	(5,648)	(131)	2%	8
Depreciation	(1,456)	(1,244)	(212)	15%	9
Bad and doubtful debts - allowance for impairment losses	(3)	(0)	(3)	97%	
Other expenses	(357)	(1,163)	806	-226%	10
Total expenses	(12,574)	(12,971)	397	-3%	
Surplus/(deficit) for the year	132	1,625	(1,494)	-1134%	

Notes to the Financial Report For the Year Ended 30 June 2023

(i) Explanation of material variations

-
- | | |
|----|--|
| 1 | The increase of \$67,000 is mainly due to the increase in town planning fees resulting from the significant increase in town planning applications, as well as an increase in parking fines. |
| 2 | The increase of \$132,000 is mainly due to the increase in income from Council managed Caravan parks. |
| 3 | The increase of \$721,000 in operating grants is mainly due to: <ul style="list-style-type: none">- \$442,000 Financial Assistance Grant received in advance, Victorian grants commission;- \$122,000 funding to assist Council with the loss of boat ramp permit income (the agreement was not confirmed at the time of finalising the 2022-23 budget), Better Boating Victoria;- \$56,000 shift in the timing of grant income accrued/received for Point Lonsdale Seawall repair work, Department of Environment, Land, Water and Planning;- \$49,000 funding for the Record Digitisation project, Department of Treasury and Finance; and- \$48,000 shift in the timing of grant income accrued/received for the Business Concierge Hospitality Support Program, Department of Jobs, Precincts and Regions. |
| 4 | The net increase of \$649,000 is mainly due to: <ul style="list-style-type: none">-\$1,018,000 shift in the timing of grant income accrued/received for the Queenscliffe Boat Ramp upgrade work;-\$285,000 new grant funding for the ICT transformation project, Rural Councils Transformation Program (RCTP), Local Government Victoria;-\$77,000 shift in the timing of the Electrical Charging Station Installation project, Department of Environment, Land, Water and Planning; and-\$ (783,000) shift in the timing of grant income accrued/received for the Queenscliffe Cultural Hub project. |
| 5 | The reduction of \$35,000 is due to the removal of the contribution from a community organisation budgeted for Queenscliffe Cultural Hub project. |
| 6 | The variance consists of the accounting profit of \$716,000 from the sale of land owned by the Council (Murray Road land sale), net of the accounting loss associated with demolitions of the building assets to pave the way for a new amenity block at the Queenscliffe Tourist Park. |
| 7 | The increase is mainly due to the increase in income from interest by \$188,000 and the increase in notional income of contribution from volunteers by \$36,000. |
| 8 | The net reduction of \$131,000 is mainly due to: <ul style="list-style-type: none">- \$150,000 net movement in cost associated with non-recurring operating projects (rates funded) mainly due to the shift in the timing of the projects;- \$92,000 savings in costs associated with consultants/contractors;- \$78,000 net savings in expenses associated with kerbside waste transition project;- \$44,000 savings in utility expenses;- (\$73,000) cost associated with work carried over from the previous financial year in relation to the Point Lonsdale Seawall repair project (grant funded);- (\$60,000) increase in vegetation and tree inspection expenses;- (\$49,000) cost associated with record digitisation project (new 100% grant funded project, not included in the budget); and- (\$30,000) increase in drainage maintenance expenses. |
| 9 | The reduction in the depreciation expenses is mainly due to the shift in the timing of the capitalisation of new assets during the financial year and the reduction of depreciation expenses of the Council's existing building assets resulting from the revaluation of building assets by a professional independent valuer (impact of the building valuation was not factored into 2022-23 budget). |
| 10 | The increase is mainly due to the reclassification (capital to operating) of expenditure incurred on capital projects due to not meeting capitalisation criteria in line with the requirements of accounting standards. The majority of these projects were grant-funded multi-year projects completed in the current financial year. |

Notes to the Financial Report For the Year Ended 30 June 2023

2.1.2 Capital works

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Property					
Buildings	1,947	1,117	(830)	-43%	1
Total buildings	1,947	1,117	(830)	-43%	
Total property	1,947	1,117	(830)	-43%	
Plant and equipment					
Plant, machinery and equipment	126	50	(76)	-61%	2
Fixtures, fittings and furniture	5	1	(4)	-71%	
Computers and telecommunications	324	312	(12)	-4%	
Total plant and equipment	455	363	(92)	-20%	
Infrastructure					
Roads	133	190	57	43%	
Footpaths and cycleways	20	49	29	143%	
Drainage	115	107	(8)	-7%	
Recreational, leisure and community facilities	496	495	(1)	0%	
Parks, open space and streetscapes	417	679	262	63%	3
Off street car parks	-	122	122	100%	4
Other infrastructure	10	885	875	8750%	5
Total infrastructure	1,190	2,526	1,336	112%	
Total capital works expenditure	3,592	4,006	414	12%	
Represented by:					
New asset expenditure	1,116	1,583	468	42%	
Asset renewal expenditure	1,036	1,059	23	2%	
Asset upgrade expenditure	1,440	1,364	(77)	-5%	
Total capital works expenditure	3,592	4,006	414	12%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	The net reduction of \$830,000 is mainly due to: - \$426,000 shift in the timing of Queenscliffe Cultural Hub project, more work completed before the end of the previous financial year; - \$250,000 the project to build a new toilet in Hesse Street is on hold; and - \$100,000 shift in the timing of building assets renewal projects (Princess Park Kiosk toilet building and Weeroona Parade toilet building).
2	Plant, machinery and equipment	The decrease 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	Parks, open space and streetscapes	This due to the shift in the timing of the upgrade work at the Point Lonsdale reserve. This is a classification error as the work completed mainly related to upgrade of building assets. The upgrade work is now complete and the capital expenditure incurred has correctly been capitalised under the building assets.
4	Off street car parks	Additional car park upgrade work carried out as a part of the Queenscliffe boat ramp upgrade project.
5	Other infrastructure	Due to the shift in the timing of Queenscliffe boat ramp upgrade project. Less work completed by the end of the previous financial year contrasted to the estimates at the time of finalising the 2022-23 budget.

Notes to the Financial Report For the Year Ended 30 June 2023

2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.2.1 Portfolio 1: Health and wellbeing: To support community wellbeing and encourage an active lifestyle.

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.

Recreation, Arts, Culture and Community

The Recreation, Arts, Culture and Community 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.

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.

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.

Notes to the Financial Report For the Year Ended 30 June 2023

Portfolio 2: Environment: To protect our environment and address climate change issues.

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 neighbouring councils and Sustainability Victoria to increase community awareness and promote behaviours that reduce waste and promote recycling. The program includes a recycling service, Food Organic and Garden Organic (FOGO) service, household rubbish service and hard rubbish collection 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 and Revenue Plan.

Portfolio 3: Local economy: To support a prosperous and diverse local economy.

Tourist Parks

The Tourist Parks 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. It currently provides approximately 350 camping/caravanning sites and associated facilities, including maintenance of seven amenities blocks. 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.

Portfolio 4: Heritage, planning and infrastructure: To protect our distinctive coastal, cultural and built environment, and provide sustainable, suitable infrastructure.

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.

Notes to the Financial Report For the Year Ended 30 June 2023

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.

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.

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.

Portfolio 5: Governance and finance: To provide a financially viable Council that is accountable, transparent and practices good governance.

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 2020 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.

Notes to the Financial Report For the Year Ended 30 June 2023

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

	Income / Revenue	Expenses	Surplus/ (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
Health and wellbeing					
Aged Services	547	769	(222)	403	0
Recreation, Arts, Culture and Community	6	162	(155)	6	31372
Community Events	7	237	(230)	7	0
Maternal and Child Health	69	80	(11)	69	0
Kindergarten	0	4	(4)	0	860
Environmental Health	38	104	(66)	6	0
Local Laws, Safety and Amenity	99	305	(206)	37	16
Library	0	245	(245)	0	1
Sub total	767	1,904	(1,138)	528	32,250
Environment					
Environmental Sustainability	14	210	(196)	14	0
Coastal Protection	356	389	(33)	193	286
Waste management and Recycling	1,220	1307	(86)	27	56
Sub total	1,591	1,906	(316)	234	342
Local Economy					
Tourist Parks	1,807	745	1,062	-	19,792
Visitor Information Centre	121	348	(227)	-	2
Tourism & Economic Development	48	233	(185)	48	2,014
Sub total	1,975	1,325	650	48	21,808
Heritage, Planning and Infrastructure					
Design and Project Management	-	204	(204)	-	-
Land Use Planning	133	585	(452)	-	-
Heritage Conservation Advice	-	7	(7)	-	-
Building Control	29	35	(6)	-	-
Asset Management and Appearance of Public Places	104	1,550	(1,446)	91	73,782
Street Lighting	-	27	(27)	-	-
Powerline Safety	-	107	(107)	-	-
Sub total	266	2,515	(2,249)	91	73,782
Governance and Finance					
Council Governance	-	263	(263)	-	660
Organisational Performance and Compliance	385	1,162	(777)	377	244
Community Engagement and Customer Service	49	519	(470)	49	-
Financial and Risk Management	7,332	2,602	4,730	42	-
Sub total	7,766	4,546	3,220	469	904
Total - Strategic Objectives	12,364	12,197	167	1,370	129,086
Other Non-attributable					
Asset Write-offs	-	0	(0)	-	-
Expenditure not meeting capitalisation criteria / threshold	-	773	(773)	-	-
Capital Grants and Contributions	2,232	-	2,232	2,232	-
Land Under Roads	-	-	-	-	23,060
Other Property & Buildings	-	-	-	-	32,614
	14,596	12,970	1,625	3,602	184,760

Notes to the Financial Report For the Year Ended 30 June 2023

	Income / Revenue	Expenses	Surplus/ (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Health and wellbeing					
Aged Services	559	649	(90)	425	-
Recreation, Arts, Culture and Community	3	143	(140)	3	31,849
Community Events	16	216	(200)	16	-
Maternal and Child Health	66	78	(12)	66	-
Kindergarten	0	7	(6)	-	873
Environmental Health	25	86	(62)	8	-
Local Laws, Safety and Amenity	82	329	(247)	31	17
Library	-	239	(239)	-	1
Sub total	751	1,747	(997)	549	32,740
Environment					
Environmental Sustainability	4	193	(189)	4	-
Coastal Protection	367	391	(24)	268	290
Waste management and Recycling	1,195	1,207	(13)	33	57
Sub total	1,566	1,791	(226)	305	347
Local Economy					
Tourist Parks	1,819	852	967	-	20,093
Visitor Information Centre	65	279	(214)	-	2
Tourism & Economic Development	273	341	(68)	272	2,045
Sub total	2,157	1,472	685	272	22,140
Heritage, Planning and Infrastructure					
Design and Project Management	-	282	(282)	-	-
Land Use Planning	141	317	(176)	-	-
Heritage Conservation Advice	-	12	(12)	-	-
Building Control	34	33	1	-	-
Asset Management and Appearance of Public Places	144	1,545	(1,401)	92	74,904
Street Lighting	-	28	(28)	-	-
Powerline Safety	-	3	(3)	-	-
Sub total	319	2,220	(1,901)	92	74,904
Governance and Finance					
Council Governance	-	213	(213)	-	670
Organisational Performance and Compliance	881	1,071	(190)	876	248
Community Engagement and Customer Service	-	550	(550)	-	-
Financial and Risk Management	6,895	2,590	4,305	42	-
Sub total	7,776	4,423	3,353	918	918
Total - Strategic Objectives	12,568	11,654	914	2,136	131,049
Other Non-attributable					
Expenditure not meeting capitalisation criteria / threshold	-	213	(213)	-	-
Capital Grants and Contributions	7,652	-	7,652	7,652	-
Land Under Roads	-	-	-	-	23,060
Other Property & Buildings	-	-	-	-	33,110
	20,220	11,866	8,354	9,788	187,220

Notes to the Financial Report For the Year Ended 30 June 2023

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES

3.1 Rates and charges **2023** **2022**
\$'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 2022/23 was \$4,545 million (2021/22 \$3,359 million).

General rates

Residential	5,778	5,579
Residential vacant land	142	147
Tourist accommodation	743	727
Commercial	259	320
Total general rates	6,921	6,773

Waste management charges

Standard kerbside waste	852	826
Public waste	324	315
Additional bins	17	20
Total waste management charges	1,193	1,162

Other rates and charges

Interest on rates and charges	12	6
Cultural and recreational charges - in lieu of rates	3	4
Supplementary rates and charges	25	16
Less: rebate for properties of environmental interest	(4)	(4)
Total other rates and charges	36	22
Total rates and charges	8,150	7,957

The date of the latest general revaluation of land for rating purposes within the municipal district was 01/01/2023, and the valuation will be first applied in the rating year commencing 01/07/2023.

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

Town planning fees	162	175
Infringements and costs	16	9
Permits	19	14
Fines Victoria court recoveries	0	-
Land information certificates	4	6
Total statutory fees and fines	201	204

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

Tourist park fees	1,807	1,819
Aged Services	143	133
Registration and other permits	60	45
Valuation fees/ supplementary charges	-	(0)
Building services	-	-
Tourism	13	8
Other fees and charges (<\$10,000 each)	18	15
Total user fees	2,042	2,020

User fees by timing of revenue recognition

User fees recognised over time	1,981	1,975
User fees recognised at a point in time	60	45
Total user fees	2,042	2,020

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

Notes to the Financial Report
For the Year Ended 30 June 2023

	2023 \$'000	2022 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	962	2,712
State funded grants	2,635	7,068
Other grants	6	8
Total grants received	3,602	9,788
(a) Operating Grants		
Recurrent - Commonwealth Government		
Aged Services	313	359
Financial Assistance Grants	469	956
Recurrent - State Government		
Maternal and child health	69	66
Service System Resourcing	60	67
Fire Services Property Levy administration	42	42
School crossing supervision	37	31
Beach cleaning	13	14
Better Boating Program	122	-
Other (<\$10,000 each)	13	4
Recurrent - Other		
Tobacco Activity Program	6	7
Total recurrent operating grants	1,145	1,546
Non-recurrent - Commonwealth Government		
Victoria Park - Tree Management	15	-
Non-recurrent - State Government		
Tourism and economic development	48	287
Waste management and recycling	13	19
Coastal protection	56	268
Community development	30	-
Pedestrian Safety	-	11
Environmental Sustainability	14	4
Record Digitisation	49	-
Non-recurrent - Other		
Other (<\$10,000 each)	-	1
Total non-recurrent operating grants	225	590
Total operating grants	1,370	2,136
(b) Capital Grants		
Non-recurrent - Commonwealth Government		
Roads	19	386
Queenscliffe Cultural Hub	145	1,012
Non-recurrent - State Government		
Buildings	-	2,903
Parks, open space and streetscapes	679	36
Footpaths & Cycleways	8	43
Computers & Telecommunications	285	5
Boat Ramp upgrade	1,018	3,267
Other Infrastructure	77	-
Total non-recurrent capital grants	2,232	7,652
Total capital grants	2,232	7,652

Notes to the Financial Report For the Year Ended 30 June 2023

(c) Recognition of grant income

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

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

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

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

	2023	2022
	\$'000	\$'000
Income recognised under AASB 1058 <i>Income of Not-for-Profit Entities</i>		
General purpose	499	995
Other specific purpose grants	694	970
Revenue recognised under AASB 15 <i>Revenue from Contracts with Customers</i>		
Specific purpose grants	2,409	7,823
	3,602	9,788
	2023	2022
	\$'000	\$'000
(d) Unspent grants received on condition that they be spent in a specific manner		
<i>Operating</i>		
Balance at start of year	104	153
Received during the financial year and remained unspent at balance date	204	0
Received in prior years and spent during the financial year	(104)	(49)
Balance at year end	204	104
<i>Capital</i>		
Balance at start of year	638	1,847
Received during the financial year and remained unspent at balance date	397	274
Received in prior years and spent during the financial year	(638)	(1,483)
Balance at year end	397	638

Unspent grants are determined and disclosed on a cash basis.

**Notes to the Financial Report
For the Year Ended 30 June 2023**

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

Proceeds of sale	3,504	66
Written down value of assets disposed	(3,394)	(196)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	109	(130)

The above values include a sale of land which was classified as "Non-current assets classified as held for sale" at 30 June 2022.

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

3.6 Other income

Interest	218	19
Other rent - lease of Crown Land properties	126	104
Other rent - lease of Council properties	37	28
Reimbursements	1	42
Contribution from volunteers	108	58
Other	2	1
Total other income	492	251

Interest is recognised as it is earned.

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

Notes to the Financial Report For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
Note 4 THE COST OF DELIVERING SERVICES		
4.1 (a) Employee costs		
Wages and salaries	4,322	3,774
Superannuation	435	369
Overtime	77	52
WorkCover	63	61
Fringe benefits tax	19	43
Total employee costs	4,916	4,299

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	5	5
	5	5
Employer contributions payable at reporting date.	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	227	231
Employer contributions - other funds	205	147
	432	378
Employer contributions payable at reporting date.	-	-

Contributions made exclude amounts accrued at balance date. Refer to note 9.3 for further information relating to Council's superannuation obligations.

	2023	2022
	\$'000	\$'000
4.2 Materials and services		
Roads, parks and reserves maintenance	683	697
Cleaning of council buildings, amenities and BBQ's	176	198
Maternal and Child Health	80	78
Drainage maintenance	67	63
Home and community care home maintenance	35	33
Valuation services	3	17
General service delivery	970	653
Waste management	1,307	1,207
Non-recurrent operating projects (rates funded)	226	136
Labour contracts (I.T, building surveyor, heritage advisor and specialist backfill)	192	336
Foreshore and open space maintenance	412	430
Buildings, works, plant and equipment maintenance	303	301
Utilities	235	238
Contribution to Geelong Regional Library Corporation	226	221
Insurance	293	280
Information technology software and maintenance agreements	168	142
Local Government election costs	1	1
Non-recurrent operating projects (grant funded)	79	351
Office administration	40	36
Training and staff development	148	126
Aged care services	4	4
Total materials and services	5,648	5,548

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

Notes to the Financial Report For the Year Ended 30 June 2023

4.3 Depreciation

Property	289	403
Plant and equipment	136	122
Infrastructure	819	800
Total depreciation	1,244	1,325

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

4.4 Bad and doubtful debts - allowance for impairment losses

	2023	2022
	\$'000	\$'000
Parking fine debtors	-	-
Rates debtors	-	-
Other debtors	-	-
Total bad and doubtful debts - allowance for impairment losses	-	-

Movement in allowance for impairment losses in respect of debtors

Balance at the beginning of the year	2	2
New provisions recognised during the year	-	-
Balance at end of year	2	2

An allowance for impairment losses in respect of debtors is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.5 Other expenses

	2023	2022
	\$'000	\$'000
Councillors' allowances	181	166
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	44	45
Auditors' remuneration - Internal	8	12
Audit and risk committee sitting fees	6	7
Operating lease rentals	13	12
Peppercorn or concessional lease rentals	1	-
Others	28	46
Expenditure not meeting capitalisation criteria / threshold	773	213
Cost of volunteers	108	58
Total other expenses	1,163	559

Notes to the Financial Report For the Year Ended 30 June 2023

Note 5 OUR FINANCIAL POSITION

	2023	2022
	\$'000	\$'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	2	2
Cash at bank	2,530	2,775
Term deposits	1,036	1,001
Total cash and cash equivalents	<u>3,568</u>	<u>3,778</u>
(b) Other financial assets		
Current		
Term deposits - current	7,593	6,506
Total other financial assets	<u>7,593</u>	<u>6,506</u>
Total financial assets	<u>11,161</u>	<u>10,284</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.

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

Notes to the Financial Report For the Year Ended 30 June 2023

	2023	2022
(c) Trade and other receivables	\$'000	\$'000
Current		
<i>Statutory receivables</i>		
Rates debtors	64	117
Pensioner rebate	20	21
Infringement debtors	5	5
Provision for doubtful debts - infringements	(2)	(2)
Net GST receivable	78	187
<i>Non statutory receivables</i>		
Other debtors	64	45
Total current trade and other receivables	230	373
Non-current		
Total non-current trade and other receivables	-	-
Total trade and other receivables	230	373

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)	35	13
Past due by up to 30 days	8	-
Past due between 31 and 180 days	14	15
Past due between 181 and 365 days	7	17
Total trade and other receivables	64	45

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$1,766 (2022: \$1,685) were impaired. The amount of the provision raised against these debtors was \$1,766 (2022: \$1,685). 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 more than 1 year	2	2
Total trade & other receivables	2	2

Notes to the Financial Report For the Year Ended 30 June 2023

5.2 Non-financial assets	2023	2022
(a) Inventories	\$'000	\$'000
Inventories held for distribution	4	4
Total inventories	4	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	233	102
Accrued income	410	5
Total other assets	643	107

5.3 Payables, trust funds and deposits and unearned income/revenue	2023	2022
(a) Trade and other payables	\$'000	\$'000
Current		
<i>Non-statutory payables</i>		
Trade payables	-	33
Accrued wages	144	99
Accrued expenses	612	2,121
<i>Statutory payables</i>		
Net GST payable	73	71
Total current trade and other payables	829	2,324

Notes to the Financial Report
For the Year Ended 30 June 2023

(b) Trust funds and deposits

Current

Refundable deposits	11	8
Fire services levy	9	3
Retention amounts	-	39
Total current trust funds and deposits	20	50

(c) Unearned income/revenue

Current

Grants received in advance - operating	204	104
Grants received in advance - capital	397	638
Other	242	253
Total current unearned income/revenue	844	995

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers mainly in respect of grant-capital and user fees. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

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

Purpose and nature of items

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

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

Notes to the Financial Report For the Year Ended 30 June 2023

5.4 Interest-bearing liabilities

Council does not have any outstanding borrowings.

5.5 Provisions

(a) Employee provisions	2023	2022
2023	\$'000	\$'000
Balance at beginning of the financial year	1,047	1,154
Additional provisions	120	352
Amounts used	(126)	(378)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(8)	(81)
Balance at the end of the financial year	1,033	1,047
<i>Provisions - current</i>	935	933
<i>Provisions - non-current</i>	98	113
(b) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	263	67
Long service leave	65	68
Accrued days off	17	9
	345	144
Current provisions expected to be wholly settled after 12 months		
Annual leave	63	290
Long service leave	528	499
	591	789
Total current employee provisions	935	933
Non-current		
Long service leave	98	113
Annual leave	-	-
Total non-current employee provisions	98	113
Aggregate carrying amount of employee provisions:		
Current	935	933
Non-current	98	113
Total aggregate carrying amount of employee provisions	1,033	1,046

Notes to the Financial Report For the Year Ended 30 June 2023

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

Annual leave

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

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

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

Long service leave

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

	2023	2022
Key assumptions:		
- discount rate	4.368% - 4.080%	2.380% - 3.710%
- wage inflation rate	4.350%	3.850%

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2023.

Credit card facilities	21	21
Total facilities	<u>21</u>	<u>21</u>
Used facilities	7	13
Unused facilities	<u>14</u>	<u>8</u>

Notes to the Financial Report For the Year Ended 30 June 2023

5.7 Commitments

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

(a) Commitments for expenditure

2023	Later than 2				Total
	Not later than 1 year	Later than 1 year and not later than 2 years	years and not later than 5 years	Later than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Internal audit	48	30	-	-	79
Project manager - Coastal and Marine Management Plan developme	52	-	-	-	52
Cleaning services for municipal buildings and facilities	111	110	22	-	243
Cleaning services for public amenities & BBQ facilities	67	66	13	-	146
Software as a Service (annual license and support)	107	109	112	-	328
Total	385	316	147	-	847
Capital					
Project managements - Upgrade work Point Lonsdale lighthouse res	69	-	-	-	69
Queenscliff Hub - Architectural services	10	-	-	-	10
Software as a Service implementation	72	-	-	-	72
Total	151	-	-	-	151
Total commitments for expenditure	536	316	147	-	999

2022	Later than 2				Total
	Not later than 1 year	Later than 1 year and not later than 2 years	years and not later than 5 years	Later than 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Roads, parks and reserves maintenance	70	-	-	-	70
Internal audit	1	-	-	-	1
Waste Collection Service	576	-	-	-	576
Total	647	-	-	-	647
Capital					
Queenscliffe Hub - construction	483	-	-	-	483
Queenscliff Boat Ramp - upgrade	1,075	-	-	-	1,075
Stormwater drainage Big 4 caravan park Bellarine Hwy	3	-	-	-	3
Pedestrian Crossing, Point Lonsdale Rd Point Lonsdale	8	-	-	-	8
Queenscliff Recreation Reserve Amenities Block	250	-	-	-	250
Queenscliff Recreation Reserve Sport Precinct Civil Construction	86	-	-	-	86
Total	1,905	-	-	-	1,905
Total commitments for expenditure	2,552	-	-	-	2,552

Notes to the Financial Report For the Year Ended 30 June 2023

(b) Operating lease receivables

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:

	2023	2022
	\$'000	\$'000
Not later than one year	176	157
Later than one year and not later than five years	693	633
Later than five years	765	808
	1,634	1,598

5.8 Leases

At inception of a contract, Council assesses 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;
- Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Council 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.

Under *AASB 16 Leases*, Council as a not-for-profit entity has elected not to 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.

Notes to the Financial Report
For the Year Ended 30 June 2023

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.

	2023	2022
	\$'000	\$'000
Expenses relating to:		
Short-term leases	12	12
Leases of low value assets	1	-
Total	13	12

Notes to the Financial Report
For the Year Ended 30 June 2023

Note 6 ASSETS WE MANAGE

	2023	2022
6.1 Non current assets classified as held for sale	\$'000	\$'000
Cost of acquisition	-	-
Land - At fair value	-	2,577
Total non current assets classified as held for sale	-	2,577

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

Notes to the Financial Report For the Year Ended 30 June 2023

6.2 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2022 \$'000	Additions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	Prior years error correction \$'000	Carrying amount 30 June 2023 \$'000
Property	140,531	1,537	(201)	(288)	(607)	-	6,615		147,587
Plant and equipment	351	74	-	(136)	-	-	146		434
Infrastructure	22,009	1,929	(2,196)	(819)	-	-	2,943		23,866
Work in progress	10,825	466	-	-	-	(773)	(9,703)	(139)	675
	173,715	4,006	(2,397)	(1,244)	(607)	(773)	-	(139)	172,562

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Prior years error correction \$'000	Closing WIP \$'000
Property	6,309	-	(177)	(6,615)	485	1
Plant and equipment	105	297	-	(146)	146	402
Infrastructure	4,411	169	(596)	(2,943)	(770)	272
Total	10,825	466	(773)	(9,703)	(139)	675

* The net total for "Prior years error corrections" reflects the cost Council had been incurring up to 30 June 2022 in relation to a Council owned land sold during the year. The value of the land sold was classified as "Non-current assets classified as held for sale". Other values represent correction of classification errors within the "Work in Progress" items.

**Notes to the Financial Report
For the Year Ended 30 June 2023**

(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 2022	97,698	29,108	-	126,806	359	21,638	2,772	-	-	24,769	6,309	157,884
Accumulated depreciation at 1 July 2022	-	-	-	-	(192)	(10,115)	(736)	-	-	(11,043)	-	(11,043)
	97,698	29,108	-	126,806	167	11,523	2,036	-	-	13,726	6,309	146,841
Movements in fair value												
Additions	-	-	-	-	-	1,537	-	-	-	1,537	-	1,537
Revaluation	-	-	-	-	-	(201)	-	-	-	(201)	-	(201)
Disposal	-	-	-	-	-	(772)	-	-	-	(772)	-	(772)
Write-off	-	-	-	-	-	-	-	-	-	-	(177)	(177)
Transfers	-	-	-	-	-	6,615	-	-	-	6,615	(6,615)	-
Prior years error correction	-	-	-	-	-	(20)	20	-	-	-	485	485
	-	-	-	-	-	7,159	20	-	-	7,179	(6,308)	872
Movements in accumulated depreciation												
Depreciation and amortisation	-	-	-	-	(6)	(252)	(30)	-	-	(288)	-	(288)
Accumulated depreciation of disposals	-	-	-	-	-	165	-	-	-	165	-	165
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Prior years error correction	-	-	-	-	-	2	(2)	-	-	-	-	-
	-	-	-	-	(6)	(85)	(32)	-	-	(124)	-	(124)
At fair value 30 June 2023	97,698	29,108	-	126,806	359	28,797	2,792	-	-	31,949	1	158,756
Accumulated depreciation at 30 June 2023	-	-	-	-	(198)	(10,200)	(769)	-	-	(11,167)	-	(11,167)
Carrying amount	97,698	29,108	-	126,806	161	18,597	2,024	-	-	20,782	1	147,588

**Notes to the Financial Report
For the Year Ended 30 June 2023**

(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecomms \$'000	Work In Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2022	420	346	750	105	1,621
Accumulated depreciation at 1 July 2022	(366)	(318)	(482)	-	(1,166)
	54	28	268	105	455
Movements in fair value					
Additions	57	-	17	297	371
Disposal	(24)	-	-	-	(24)
Write-off	-	-	-	-	-
Transfers	-	122	23	(146)	-
Prior years error correction	-	-	-	146	146
	34	122	40	297	493
Movements in accumulated depreciation					
Depreciation and amortisation	(45)	(16)	(76)	-	(136)
Accumulated depreciation of disposals	24	-	-	-	24
Transfers	-	-	-	-	-
	(21)	(16)	(76)	-	(113)
At fair value 30 June 2023	453	468	790	402	2,114
Accumulated depreciation at 30 June 2023	(387)	(334)	(558)	-	(1,278)
Carrying amount	67	135	232	402	835

Notes to the Financial Report
For the Year Ended 30 June 2023

(c) Infrastructure

	Roads	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Waste Management	Parks open space and streetscapes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2022	19,420	2,114	5,670	4,341	221	1,943	991	535	4,411	39,646
Accumulated depreciation at 1 July 2022	(6,612)	(707)	(2,497)	(1,767)	(164)	(831)	(396)	(254)	-	(13,227)
	12,808	1,407	3,174	2,575	57	1,112	594	281	4,411	26,419
Movements in fair value										
Additions	851	206	228	89	-	223	228	104	169	2,098
Revaluation	(1,164)	147	-	-	-	-	-	-	-	(1,017)
Disposal	-	-	-	-	-	-	(125)	-	-	(125)
Write-off	-	-	-	-	-	-	-	-	(596)	(596)
Transfers	-	-	-	-	-	-	-	2,943	(2,943)	-
Prior years error correction	-	-	-	-	-	-	-	-	(770)	(770)
	(313)	353	228	89	-	223	103	3,046	(4,139)	(409)
Movements in accumulated depreciation										
Depreciation and amortisation	(265)	(38)	(60)	(225)	(18)	(139)	(16)	(58)	-	(819)
Revaluation	(781)	(478)	-	-	-	-	205	-	-	(1,054)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
	(1,045)	(516)	(60)	(225)	(18)	(139)	190	(58)	-	(1,873)
At fair value 30 June 2023	19,107	2,468	5,898	4,431	221	2,166	1,094	3,581	272	39,237
Accumulated depreciation at 30 June 2023	(7,657)	(1,223)	(2,556)	(1,992)	(183)	(970)	(207)	(311)	-	(15,100)
Carrying amount	11,450	1,244	3,342	2,439	38	1,196	887	3,270	272	24,137

Notes to the Financial Report For the Year Ended 30 June 2023

Acquisition

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

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

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
Land	-	5
Land under roads	-	5
Land improvements	-	5
Buildings		
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

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.

Notes to the Financial Report For the Year Ended 30 June 2023

Valuation of land and buildings

Valuation of land and buildings were undertaken in 2021-22 financial year by a qualified independent valuer Opteon Property Group (Victoria) ("Opteon") valuer registration number 63379, who completed a desktop inspection on all assets except newly constructed assets since the last revaluation. Revaluation of newly constructed assets were based on a physical inspection. A separate valuation was conducted on the building of which the construction work was completed in the current financial year. 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 and type of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2024-25 (building) and 2025-26 (land).

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Freehold Land	-	29,108	-	Jun-22	Full
Crown Land (specialised land)	-	-	74,638	Jun-22	Full
Land under roads (specialised land)	-	-	23,060	Jun-22	Full
Buildings	-	-	2,036	Jun-22	Full
Buildings Specialised	-	-	11,690	Jun-22	Full
Total	-	29,108	111,424		

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, using the condition assessment work of Mr Peter Moloney, Dip C.E.C.E.MIE Aust, conducted in March 2023.

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

The details of the current valuation is given in the following table. A revaluation of drainage assets will be conducted in 2023-24.

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Roads	-	-	11,450	Jun-23	Full
Footpaths and cycleways	-	-	1,244	Jun-23	Full
Drainage	-	-	2,626	Jun-20	Full
Off street car parks	-	-	887	Jun-23	Full
Total	-	-	16,207		

Notes to the Financial Report For the Year Ended 30 June 2023

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 \$208 and \$9,545 per square metre.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$493 to \$5,086 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year to 104 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 current 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.

	2023	2022
	\$'000	\$'000
Reconciliation of specialised land		
Crown Land	74,638	74,638
Land under roads	23,060	23,060
Total specialised land	97,698	97,698

Notes to the Financial Report For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
6.3 Investments in associates, joint arrangements and subsidiaries		
(a) Investments in associates		
- Geelong Regional Library Corporation	160	160
Fair value of Council's investment in the Geelong Regional Library	160	160

Geelong Regional Library Corporation

Background

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 2023. Council's share of the net assets (1.48%) 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	160	165
Reported surplus(deficit) for year	0	(5)
Council's share of accumulated surplus(deficit) at end of year	160	160

Movement in carrying value of specific investment

Carrying value of investment at start of year	160	165
Share of surplus(deficit) for year	0	(5)
Carrying value of investment at end of year	160	160

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.

Notes to the Financial Report For the Year Ended 30 June 2023

Note 7 PEOPLE AND RELATIONSHIPS

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Borough of Queenscliffe is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in Note 6.3.

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of the Borough of Queenscliffe. The Councillors, Chief Executive Officer and General Managers are deemed KMP.

Details of KMP at any time during the year are:

	2023	2022
	No.	No.
Councillors		
Councillor Isabelle Tolhurst - from 20 Apr 2022	1	1
Councillor Fleur Hewitt	1	1
Councillor Ross Ebbels	1	1
Councillor Donnie Grigau	1	1
Councillor Michael Grout	1	1
Councillor Susan Salter - up to 8 Mar 2022	-	1
Councillor Rob Minty - from 21 Jun 2023	1	-
Chief Executive Officer, Martin Gill	1	1
Acting Chief Executive Officer, Kelvin Spiller - from 15 Feb 2023 to to 26 Apr 2023	1	-
General Manager, Planning & Community Safety, Tim Crawford - from 04/07/2022	1	-
General Manager, Community, Shannon Maloney - from 13 Oct 2021 to 12 May 2023	1	1
General Manager, Finance and Corporate Services, Gihan Kohobange - from 23 Jul 2021	1	1
General Manager, Planning & Infrastructure, Johann Rajaratnam - up to 13 Apr 2022	-	1
General Manager, Infrastructure and Environment, Stuart Hansen	1	1
General Manager, Organisational Performance & Community Services, Phillip Carruthers - up to 7 Jul 2021	-	1
Total Number of Councillors	6	6
Total of Chief Executive Officer and other Key Management Personnel	6	6
Total Number of Key Management Personnel	12	12

Notes to the Financial Report For the Year Ended 30 June 2023

(c) Remuneration of Key Management Personnel

Remuneration comprises employee benefits including all forms of consideration paid, payable or provided by Council, or on behalf of the Council, in exchange for services rendered. Remuneration of Key Management Personnel and Other senior staff is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Other long-term employee benefits include long service leave, other long service benefits or deferred compensation.

Post-employment benefits include pensions, and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Termination benefits include termination of employment payments, such as severance packages.

	2023	2022
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	1,000	959
Other long-term employee benefits	11	26
Post-employment benefits	84	75
Total	1,096	1,060

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

	2023	2022
	No.	No.
\$0 - \$9,999	1	1
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	3	3
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	-
\$60,000 - \$69,999	-	1
\$70,000 - \$79,999	1	-
\$100,000 - \$109,999	1	-
\$130,000 - \$139,999	1	1
\$150,000 - \$159,999	1	2
\$160,000 - \$169,999	-	1
\$180,000 - \$189,000	1	-
\$270,000 - \$279,999	-	1
\$280,000 - \$289,999	1	-
	12	12

**Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
7.2 Related party disclosure		
(a) Transactions with related parties		
During the period Council entered into the following transactions with related parties.		
Geelong Regional Library Corporation - contribution to cover ongoing expenses	248	243
Tourism Greater Geelong and Bellarine - annual municipal partnership fee and cost of promotional publications	28	275
Planting Ideas - cost of horticultural consultancy services	8	6
G21 - Geelong Region Alliance Ltd - annual membership fees	-	6
Queenscliff Lonsdale Yacht Club (QLYC) - community grant provided during the year	2	1
(b) Outstanding balances with related parties		
No balances are outstanding at the end of the reporting period in relation to transactions with related parties (2021–22: 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 (2021–22: 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 (2021–22: nil).	-	-

Notes to the Financial Report For the Year Ended 30 June 2023

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.

(a) Contingent assets

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

At balance date the Council is not aware of any contingent assets.

(b) Contingent liabilities

Contingent liabilities are:

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

At balance date the Council is not aware of any contingent liabilities in addition to the specific items disclosed below.

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.

Insurance claims

There are Nil insurance claims as at 30 June 2023 that could have a material impact on future operations.

Legal matters

There are Nil legal matters as at 30 June 2022 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

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

(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.

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

As per the agreement under section 173 of the Planning and Environments Act 1987 (Vic), between the Council and the PLSLSC, the Council is liable to service the repayments and discharge the mortgage if the PLSLSC is unable to do so.

In a very unlikely scenario (current assessment of the management), if Council decide to exercise step in rights, the mortgagee will consent to transfer of the subject land and the adjoining land to Council for nil consideration subject to the terms of the agreement.

Notes to the Financial Report For the Year Ended 30 June 2023

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2023 reporting period. Council assesses the impact of these new standards. As at 30 June 2023 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2024 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 2020*. Council manages interest rate risk by adopting an investment policy that ensures:

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

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

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

(c) Credit risk

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

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

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

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2023

(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.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1.00 % and -1.5% in market interest rates (AUD) from year-end rates of 4.35%.

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

Notes to the Financial Report For the Year Ended 30 June 2023

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. (For plant and equipment carrying amount is considered to approximate fair value given short useful lives). At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 3 to 4 years. The valuation is performed either by experienced council officers or independent experts. The following table sets out the frequency of revaluations by asset class.

Asset class	Revaluation frequency
Land	4 years
Buildings	3 years
Roads	3 years
Footpaths and cycleways	3 years
Drainage	4 years
Recreational, leisure and community facilities	N/A
Parks, open space and streetscapes	N/A
Other infrastructure	N/A

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.

Notes to the Financial Report For the Year Ended 30 June 2023

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			
2023			
Property			
Land			
- Freehold land	30,019	-	30,019
- Crown land	20,237	-	20,237
- Land under roads	9,952	-	9,952
Buildings	10,168	(201)	9,967
	70,375	(201)	70,174
Infrastructure			
Roads	5,485	(1,865)	3,620
Footpaths and cycleways	333	(331)	2
Drainage	482	-	482
	6,300	(2,196)	4,104
Total asset revaluation reserves	76,675	(2,397)	74,279
2022			
Property			
Land			
- Freehold land	20,923	9,096	30,019
- Crown land	4,664	15,573	20,237
- Land under roads	3,129	6,823	9,952
Buildings	8,482	1,686	10,168
	37,198	33,177	70,375
Infrastructure			
Roads	5,485	-	5,485
Footpaths and cycleways	333	-	333
Drainage	482	-	482
	6,300	-	6,300
Total asset revaluation reserves	43,498	33,177	76,675

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

Notes to the Financial Report For the Year Ended 30 June 2023

	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				
2023				
Asset replacement reserve	1,379	283	-	1,662
General reserve - Unallocated cash	1,463	-	(339)	1,124
Future calls on defined benefits superannuation	40	-	-	40
Funds carried forward to future years				
Grant funding not yet expended - Operating	-	-	-	-
Proceeds from land sale	-	3,500	-	3,500
Incomplete works - Operating	337	61	(66)	332
Incomplete works - Capital	1,502	676	(447)	1,731
Total funds carried forward to future years	1,839	4,237	(514)	5,563
Waste management reserves				
Standard kerbside waste*	(10)	-	(73)	(82)
Public waste	38	-	(14)	24
Total waste management reserves	28	-	(86)	(58)
Total Other reserves	4,749	4,520	(939)	8,330
2022				
Asset replacement reserve	909	530	(60)	1,379
General reserve - Unallocated cash	447	1,016	-	1,463
Future calls on defined benefits superannuation	40	-	-	40
Funds carried forward to future years				
Grant funding not yet expended - Operating	288	-	(288)	-
Grant funding not yet expended - Capital	312	-	(312)	-
Incomplete works - Operating	972	-	(635)	337
Incomplete works - Capital	1,680	769	(947)	1,502
Total funds carried forward to future years	3,252	769	(2,182)	1,839
Waste management reserves				
Standard kerbside waste*	3	35	(47)	(10)
Public waste	12	26	-	38
Total waste management reserves	15	61	(47)	28
Total Other reserves	4,663	2,376	(2,289)	4,749

Asset replacement reserve : Funds are held in this reserve to meet future asset renewal requirements for specific projects earmarked by Council.

General reserve - Unallocated cash : This reserve comprises of the cash surpluses achieved in previous financial years, which have not yet been allocated by Council to specific projects within the Annual Budget.

Future calls on defined benefits superannuation: As a hedge against future calls which may be made by Vision Super on the unfunded superannuation liability (defined benefits scheme).

Funds carried forward to future years: The bulk of funds held in these reserves each financial year is with respect to operating and capital projects to be carried forward for completion in future years.

Waste management reserves: Net surplus/(deficit) of waste services.

*The negative balance represents cost that Council needs to recover in future years. Council has decided to phase the recovery of some waste related expenses to manage the impact on service users. Council has temporarily funded these expenses.

Notes to the Financial Report For the Year Ended 30 June 2023

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	2023	2022
	\$'000	\$'000
Surplus/(deficit) for the year	1,625	8,354
Depreciation	1,244	1,325
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(109)	130
Assets written off	690	-
 <i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	155	(56)
(Increase)/decrease in inventories	0	1
(Increase)/decrease in prepayments	(131)	(10)
Increase/(decrease) in accrued income	(404)	247
(Increase)/decrease in regional library equity	0	5
Increase/(decrease) in trade and other payables	(33)	33
Increase/(decrease) in accrued expenses	12	180
Increase/(decrease) in accrued wages	47	(9)
Increase/(decrease) in trust funds and deposits	(31)	4
Increase/(decrease) in income received in advance	(10)	136
Increase/(decrease) in provisions	(14)	(107)
Increase/(decrease) in unearned income /revenue	(140)	(1,258)
Net cash provided by/(used in) operating activities	2,900	8,971

9.3 Superannuation

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

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation (2022: 10.0%)).

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 [Employer name] in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns 5.7% pa

Salary information 3.5% pa

Price inflation (CPI) 2.8% pa

Notes to the Financial Report **For the Year Ended 30 June 2023**

As at 30 June 2022, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 102.2%. The financial assumptions used to calculate the VBI were:

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

Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). Vision Super has advised that the estimated VBI at 30 June 2023 was 104.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 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

(a) Regular contributions

On the basis of the results of the 2022 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2023, this rate was 10.5% of members' salaries (10.0% in 2021/22). 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 2022 interim valuation.

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

(b) Funding calls

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

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

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

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

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

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

The 2022 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2022 and the last full investigation was conducted as at 30 June 2020.

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

	2022 (Interim) \$m	2021 (Interim) \$m
- A VBI Surplus	45.7	214.7
- A total service liability surplus	105.8	270.3
- A discounted accrued benefits surplus	112.9	285.2

Notes to the Financial Report **For the Year Ended 30 June 2023**

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 2022.

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 2022.

The discounted accrued benefits 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 2022.

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2023 are detailed below:

Scheme	Type of Scheme	Rate	2023 \$'000	2022 \$'000
Vision super	Defined benefits	10.5% (2022:10.0%)	6	5
Vision super	Accumulation	10.5% (2022:10.0%)	234	236

Unfunded liability payments to Vision Super is \$Nil during the 2022/23 year (2021/22 \$Nil).

There were \$Nil contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2024 is \$5,661.

**Notes to the Financial Report
For the Year Ended 30 June 2023**

Note 10 CHANGE IN ACCOUNTING POLICY

There have been no changes to accounting policies in the 2022-23 year.

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