

# **SUPPLEMENTARY AGENDA**

Meeting of Council

To be held at the

Civic Centre

511 Burwood Highway

Wantirna South

On

Monday 29 August 2022 at 7:00 PM

## 14.1 Unaudited 2021-22 Annual Financial Statements and Performance Statement

**SUMMARY: Chief Financial Officer, Navec Lorkin**

**The unaudited 2021-22 Annual Financial Statements and Performance Statement are presented for consideration and adoption in principle. These statements were reviewed by Council's Audit and Risk Committee as its meeting on Thursday 25 August 2022 and the Committee has recommended in principle approval by Council.**

### **RECOMMENDATION**

**That Council:**

- 1. Receive and adopt in principle the unaudited 2021-22 Annual Financial Statements (Attachment 1) and Performance Statement (Attachment 2) for the year ending 30 June 2022, and certify the performance results against the Governance and Management checklist (Attachment 3).**
- 2. Authorise the Principal Accounting Officer to make changes to the Financial Statements as determined by the Auditor-General; and that the Audit Committee be consulted prior to making any material amendments to these Statements as determined by the Auditor-General; and that material amendments be communicated to Council as soon as possible.**
- 3. Nominate and authorise Councillor ..... and Councillor ..... to certify (on behalf of Council) the 2021-22 Annual Financial Statements, in the final form.**

### **1. INTRODUCTION**

BDO (agents of the Victorian Auditor-General's Office) has undertaken the external audit of the 2021-22 Annual Financial Statements and Performance Statement.

The Annual Financial Statements, consisting of Financial Statements and Notes (refer Attachment 1), have been prepared in accordance with Australian Accounting Standards and Interpretations, the *Local Government Act 2020* (the Act) and the *Local Government (Planning and Reporting) Regulations 2020* (the Regulations).

The Audit and Risk Committee at its meeting of 25 August 2022, having reviewed the Annual Financial Statements and Performance Statement, recommended that Council adopt the unaudited 2021-22 Annual Financial Statements and Performance Statement on an in-principle basis and submit them to the Victorian Auditor-General for final audit.

In accordance with section 99 of the *Local Government Act 2020*, and sections 13 and 15 of the *Local Government (Planning and Reporting) Regulations 2020*, the completed Annual Financial Statements and Performance Statement are to be certified by the Principal Accounting Officer, Chief Executive Officer and two Councillors (on behalf of Council) having regard to the recommendations, if any, from the Victorian Auditor-General.

## 2. DISCUSSION

### Annual Financial Statements

The draft Financial Statements indicate the performance for the year and the financial position of Council as at 30 June 2022. While the external audit has not yet been finalised, it is expected there will be no major changes to the Statements as presented. On 25 August 2022, the Audit and Risk Committee recommended that Council approve in principle the Financial Statements, and accordingly in principle approval is now being sought from Council.

### Comprehensive Income Statement

Council ended the financial year in a strong financial position. Council's deficit for 2021 was \$2.792 million, which was a favourable variance of \$27.673 million when compared to the 2021-22 Revised Budget deficit of \$30.465 million. The budgeted deficit was due to a timing difference on the Knox Regional Sports Park project, with Council budgeted to make a \$27.000 million contribution towards the project, as well as transferring the Knox Regional Sports Park assets to the State Government.

The key variances were:

- Favourable variance of \$21.709 million in net (loss) gain on disposal of assets. The transfer of the Knox Regional Sports Park to the State Government did not occur during the 2022 financial year, instead occurring in July 2022.
- Favourable variance of \$17.007 million in materials and services. There is a continued focus on the containment of operating costs throughout Council, whilst maintaining services for the community. Contributing to the reduction was \$12.157 million in operating projects expenditure related to the carry forward of capital works to 2022-23, a \$0.639 million decrease in software maintenance, licensing, upgrades and extensions, a \$0.636 million reduction in the landfill rehabilitation provision and \$0.574 million associated with the kerbside reform transition project.
- Favourable variance of \$1.768 million in operating grants including \$1.501 million increase against budget for the Victoria Grants Commission general purpose grants due to the 75% prepayment of 2022-23 grants in April 2022.
- Favourable variance of \$1.460 million in contributions and donations, with the contribution towards the Knox Regional Sports Park being \$25.400 million; the remaining \$1.600 million budgeted contribution will be capitalised as part of the project.

Favourable variances were offset by the following:

- Unfavourable variance of \$8.833 million in capital grants, with capital grants totalling \$2.717 million being treated as unearned income, and \$8.570 million in capital grants yet to be received due to the timing of projects; this was partially offset by \$2.005 million in unbudgeted capital grants being received.
- Unfavourable variance of \$2.254 million in monetary contributions including \$1.125 million relating to social housing, \$0.400 million relating to the Knox Hockey Facility development, and \$0.590 million relating to public open space contributions.
- Unfavourable variance of \$1.560 million in non-monetary contributions due to a lower than anticipated number of assets handed over to Council from developers.
- Unfavourable variance of \$1.328 million in statutory fees and fines including \$0.751 million due to the delayed implementation of parking sensors, \$0.290 million for statutory planning applications, and \$0.280 million for pool certification fees.

## **Balance Sheet**

The Balance Sheet reflects a satisfactory position with a Working Capital ratio (liquidity) of 1.48:1 or 148%.

Total cash holdings (cash on hand and term deposits) were \$47.852 million (2021 \$45.598 million) at balance date.

Total trade and other receivables were \$18.542 million (the 2021 figure was \$18.989 million). Rates debtors increased to \$13.170 million in 2022 from \$12.035 million in 2021, as a result of increased payment plans and arrangements.

## **Performance Statement**

On 25 August 2022, the Audit and Risk Committee recommended that Council approve in principle the Annual Performance Statement.

The Performance Statement includes the indicators, measures and results for the prescribed indicators of sustainable capacity, service performance and financial performance. To provide context to the results, the Statement must also contain a description of the municipal district including its size, location and population.

The Performance Statement reports results of indicators established by the Victoria Local Government Performance Reporting Framework (LGPRF)

The Performance Statement provides four years of comparatives (2018-19, 2019-20, 2020-21 and 2021-22) to provide trend data. The *Local Government (Planning and Reporting) Regulations 2020* require councils to provide commentary for all material variations in the results between the current year and previous years.

Management has set its material threshold at plus or minus 10% of the previous year's result. Based on this materiality threshold, Council has provided comments to assist readers in interpreting the results.

## **Governance and Management Checklist**

The *Local Government (Planning and Reporting) Regulations 2020* require Council to undertake an assessment against the prescribed governance and management checklist and include this in its report of operations. This is a prescribed checklist of policies, plans and documents, covering engagement, planning, monitoring, reporting and decision making.

## **3. CONSULTATION**

This report does not require consultation. The 2021-22 Annual Financial Statements and Performance Statement will be publicly available as part of the 2021-22 Annual Report.

## **4. ENVIRONMENTAL/AMENITY ISSUES**

This report does not have any environmental or amenity issues for discussion.

## **5. FINANCIAL & ECONOMIC IMPLICATIONS**

The 2021-22 Annual Financial Statements and Performance Statement report on Council's financial and non-financial performance for the financial year.

## **6. SOCIAL IMPLICATIONS**

This report does not have any social implications for discussion.

## **7. RELEVANCE TO KNOX COMMUNITY AND COUNCIL PLAN 2017-2021**

### **Civic Engagement & Integrity**

Strategy 5.2 - Manage our resources effectively to ensure financial sustainability and improved customer experience.

Strategy 5.3 - Ensure our processes are transparent and decisions are accountable.

## **8. CONFLICT OF INTEREST**

The officers contributing to and responsible for this report have no conflicts of interest requiring disclosure under Chapter 5 of the Governance Rules of Knox City Council.

## **9. CONCLUSION**

The 2021-22 Annual Financial Statements indicate that Council's overall financial position is strong. The 2021-22 Performance Statement highlights Council's performance successes over the financial year.

## **10. CONFIDENTIALITY**

There is no content in this report that meets the definition of confidential information from the Local Government Act 2020.

**Report Prepared By:** Chief Financial Officer, Navec Lorkin

**Report Authorised By:** Chief Executive Officer, Bruce Dobson

### **Attachments**

1. 2021-22 Financial Accounts KCC [**14.1.1** - 65 pages]
2. 2021-22 Performance Statement [**14.1.2** - 12 pages]
3. Governance and Management Checklist [**14.1.3** - 4 pages]

**KNOX CITY COUNCIL  
ANNUAL FINANCIAL REPORT**

**For the Year Ended 30 June 2022**

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**Knox City Council  
Certification of the Financial Statements**

**Statement by Principal Accounting Officer**

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.

Navec Lorkin CPA  
Principal Accounting Officer  
<Date>  
Wantirna South

**Statement by Councillors and Chief Executive Officer**

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

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

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

Cr Susan Laukens  
Mayor  
<Date>  
Wantirna South

Cr Nicole Seymour  
Deputy Mayor  
<Date>  
Wantirna South

Bruce Dobson  
Chief Executive Officer  
<Date>  
Wantirna South

**Knox City Council  
VAGO Report**

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**Knox City Council  
VAGO Report**

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**Knox City Council**  
**Comprehensive Income Statement**  
**For the Year Ended 30 June 2022**

|  | Note | 2022<br>\$'000   | 2021<br>\$'000   |
|--|------|------------------|------------------|
| <b>Income</b>  |      |                  |                  |
| Rates and charges  | 3.1  | 125,938          | 122,310          |
| Statutory fees and fines   | 3.2  | 2,770            | 2,689            |
| User fees  | 3.3  | 15,354           | 13,428           |
| Grants - operating   | 3.4  | 25,096           | 30,751           |
| Grants - capital   | 3.4  | 14,722           | 5,293            |
| Contributions - monetary   | 3.5  | 6,072            | 6,795            |
| Contributions - non-monetary   | 3.5  | 440              | -                |
| Share of net profits (or loss) of associates and joint ventures                    | 6.3  | 395              | 154              |
| Other income   | 3.7  | 1,112            | 1,178            |
| <b>Total income</b>  |      | <b>191,899</b>   | <b>182,598</b>   |
| <b>Expenses</b>  |      |                  |                  |
| Employee costs   | 4.1  | (75,672)         | (80,316)         |
| Materials and services   | 4.2  | (60,633)         | (58,113)         |
| Depreciation   | 4.3  | (22,965)         | (22,417)         |
| Amortisation - intangible assets   | 4.4  | (598)            | (478)            |
| Amortisation - right-of-use assets   | 4.5  | (630)            | (645)            |
| Bad and doubtful debts   | 4.6  | (334)            | (278)            |
| Borrowing costs  | 4.7  | (403)            | -                |
| Finance costs - leases   | 4.8  | (30)             | (33)             |
| Contributions and donations  | 4.9  | (31,327)         | (6,371)          |
| Net gain (or loss) on disposal of property, infrastructure, plant and equipment    | 3.6  | (1,362)          | (3,575)          |
| Other expenses   | 4.10 | (737)            | (797)            |
| <b>Total expenses</b>  |      | <b>(194,691)</b> | <b>(173,023)</b> |
| <b>Surplus for the year</b>  |      | <b>(2,792)</b>   | <b>9,575</b>     |
| <b>Other comprehensive income</b>  |      |                  |                  |
| <b>Items that will not be reclassified to surplus or deficit in future periods</b> |      |                  |                  |
| Net asset revaluation increment (or decrement)                                     | 9.1  | 138,834          | 5,876            |
| <b>Total other comprehensive income</b>  |      | <b>138,834</b>   | <b>5,876</b>     |
| <b>Total comprehensive result</b>  |      | <b>136,042</b>   | <b>15,451</b>    |

The above Comprehensive Income Statement should be read in conjunction with the accompanying notes.

**Knox City Council  
Balance Sheet  
As at 30 June 2022**

|  | Note | 2022<br>\$'000          | 2021<br>\$'000          |
|--|------|-------------------------|-------------------------|
| <b>Assets</b>  |      |                         |                         |
| <b>Current assets</b>                                |      |                         |                         |
| Cash and cash equivalents                            | 5.1  | 42,852                  | 45,598                  |
| Other financial assets                               | 5.1  | 5,000                   | -                       |
| Trade and other receivables                          | 5.1  | 18,542                  | 18,989                  |
| Inventories  |      | 14                      | 11                      |
| Non-current assets classified as held for sale       | 6.1  | 2,928                   | 2,072                   |
| Other Assets   | 5.2  | 1,109                   | 1,276                   |
| <b>Total current assets</b>                          |      | <b><u>70,445</u></b>    | <b><u>67,946</u></b>    |
| <b>Non-current assets</b>                            |      |                         |                         |
| Property, infrastructure, plant and equipment        | 6.2  | 2,161,732               | 1,982,808               |
| Right-of-use assets                                  | 5.8  | 1,059                   | 1,533                   |
| Intangible assets                                    | 5.2  | 2,152                   | 1,371                   |
| Investment in Eastern Regional Libraries Corporation | 6.3  | 3,469                   | 5,074                   |
| <b>Total non-current assets</b>                      |      | <b><u>2,168,412</u></b> | <b><u>1,990,786</u></b> |
| <b>Total assets</b>                                  |      | <b><u>2,238,857</u></b> | <b><u>2,058,732</u></b> |
| <b>Liabilities</b>                                   |      |                         |                         |
| <b>Current liabilities</b>                           |      |                         |                         |
| Trade and other payables                             | 5.3  | 17,357                  | 13,856                  |
| Trust funds and deposits                             | 5.3  | 2,507                   | 1,857                   |
| Unearned income                                      | 5.3  | 4,363                   | 11,657                  |
| Provisions   | 5.5  | 18,428                  | 19,019                  |
| Interest-bearing liabilities                         | 5.4  | 4,263                   | -                       |
| Lease liabilities                                    | 5.8  | 539                     | 605                     |
| <b>Total current liabilities</b>                     |      | <b><u>47,457</u></b>    | <b><u>46,994</u></b>    |
| <b>Non-current liabilities</b>                       |      |                         |                         |
| Provisions   | 5.5  | 2,991                   | 3,608                   |
| Interest-bearing liabilities                         | 5.4  | 44,645                  | -                       |
| Lease liabilities                                    | 5.8  | 526                     | 934                     |
| <b>Total non-current liabilities</b>                 |      | <b><u>48,162</u></b>    | <b><u>4,542</u></b>     |
| <b>Total liabilities</b>                             |      | <b><u>95,619</u></b>    | <b><u>51,536</u></b>    |
| <b>Net assets</b>                                    |      | <b><u>2,143,238</u></b> | <b><u>2,007,196</u></b> |
| <b>Equity</b>  |      |                         |                         |
| Accumulated surplus                                  |      | 702,718                 | 706,531                 |
| Reserves   | 9.1  | 1,440,520               | 1,300,665               |
| <b>Total equity</b>                                  |      | <b><u>2,143,238</u></b> | <b><u>2,007,196</u></b> |

The above Balance Sheet should be read in conjunction with the accompanying notes.

**Knox City Council**  
**Statement of Changes in Equity**  
**For the Year Ended 30 June 2022**

| 2022  | Note | Total            | Accumulated<br>Surplus | Revaluation<br>Reserve | Other<br>Reserves |
|---|------|------------------|------------------------|------------------------|-------------------|
|   |      | \$'000           | \$'000                 | \$'000                 | \$'000            |
| Balance at beginning of the financial year  |      | 2,007,196        | 706,532                | 1,261,515              | 39,149            |
| Surplus for the year                        |      | (2,792)          | (2,792)                | -                      | -                 |
| Net asset revaluation increment/(decrement) | 6.2  | 138,834          | -                      | 138,834                | -                 |
| Transfers to other reserves                 | 9.1  | -                | (13,432)               | -                      | 13,432            |
| Transfers from other reserves               | 9.1  | -                | 12,410                 | -                      | (12,410)          |
| <b>Balance at end of the financial year</b> |      | <b>2,143,238</b> | <b>702,718</b>         | <b>1,400,349</b>       | <b>40,171</b>     |

| 2021  | Note | Total            | Accumulated<br>Surplus | Revaluation<br>Reserve | Other<br>Reserves |
|---|------|------------------|------------------------|------------------------|-------------------|
|   |      | \$'000           | \$'000                 | \$'000                 | \$'000            |
| Balance at beginning of the financial year  |      | 1,991,745        | 697,658                | 1,255,639              | 38,448            |
| Surplus for the year                        |      | 9,575            | 9,575                  | -                      | -                 |
| Net asset revaluation increment/(decrement) | 6.2  | 5,876            | -                      | 5,876                  | -                 |
| Transfers to other reserves                 | 9.1  | -                | (10,020)               | -                      | 10,020            |
| Transfers from other reserves               | 9.1  | -                | 9,319                  | -                      | (9,319)           |
| <b>Balance at end of the financial year</b> |      | <b>2,007,196</b> | <b>706,532</b>         | <b>1,261,515</b>       | <b>39,149</b>     |

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

**Knox City Council**  
**Statement of Cash Flows**  
**For the Year Ended 30 June 2022**

|  | Note | 2022<br>Inflows/<br>(Outflows)<br>\$'000 | 2021<br>Inflows/<br>(Outflows)<br>\$'000 |
|--|------|--|--|
| <b>Cash flows from operating activities</b>                          |      |  |  |
| Rates and charges  |      | 125,691                                  | 121,238                                  |
| Statutory fees and fines   |      | 2,439                                    | 2,618                                    |
| User fees  |      | 17,894                                   | 12,467                                   |
| Grants - operating   |      | 25,942                                   | 31,472                                   |
| Grants - capital   |      | 6,462                                    | 13,922                                   |
| Contributions - monetary   |      | 6,138                                    | 6,882                                    |
| Interest received  |      | 11                                       | 88                                       |
| Trust funds and deposits taken                                       |      | 17,591                                   | 17,322                                   |
| Net GST refund   |      | 12,225                                   | 9,652                                    |
| Other receipts   |      | 1,144                                    | 1,172                                    |
| Employee costs   |      | (78,146)                                 | (80,049)                                 |
| Materials and services   |      | (73,830)                                 | (66,966)                                 |
| Contributions and donations  |      | (31,910)                                 | (6,973)                                  |
| Short-term, low value and variable lease payments                    |      | (119)                                    | (241)                                    |
| Trust funds and deposits repaid                                      |      | (16,941)                                 | (17,050)                                 |
| Other payments   |      | (659)                                    | (572)                                    |
| <b>Net cash provided by operating activities</b>                     |      | <b>13,932</b>                            | <b>44,982</b>                            |
| <b>Cash flows from investing activities</b>                          |      |  |  |
| Payments for property, infrastructure, plant and equipment           | 6.2  | (62,076)                                 | (40,765)                                 |
| Proceeds from sales of property, infrastructure, plant and equipment |      | 497                                      | 1,575                                    |
| Payments for investments   |      | (5,000)                                  | -  |
| Proceeds from sale of investments                                    |      | -  | 9,900                                    |
| Proceeds from investment in ERLC                                     |      | 2,000                                    | -  |
| <b>Net cash used in investing activities</b>                         |      | <b>(64,579)</b>                          | <b>(29,290)</b>                          |
| <b>Cash flows from financing activities</b>                          |      |  |  |
| Finance costs  |      | (345)                                    | -  |
| Proceeds from borrowings   |      | 50,000                                   | -  |
| Repayment of borrowings  |      | (1,092)                                  | -  |
| Interest paid - lease liability                                      |      | (30)                                     | (32)                                     |
| Repayment of lease liabilities                                       |      | (632)                                    | (646)                                    |
| <b>Net cash used in financing activities</b>                         |      | <b>47,901</b>                            | <b>(678)</b>                             |
| Net increase/(decrease) in cash and cash equivalents                 |      | (2,746)                                  | 15,014                                   |
| Cash and cash equivalents at the beginning of the financial year     |      | 45,598                                   | 30,584                                   |
| <b>Cash and cash equivalents at the end of the financial year</b>    |      | <b>42,852</b>                            | <b>45,598</b>                            |
| Financing arrangements   | 5.5  |  |  |
| Restrictions on cash assets  | 5.1  |  |  |

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Knox City Council  
Statement of Capital Works  
For the Year Ended 30 June 2022**

|  | Note | 2022<br>\$'000 | 2021<br>\$'000 |
|--|------|----------------|----------------|
| <b>Property</b>                                |      |                |                |
| Land   |      | 18,070         | 582            |
| <b>Total land</b>                              |      | <b>18,070</b>  | <b>582</b>     |
| Buildings                                      |      | 18,759         | 8,496          |
| <b>Total buildings</b>                         |      | <b>18,759</b>  | <b>8,496</b>   |
| <b>Total property</b>                          |      | <b>36,829</b>  | <b>9,078</b>   |
| <b>Plant and equipment</b>                     |      |                |                |
| Artworks                                       |      | 92             | 46             |
| Plant, machinery and equipment                 |      | 909            | 1,219          |
| Computers and telecommunications               |      | 935            | 2,264          |
| <b>Total plant and equipment</b>               |      | <b>1,936</b>   | <b>3,529</b>   |
| <b>Infrastructure</b>                          |      |                |                |
| Roads  |      | 8,016          | 9,014          |
| Bridges  |      | 480            | 1,048          |
| Footpaths and cycleways                        |      | 5,025          | 4,360          |
| Drainage                                       |      | 3,143          | 3,801          |
| Recreational, leisure and community facilities |      | 6,735          | 8,196          |
| Off street car parks                           |      | 4,930          | 1,351          |
| <b>Total infrastructure</b>                    |      | <b>28,329</b>  | <b>27,770</b>  |
| <b>Total capital works expenditure</b>         |      | <b>67,094</b>  | <b>40,377</b>  |
| <b>Represented by:</b>                         |      |                |                |
| New asset expenditure                          |      | 24,032         | 5,169          |
| Asset renewal expenditure                      |      | 23,072         | 24,686         |
| Asset expansion expenditure                    |      | 3,899          | 1,414          |
| Asset upgrade expenditure                      |      | 16,091         | 9,108          |
| <b>Total capital works expenditure</b>         |      | <b>67,094</b>  | <b>40,377</b>  |

The above Statement of Capital Works should be read in conjunction with the accompanying notes.



## Knox City Council Notes to the Financial Report For the Year Ended 30 June 2022

### Note 1 Overview

#### Introduction

Knox City Council was established by an Order of the Governor in Council in 1994 and is a body corporate. The Council's main office is located at 511 Burwood Highway, Wantirna South, Victoria.

#### Statement of compliance

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

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

#### Significant accounting policies

##### (a) Basis of accounting

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

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

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- 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

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

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

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. The state of disaster ended on 9 November 2020, while the state of emergency ended on 16 December 2021. While the impacts of the pandemic have abated somewhat through the 2021-22 year, Council has noted the following significant impacts on its financial operations:

**Additional revenue**

The following operating grants related to COVID-19 were received and expended through the 2021-22 financial

- \$0.912 million for the kindergarten support special education grant
- \$0.363 million for the provision of outdoor dining
- \$0.136 million for the childcare support special education grant
- \$0.077 million for Covid concierge and hospitality support
- \$0.058 million for the kindergarten support cleaning grant

**Revenue reductions**

Council experienced the following significant reductions in revenue during the 2021-22 financial year related to COVID-19:

- \$0.669 million reduction in parking and animal infringement revenue
- \$0.642 reduction in kindergarten parent fees, offset by the receipt of the kindergarten special education grant
- \$0.294 million reduction in leisure services revenue related to the closure during the pandemic of the Rowville Community Centre, Carrington Park Leisure Centre and the Knox Regional Netball Complex

**Revenue foregone**

Council made the decision to waive the following revenue streams for the 2021-22 financial year due to COVID-19:

- \$0.446 million of the contract with Belgravia Leisure for the running of Knox Leisureworks
- \$0.277 million for interest on late payment of rates
- \$0.086 million for summer and winter tenancies for sporting groups
- \$0.083 for rental relief
- \$0.053 million for revenue relating to Boronia Basketball Stadium

**Additional costs**

The following significant additional costs related to COVID-19 were incurred through the 2021-22 financial year:

- \$0.282 million for Council's COVID-19 community support package
- \$0.363 million relating to the provision of outdoor dining
- \$0.059 million for Council's COVID-19 business support package
- \$0.216 million for COVID-19 related cleaning of Council's infrastructure and facilities
- a further \$0.290 million in expenditure directly related to COVID-19 related activities

**Trade and other receivables**

The following trade and other receivables have increased due the decision not to carry out debt collection until 1 April 2022:

- \$1.135 million increase in rates debtors
- \$0.354 million increase in parking and animal infringement debtors
- \$0.314 million increase in the provision for doubtful debts for parking and animal infringement debtors

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**Note 2.1 Performance against budget**

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of greater than ten percent and \$1,000,000 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.

The budget figures detailed below are those adopted by Council on 11 April 2022. The budget was based on assumptions that were relevant at the time of adoption of the budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

**2.1.1 Income and expenditure**

|   | <b>Budget<br/>2022<br/>\$'000</b> | <b>Actual<br/>2022<br/>\$'000</b> | <b>Variance<br/>\$'000</b> | <b>Variance<br/>%</b> | <b>Ref</b> |
|---|-----------------------------------|-----------------------------------|----------------------------|-----------------------|------------|
| <b>Income</b>   |                                   |                                   |                            |                       |            |
| Rates and charges   | 126,258                           | 125,938                           | <b>(320)</b>               | <b>0%</b>             |            |
| Statutory fees and fines  | 4,098                             | 2,770                             | <b>(1,328)</b>             | <b>-32%</b>           | <b>1</b>   |
| User fees   | 16,212                            | 15,354                            | <b>(858)</b>               | <b>-5%</b>            |            |
| Grants - operating  | 23,328                            | 25,096                            | <b>1,768</b>               | <b>8%</b>             |            |
| Grants - capital  | 23,555                            | 14,722                            | <b>(8,833)</b>             | <b>-37%</b>           | <b>2</b>   |
| Contributions - monetary  | 8,326                             | 6,072                             | <b>(2,254)</b>             | <b>-27%</b>           | <b>3</b>   |
| Contributions - non-monetary  | 2,000                             | 440                               | <b>(1,560)</b>             | <b>-78%</b>           | <b>4</b>   |
| Share of net profits (or loss) of associates<br>and joint ventures              | -                                 | 395                               | <b>395</b>                 | <b>100%</b>           |            |
| Other income  | 1,031                             | 1,112                             | <b>81</b>                  | <b>8%</b>             |            |
| <b>Total income</b>   | <b>204,808</b>                    | <b>191,899</b>                    | <b>(12,909)</b>            | <b>-6%</b>            |            |
| <b>Expenses</b>   |                                   |                                   |                            |                       |            |
| Employee costs  | 75,557                            | 75,672                            | <b>(115)</b>               | <b>0%</b>             |            |
| Materials and services  | 77,650                            | 60,633                            | <b>17,017</b>              | <b>22%</b>            | <b>5</b>   |
| Depreciation  | 22,748                            | 22,965                            | <b>(217)</b>               | <b>-1%</b>            |            |
| Amortisation - intangible assets  | 778                               | 598                               | <b>180</b>                 | <b>23%</b>            |            |
| Amortisation - right of use assets  | 1,311                             | 630                               | <b>681</b>                 | <b>52%</b>            |            |
| Bad and doubtful debts  | 75                                | 334                               | <b>(259)</b>               | <b>-345%</b>          |            |
| Borrowing costs   | 597                               | 403                               | <b>194</b>                 | <b>32%</b>            |            |
| Finance costs - leases  | 69                                | 30                                | <b>39</b>                  | <b>57%</b>            |            |
| Contributions and donations   | 32,787                            | 31,327                            | <b>1,460</b>               | <b>4%</b>             |            |
| Net loss (gain) on disposal of property,<br>infrastructure, plant and equipment | 23,071                            | 1,362                             | <b>21,709</b>              | <b>94%</b>            | <b>6</b>   |
| Other expenses  | 630                               | 737                               | <b>(107)</b>               | <b>-17%</b>           |            |
| <b>Total expenses</b>   | <b>235,273</b>                    | <b>194,691</b>                    | <b>40,582</b>              | <b>17%</b>            |            |
| <b>Surplus/(deficit) for the year</b>   | <b>(30,465)</b>                   | <b>(2,792)</b>                    | <b>27,673</b>              | <b>-91%</b>           |            |

**Knox City Council**  
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**(i) Explanation of material variations**

| Variance<br>Ref | Item   | Explanation  |
|-----------------|--|--|
| 1               | Statutory fees and fines   | Traffic enforcement fines were down \$0.751 million due to the delayed implementation of parking sensors. Statutory planning application fees were down \$0.290 million which is reflective of development activities. Pool certification fees were down \$0.280 million due to changes in the date for certification compliance.  |
| 2               | Grants - capital   | Capital grants totalling \$2.717 million have been received but have been treated as unearned income as they are yet to be expended. Capital grants budgeted but yet to be received due to delays in the projects total \$8.570 million. This is partially offset by unbudgeted capital grants totalling \$2.005 million being received.   |
| 3               | Contributions - monetary   | Budgeted capital contributions of \$1.125 million relating to social housing and \$0.400 million relating to the Knox Hockey facility development have yet to be received. Public open space contributions were down \$0.590 million, with this income being directly contingent on developer activities in the municipality.  |
| 4               | Contributions - non-monetary   | Non-monetary contributions were down \$1.560 million due to a lower than anticipated number of assets handed over to Council from developers.  |
| 5               | Materials and services   | There is a continued focus on the containment of operating costs throughout Council, whilst maintaining services for the community. Contributing to the \$17.017 million reduction in materials and services was a \$12.157 million reduction in operating projects expenditure relating to capital works carried forward to 2022-23. Other contributors include a \$0.639 million decrease in software maintenance, licencing, upgrades and extensions, a \$0.636 million reduction in the landfill rehabilitation provision, \$0.574 million for the kerbside reform transition project, \$0.401 million relating to the delay in the implementation of the parking strategy, and a \$0.327 million decrease in utility costs. |
| 6               | Net loss (gain) on disposal of property, infrastructure, plant and equipment | The budgeted transfer of the Knox Regional Sports Park to the State Government has yet to occur, and will now occur in July 2022.  |

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**Note 2.1 Performance against budget (cont'd)****2.1.2 Capital works**

|  | Budget<br>2022<br>\$'000 | Actual<br>2022<br>\$'000 | Variance<br>\$'000 | Variance Ref<br>% |   |
|--|--------------------------|--------------------------|--------------------|-------------------|---|
| <b>Property</b>                                |                          |                          |                    |                   |   |
| Land   | 18,000                   | 18,070                   | (70)               | 0%                |   |
| <b>Total land</b>                              | <b>18,000</b>            | <b>18,070</b>            | <b>(70)</b>        | <b>0%</b>         |   |
| Buildings                                      | 16,042                   | 18,759                   | (2,717)            | -17%              | 1 |
| <b>Total buildings</b>                         | <b>16,042</b>            | <b>18,759</b>            | <b>(2,717)</b>     | <b>-17%</b>       |   |
| <b>Total property</b>                          | <b>34,042</b>            | <b>36,829</b>            | <b>(2,787)</b>     | <b>-8%</b>        |   |
| <b>Plant and equipment</b>                     |                          |                          |                    |                   |   |
| Artworks                                       | 187                      | 92                       | 95                 | 51%               |   |
| Plant, machinery and equipment                 | 2,707                    | 909                      | 1,798              | 66%               | 2 |
| Computers and telecommunications               | 3,325                    | 935                      | 2,390              | 72%               | 3 |
| <b>Total plant and equipment</b>               | <b>6,219</b>             | <b>1,936</b>             | <b>4,283</b>       | <b>69%</b>        |   |
| <b>Infrastructure</b>                          |                          |                          |                    |                   |   |
| Roads  | 10,007                   | 8,016                    | 1,991              | 20%               | 4 |
| Bridges  | 715                      | 480                      | 235                | 33%               |   |
| Footpaths and cycleways                        | 5,370                    | 5,025                    | 345                | 6%                |   |
| Drainage                                       | 3,651                    | 3,143                    | 508                | 14%               |   |
| Recreational, leisure and community facilities | 11,974                   | 6,735                    | 5,239              | 44%               | 5 |
| Off street car parks                           | 1,294                    | 4,930                    | (3,636)            | -281%             | 6 |
| Other infrastructure                           | 416                      | -                        | 416                | 100%              |   |
| <b>Total infrastructure</b>                    | <b>33,427</b>            | <b>28,329</b>            | <b>5,098</b>       | <b>15%</b>        |   |
| <b>Total capital works expenditure</b>         | <b>73,688</b>            | <b>67,094</b>            | <b>6,594</b>       | <b>9%</b>         |   |
| <b>Represented by:</b>                         |                          |                          |                    |                   |   |
| New asset expenditure                          | 23,123                   | 24,032                   | (909)              | -4%               |   |
| Asset renewal expenditure                      | 31,155                   | 23,072                   | 8,083              | 26%               |   |
| Asset expansion expenditure                    | 4,102                    | 3,899                    | 203                | 5%                |   |
| Asset upgrade expenditure                      | 15,308                   | 16,091                   | (783)              | -5%               |   |
| <b>Total capital works expenditure</b>         | <b>73,688</b>            | <b>67,094</b>            | <b>6,594</b>       | <b>9%</b>         |   |

**Knox City Council**  
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**(i) Explanation of material variations**

| Variance<br>Ref | Item   | Explanation   |
|-----------------|--|---|
| 1               | Buildings                                      | Building related capital expenditure for the Knox Regional Netball Centre was \$1.314 million greater than budget due to carry forward expenditure and utilising grant income received.   |
| 2               | Plant, machinery and equipment                 | Capital expenditure for plant, machinery and equipment mainly relates to Council's fleet renewal program. Equipment purchases have been delayed due to availability of stock.   |
| 3               | Computers and telecommunications               | Capital expenditure is lower than budget due to \$2.121 million in expenditure being deemed to be operational in nature and therefore was not capitalised.  |
| 4               | Roads  | Capital expenditure is lower than budget due to \$0.291 million of works being unable to be capitalised, while the road renewal programs were \$0.782 million less than budget.   |
| 5               | Recreational, leisure and community facilities | Capital expenditure is lower than budget due to landscaping and planting works being unable to be capitalised (\$1.408 million), and projects being capitalised under different classes (\$0.708 million). The underspend in a number of projects will be carried forward to 2022-23. |
| 6               | Off street car parks                           | Capital expenditure is greater than budget due to projects being capitalised from different asset classes, in particular \$3.898 million for the car park at Knox Regional Netball Centre.  |

## **Knox City Council Notes to the Financial Report For the Year Ended 30 June 2022**

### **Note 2.2 Analysis of Council results by program**

Knox City Council delivers its functions and activities through the following programs.

#### **2.2.1 CEO**

The office of the CEO incorporates the CEO and Finance.

CEO responsibilities include establishing and maintaining an appropriate organisational structure for the council, managing interactions between council staff and Councillors, ensuring that Council decisions are implemented promptly, providing timely advice to Council, providing timely and reliable advice to the Council about its legal obligations, and overseeing the daily management of council operations following the Council Plan.

Finance exists to enable Council to comply with statutory requirements, provide strategic financial direction, undertake essential business processes and to support the organisation with business and financial assistance and advice.

#### **City Centre**

The City Centre Directorate incorporates Communications, Customer Service and Knox Central.

Communications supports the organisation through coordinating, facilitating and managing a range of written and verbal media. The department supports consistent branding, delivery and renewal of Council's significant signage, advertising and key publications.

Customer Service strive to deliver service excellence and create great customer experiences by providing information, guidance and resolution where possible. They support and enable the delivery of Council services, programs and information to the community.

Knox Central supports Council's strategic direction for the Knox Central Activity Centre which serves a broad cross-section of the community within Knox and across the eastern suburbs of Melbourne. Anchored by the shopping centre it includes retail, residential, industrial, commercial, educational uses, along with significant areas of open space.

#### **City Strategy and Integrity**

The City Development Directorate incorporates City Safety and Health, City Futures, City Planning and Building, Governance and Strategic Procurement and Property. The Directorate's purpose relates directly to Council's purpose to enhance the quality of life of the Knox community.

City Safety and Health promotes and protects the safety, health and amenity of the community through the key functions of Emergency Management, Health Services and Local Laws.

City Futures purpose is to strategically work across the organisation and the community to understand and manage the changing city.

City Planning and Building covers planning and building approvals, subdivisions and enforcement.

Governance ensure that Council is complying with the statutory requirements associated with municipal elections, Council decisions (Chamber and delegated), information privacy, freedom of information and meeting procedure. It also includes the support services for Council's nine Councillors who have been elected by the residents and ratepayers of the municipality.

Strategic Procurement and Property provides expertise, guidance and processes for the purchase of goods and services. It also provides expertise for all property matters.

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**Connected Communities**

The Community Services Directorate incorporates Community Wellbeing, Family and Children's Services, Community Access and Support and Active and Creative Communities. The Directorate is responsible for the management and delivery of a diverse range of community services and programs.

Community Wellbeing works strategically with the community and organisation to enable and contribute to the achievement of health and wellbeing outcomes for Knox.

Family and Children's Services delivers Council's early years services across the municipality.

Community Access and Support aims to make effective use of opportunities to enhance the physical, social and emotional wellbeing of people that enables them active participation in society.

Youth, Leisure and Cultural Services purpose is to make Knox an active, resilient, creative and inclusive community.

**Infrastructure**

The Infrastructure Directorate incorporates Sustainable Infrastructure, Community Infrastructure, Operations and the Major Initiatives Unit. The Directorate is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, environment and waste, city works, parks and gardens, emergency management and municipal resources.

Sustainable Infrastructure is responsible for waste management, local traffic management, and the management of the capital works program.

Community Infrastructure is responsible for the maintenance, renewal, upgrade and associated works of Council's buildings. It is also responsible for stormwater management, landscape and environmental design, and providing strategic direction in biodiversity enhancement.

Operations is responsible for asset rehabilitation and for reactive and proactive maintenance. It is also responsible for fleet management, and the maintenance of Council open space and reserves.

The Major Initiatives Unit provides for the delivery of major projects that supplement the full program of capital projects being delivered by the various delivery teams within Council.

**Strategy, People and Culture**

The Strategy, People and Culture Directorate incorporates Strategy, People and Culture, Information Technology and Transformation.

Strategy, People and Culture provides strategic and operational leadership, services and programs around all aspects of human resource management.

Information Technology provide a centralised approach to the management and maintenance of Council's Information Technology systems and services.

Transformation is responsible for the rollout of the organisational continuous improvement program based on Lean thinking and practice.



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

**Note 2.2 Analysis of Council results by program (cont'd)**

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

|                              | Income         | Expenses       | Surplus /<br>(Deficit) | Grants<br>included in<br>income | Total assets  |
|------------------------------|----------------|----------------|------------------------|---------------------------------|---------------|
|                              | \$'000         | \$'000         | \$'000                 | \$'000                          | \$'000        |
| <b>2022</b>                  |                |                |                        |                                 |               |
| CEO                          | 116,968        | 4,542          | 112,426                | 8,023                           | 63,060        |
| City Centre                  | 433            | 4,021          | (3,588)                | 425                             | 104           |
| City Strategy and Integrity  | 13,832         | 23,866         | (10,034)               | 1,978                           | 96,903        |
| Connected Communities        | 21,593         | 76,872         | (55,279)               | 15,748                          | 616,238       |
| Infrastructure               | 38,995         | 70,111         | (31,116)               | 13,644                          | 1,458,319     |
| Strategy, People and Culture | 78             | 15,279         | (15,201)               | -                               | 4,233         |
|                              | <b>191,899</b> | <b>194,691</b> | <b>-</b>               | <b>2,792</b>                    | <b>39,818</b> |

|                              | Income         | Expenses       | Surplus /<br>(Deficit) | Grants<br>included in<br>income | Total assets     |
|------------------------------|----------------|----------------|------------------------|---------------------------------|------------------|
|                              | \$'000         | \$'000         | \$'000                 | \$'000                          | \$'000           |
| <b>2021</b>                  |                |                |                        |                                 |                  |
| CEO                          | 113,573        | 3,555          | 110,018                | 6,623                           | 60,038           |
| City Centre                  | 9              | 3,908          | (3,899)                | -                               | 125              |
| City Strategy and Integrity  | 12,722         | 23,172         | (10,450)               | 1,325                           | 70,246           |
| Connected Communities        | 25,170         | 55,746         | (30,576)               | 20,596                          | 556,720          |
| Infrastructure               | 28,271         | 69,484         | (41,213)               | 4,734                           | 1,365,540        |
| Strategy, People and Culture | 2,853          | 17,158         | (14,305)               | 2,766                           | 6,063            |
|                              | <b>182,598</b> | <b>173,023</b> | <b>9,575</b>           | <b>36,044</b>                   | <b>2,058,732</b> |

Connected Communities expenses in the 2022 financial year includes Council's \$25.400 million contribution towards the Knox Regional Sports Park project. Council-owned assets on the site will be transferred to the State Government in July 2022.

Infrastructure income in the 2022 financial year includes an increase of \$8.880 million for capital grants recognised in comparison to the previous financial year.

**Knox City Council  
Notes to the Financial Report  
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|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |

**Note 3 Funding for the delivery of our services**

**3.1 Rates and charges**

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV takes into account the total value of a property including all land, buildings and other improvements but excluding fixtures and fittings.

The valuation base used to calculate general rates for 2021-22 was \$52,084 million (2020-21 \$51,761 million). The 2021-22 rate in the CIV dollar was \$0.0017137 (2020-21 \$0.0016831) for the residential rate.

|  |                |                |
|--|----------------|----------------|
| General rates                            | 107,787        | 106,143        |
| Residential garbage charge               | 15,484         | 13,880         |
| Service rates and charges                | 2,023          | 2,024          |
| Supplementary rates and rate adjustments | 279            | 205            |
| Cultural and recreational                | 61             | 59             |
| Interest on rates and charges            | 304            | (1)            |
| <b>Total rates and charges</b>           | <b>125,938</b> | <b>122,310</b> |

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

Annual rates and charges are recognised as revenue 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**

|                                       |              |              |
|---------------------------------------|--------------|--------------|
| Permits                               | 1,962        | 1,952        |
| Infringements and costs               | 528          | 452          |
| Town planning fees                    | 142          | 170          |
| Land information certificates         | 138          | 113          |
| Court recoveries                      | (2)          | -            |
| Other statutory fees and fines        | 2            | 2            |
| <b>Total statutory fees and fines</b> | <b>2,770</b> | <b>2,689</b> |

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**

|                                |               |               |
|--------------------------------|---------------|---------------|
| Waste management services      | 6,353         | 6,605         |
| Child care/children's programs | 2,714         | 1,763         |
| Registration and other permits | 2,173         | 1,730         |
| Leisure centre and recreation  | 1,675         | 939           |
| Aged and health services       | 451           | 849           |
| Building services              | 621           | 518           |
| Other fees and charges         | 1,367         | 1,024         |
| <b>Total user fees</b>         | <b>15,354</b> | <b>13,428</b> |

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.

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|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>3.4 Funding from other levels of Government</b> |               |               |
| Grants were received in respect of the following:  |               |               |
| <b>Summary of grants</b>                           |               |               |
| Commonwealth funded grants                         | 18,297        | 17,388        |
| State funded grants                                | 21,521        | 18,656        |
| <b>Total grants received</b>                       | <b>39,818</b> | <b>36,044</b> |
| <b>(a) Operating grants</b>                        |               |               |
| <b>Recurrent - Commonwealth Government</b>         |               |               |
| Financial Assistance Grants                        | 8,023         | 6,623         |
| Family and children - child care                   | 3,388         | 3,562         |
| General home care                                  | 1,062         | 4,347         |
| <b>Recurrent - State Government</b>                |               |               |
| Family and children - preschool                    | 5,424         | 5,978         |
| Family and children - maternal and child health    | 1,770         | 1,166         |
| General home care                                  | 801           | 841           |
| School crossing supervisors                        | 679           | 689           |
| Family and children - child care                   | 449           | 466           |
| Recreational, leisure and community facilities     | 213           | -             |
| Family and children - youth services               | 198           | 243           |
| Community health                                   | 147           | 270           |
| Community safety                                   | 27            | -             |
| Other  | 55            | 12            |
| <b>Total recurrent operating grants</b>            | <b>22,236</b> | <b>24,197</b> |
| <b>Non-recurrent - Commonwealth Government</b>     |               |               |
| General home care                                  | -             | 227           |
| Other  | 17            | -             |
| <b>Non-recurrent - State Government</b>            |               |               |
| Family and children - preschool                    | 1,411         | 2,245         |
| Recreational, leisure and community facilities     | 415           | 7             |
| Family and children - child care                   | 136           | 163           |
| Community health                                   | 123           | 69            |
| Environmental planning                             | 92            | 153           |
| Arts and cultural services                         | 88            | -             |
| Family and children - maternal and child health    | -             | 407           |
| Family and children - youth services               | -             | 10            |
| Other  | 578           | 3,273         |
| <b>Total non-recurrent operating grants</b>        | <b>2,860</b>  | <b>6,554</b>  |
| <b>Total operating grants</b>                      | <b>25,096</b> | <b>30,751</b> |

Other non-recurrent State Government operating grants includes COVID-19 related grants for the provision of outdoor dining (\$0.363 million) and for concierge and hospitality support (\$0.077 million). The 2021 financial year figure includes COVID-19 related grants for the Working for Victoria Fund (\$2.766 million) and for the provision of outdoor dining (\$0.428 million).

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

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>(b) Capital grants</b>   |               |               |
| <b>Recurrent - Commonwealth Government</b>  |               |               |
| Financial Assistance Grants - local roads   | 1,625         | 1,159         |
| Roads to recovery   | 733           | 733           |
| Recreational, leisure and community facilities  | 400           | 550           |
| Footpaths and cycleways   | 150           | 150           |
| <b>Recurrent - State Government</b>   |               |               |
| Recreational, leisure and community facilities  | 6,436         | 869           |
| Buildings   | 146           | 126           |
| Bridges   | -             | 1,061         |
| <b>Total recurrent capital grants</b>   | <b>9,490</b>  | <b>4,648</b>  |
| <b>Non-recurrent - Commonwealth Government</b>  |               |               |
| Recreational, leisure and community facilities  | 1,670         | (63)          |
| Footpaths and cycleways   | 593           | 100           |
| Drainage  | 330           | -             |
| Roads   | 306           | -             |
| <b>Non-recurrent - State Government</b>   |               |               |
| Recreational, leisure and community facilities  | 1,413         | 457           |
| Roads   | 878           | 42            |
| Buildings   | 42            | 79            |
| Footpaths and cycleways   | -             | 25            |
| Drainage  | -             | 5             |
| <b>Total non-recurrent capital grants</b>   | <b>5,232</b>  | <b>645</b>    |
| <b>Total capital grants</b>   | <b>14,722</b> | <b>5,293</b>  |
| <b>(c) Unspent grants received on condition that they be spent in a specific manner</b> |               |               |
| <b>Operating</b>  |               |               |
| Balance at start of year  | 1,582         | 677           |
| Received during the financial year and remained unspent at balance date                 | 1,513         | 1,364         |
| Received in prior years and spent during the financial year                             | (1,449)       | (459)         |
| <b>Balance at year end</b>  | <b>1,646</b>  | <b>1,582</b>  |
| <b>Capital</b>  |               |               |
| Balance at start of year  | 10,075        | 860           |
| Received during the financial year and remained unspent at balance date                 | 1,263         | 9,495         |
| Received in prior years and spent during the financial year                             | (8,621)       | (280)         |
| <b>Balance at year end</b>  | <b>2,717</b>  | <b>10,075</b> |

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

|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>(d) Recognition of grant income</b>  |               |               |
| Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15 Revenue from Contracts with Customers. When both these conditions are satisfied, the Council:  |               |               |
| - identifies each performance obligation relating to revenue under the contract/agreement   |               |               |
| - determines the transaction price  |               |               |
| - recognises a contract liability for its obligations under the agreement   |               |               |
| - recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.  |               |               |
| Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies AASB 1058 Income for Not-for-Profit Entities.   |               |               |
| Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised. |               |               |
| <b>Income recognised under AASB 1058 Income for Not-for-Profit Entities</b>   |               |               |
| General purpose   | 8,023         | 6,623         |
| Specific purpose grants to acquire non-financial assets   | 2,358         | 1,892         |
| Other specific purpose grants   | 4,066         | 4,251         |
| <b>Revenue recognised under AASB 15 Revenue from Contracts with Customers</b>   |               |               |
| Specific purpose grants   | 25,371        | 23,278        |
|   | <b>39,818</b> | <b>36,044</b> |

**Knox City Council**  
**Notes to the Financial Report**  
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|                            | <b>2022</b>   | <b>2021</b>   |
|----------------------------|---------------|---------------|
|                            | <b>\$'000</b> | <b>\$'000</b> |
| <b>3.5 Contributions</b>   |               |               |
| Monetary                   | 6,072         | 6,795         |
| Non-monetary               | 440           | -             |
| <b>Total contributions</b> | <b>6,512</b>  | <b>6,795</b>  |

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

|   |            |          |
|---|------------|----------|
| Land                                    | 78         | -        |
| Drainage                                | 87         | -        |
| Roads                                   | 229        | -        |
| Footpaths and cycleways                 | 46         | -        |
| <b>Total non-monetary contributions</b> | <b>440</b> | <b>-</b> |

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

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

|   |                |                |
|---|----------------|----------------|
| Proceeds of sale  | 497            | 1,575          |
| Written down value of assets disposed   | (1,859)        | (5,150)        |
| <b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b> | <b>(1,362)</b> | <b>(3,575)</b> |

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

**3.7 Other income**

|                           |              |              |
|---------------------------|--------------|--------------|
| Reimbursements            | 569          | 698          |
| Rent                      | 411          | 325          |
| Interest                  | 23           | 55           |
| Other                     | 109          | 100          |
| <b>Total other income</b> | <b>1,112</b> | <b>1,178</b> |

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.

**Knox City Council**  
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|   | <b>2022</b>          | <b>2021</b>          |
|---|----------------------|----------------------|
|   | <b>\$'000</b>        | <b>\$'000</b>        |
| <b>Note 4 The cost of delivering services</b> |                      |                      |
| <b>4.1 (a) Employee costs</b>                 |                      |                      |
| Wages and salaries                            | 56,884               | 59,242               |
| Annual leave and long service leave           | 6,168                | 7,073                |
| Agency staff                                  | 3,611                | 5,979                |
| Superannuation                                | 6,699                | 6,135                |
| WorkCover                                     | 2,055                | 1,682                |
| Fringe benefits tax                           | 255                  | 205                  |
| <b>Total employee costs</b>                   | <b><u>75,672</u></b> | <b><u>80,316</u></b> |

Included in the 2021 employee costs is \$2.842 million related to the Working for Victoria Fund. This was funded by corresponding grant revenue (refer Note 3.4).

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

|  |                   |                   |
|--|-------------------|-------------------|
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 250               | 273               |
| Employer contributions - other funds   | -                 | -                 |
|  | <b><u>250</u></b> | <b><u>273</u></b> |

|  |   |   |
|--|---|---|
| Employer contributions payable at reporting date | - | - |
|--|---|---|

**Accumulation funds**

|  |                     |                     |
|--|---------------------|---------------------|
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 3,360               | 3,237               |
| Employer contributions - other funds   | 3,010               | 2,595               |
|  | <b><u>6,370</u></b> | <b><u>5,832</u></b> |

|  |     |     |
|--|-----|-----|
| Employer contributions payable at reporting date | 721 | 456 |
|--|-----|-----|

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

**Knox City Council**  
**Notes to the Financial Report**  
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|                                     | <b>2022</b>   | <b>2021</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>\$'000</b> | <b>\$'000</b> |
| <b>4.2 Materials and services</b>   |               |               |
| <b>Contract payments</b>            |               |               |
| Waste Management                    | 19,392        | 18,453        |
| Operations - Maintenance            | 7,071         | 6,998         |
| Operating Projects Expenditure      | 3,539         | 3,365         |
| Corporate Services                  | 1,438         | 2,644         |
| Active Ageing & Disability          | 1,328         | 1,161         |
| Family & Children's Services        | 656           | 667           |
| Arts & Cultural Services            | 780           | 341           |
| People & Culture                    | 373           | 499           |
| Other                               | 1,395         | 1,150         |
| <b>Total Contract Payments</b>      | <b>35,972</b> | <b>35,278</b> |
| Administration costs                | 7,050         | 6,273         |
| Consumable materials and equipment  | 3,541         | 3,316         |
| Utilities                           | 3,183         | 2,903         |
| Information technology              | 2,690         | 3,131         |
| Building maintenance                | 2,073         | 1,917         |
| Insurance                           | 1,916         | 1,849         |
| Consultants                         | 2,022         | 1,805         |
| Finance and legal costs             | 1,400         | 965           |
| General maintenance                 | 786           | 676           |
| <b>Total materials and services</b> | <b>60,633</b> | <b>58,113</b> |

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

**4.3 Depreciation**

|                           |               |               |
|---------------------------|---------------|---------------|
| Infrastructure            | 16,402        | 16,061        |
| Property                  | 5,078         | 4,820         |
| Plant and equipment       | 1,485         | 1,536         |
| <b>Total depreciation</b> | <b>22,965</b> | <b>22,417</b> |

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

**4.4 Amortisation - intangible assets**

|   |            |            |
|---|------------|------------|
| Software                                      | 598        | 478        |
| <b>Total amortisation - intangible assets</b> | <b>598</b> | <b>478</b> |

**4.5 Amortisation - right of use assets**

|   |            |            |
|---|------------|------------|
| Property  | 186        | 195        |
| Computers and telecommunications                | 428        | 434        |
| Plant and equipment                             | 16         | 16         |
| <b>Total amortisation - right of use assets</b> | <b>630</b> | <b>645</b> |



**Knox City Council**  
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|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>4.6 Bad and doubtful debts</b>  |               |               |
| Parking and animal infringement debtors  | 314           | 299           |
| Other debtors  | 20            | (21)          |
| <b>Total bad and doubtful debts</b>  | <b>334</b>    | <b>278</b>    |
| <b>Movement in provisions for doubtful debts</b>   |               |               |
| Balance at the beginning of the year   | 47            | 92            |
| New provisions recognised during the year  | 26            | 45            |
| Amounts already provided for and written off as uncollectible  | (11)          | (23)          |
| Amounts provided for but recovered during the year   | (6)           | (67)          |
| <b>Balance at the end of the year</b>  | <b>56</b>     | <b>47</b>     |
| Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.                                |               |               |
| <b>4.7 Borrowing costs</b>   |               |               |
| Interest - borrowings  | 403           | -             |
| <b>Total borrowing costs</b>   | <b>403</b>    | <b>-</b>      |
| <b>4.8 Finance costs - leases</b>  |               |               |
| Interest - lease liabilities   | 30            | 33            |
| <b>Total finance costs - leases</b>  | <b>30</b>     | <b>33</b>     |
| <b>4.9 Contributions and donations</b>   |               |               |
| Contribution to the Eastern Regional Libraries Corporation   | 4,344         | 4,105         |
| Community support payments   | 1,583         | 2,266         |
| Contribution to the Knox Regional Sports Park project  | 25,400        | -             |
| <b>Total contributions and donations</b>   | <b>31,327</b> | <b>6,371</b>  |
| Council has made a \$25.400 million contribution towards the Knox Regional Sports Park project. Council-owned assets on the site will be transferred to the State Government in July 2022. |               |               |
| <b>4.10 Other expenses</b>   |               |               |
| Councillors allowances   | 414           | 368           |
| Operating lease rentals  | 108           | 219           |
| Auditor's remuneration - internal audit  | 150           | 150           |
| Auditor's remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals  | 65            | 60            |
| <b>Total other expenses</b>  | <b>737</b>    | <b>797</b>    |

**Knox City Council**  
**Notes to the Financial Report**  
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|   | <b>2022</b>          | <b>2021</b>          |
|---|----------------------|----------------------|
|   | <b>\$'000</b>        | <b>\$'000</b>        |
| <b>Note 5 Our Financial Position</b>  |                      |                      |
| <b>5.1 Financial assets</b>   |                      |                      |
| <b>(a) Cash and cash equivalents</b>  |                      |                      |
| Cash on hand  | 4                    | 5                    |
| Cash at bank  | 42,848               | 30,593               |
| Term deposits   | -                    | 15,000               |
| <b>Total cash and cash equivalents</b>  | <b><u>42,852</u></b> | <b><u>45,598</u></b> |
| <b>(b) Other financial assets</b>   |                      |                      |
| Term deposits - current   | 5,000                | -                    |
| <b>Total other financial assets</b>   | <b><u>5,000</u></b>  | <b><u>-</u></b>      |
| <b>Total financial assets</b>   | <b><u>47,852</u></b> | <b><u>45,598</u></b> |
| Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include: |                      |                      |
| • Trust funds and deposits (Note 5.3)   | 2,507                | 1,857                |
| • Restricted reserves (Note 9.1 (b))  | 18,649               | 16,939               |
| <b>Total restricted funds</b>   | <b><u>21,156</u></b> | <b><u>18,796</u></b> |
| <b>Total unrestricted cash and cash equivalents</b>   | <b><u>21,696</u></b> | <b><u>26,802</u></b> |
| As at balance date Council did not have any term deposits maturing within 90 days.  |                      |                      |
| <b>Intended allocations</b>   |                      |                      |
| Although not externally restricted the following amounts have been allocated for specific future purposes by Council:                       |                      |                      |
| • Other reserves (Note 9.1 (b))   | 21,522               | 22,210               |
| <b>Total funds subject to intended allocations</b>  | <b><u>21,522</u></b> | <b><u>22,210</u></b> |

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

Term deposits are held to maturity and measured at original cost.

Other financial assets include term deposits. 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.

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

|  | <b>2022</b>          | <b>2021</b>          |
|--|----------------------|----------------------|
|  | <b>\$'000</b>        | <b>\$'000</b>        |
| <b>(c) Trade and other receivables</b>                                 |                      |                      |
| <b>Current</b>   |                      |                      |
| <b>Statutory receivables</b>   |                      |                      |
| Rates debtors  | 13,170               | 12,035               |
| Special rate assessment  | 52                   | 52                   |
| Parking and animal infringement debtors                                | 2,505                | 2,151                |
| Provision for doubtful debts - parking and animal infringement debtors | (1,923)              | (1,609)              |
| Net GST receivable   | 1,799                | 1,326                |
| <b>Non statutory receivables</b>                                       |                      |                      |
| Other debtors  | 2,995                | 5,081                |
| Provision for doubtful debts - other debtors                           | (56)                 | (47)                 |
| <b>Total current trade and other receivables</b>                       | <b><u>18,542</u></b> | <b><u>18,989</u></b> |

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)                    | 1,269               | 2,571               |
| Past due by up to 30 days                | 699                 | 1,532               |
| Past due between 31 and 180 days         | 202                 | 601                 |
| Past due between 181 and 365 days        | 125                 | 167                 |
| Past due by more than 1 year             | 700                 | 210                 |
| <b>Total trade and other receivables</b> | <b><u>2,995</u></b> | <b><u>5,081</u></b> |

**(e) Ageing of individually impaired receivables**

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

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|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>5.2 Non-financial assets</b>                |               |               |
| <b>(a) Other assets</b>                        |               |               |
| Prepayments                                    | 1,085         | 1,257         |
| Accrued income                                 | 24            | 19            |
| <b>Total other assets</b>                      | <b>1,109</b>  | <b>1,276</b>  |
| <b>(b) Intangible assets</b>                   |               |               |
| Software                                       | 2,152         | 1,371         |
| <b>Total intangible assets</b>                 | <b>2,152</b>  | <b>1,371</b>  |
| <b>Gross carrying amount</b>                   |               |               |
| Balance at 1 July 2021                         | 5,960         | 4,725         |
| Additions                                      | 1,379         | 1,235         |
| Disposals                                      | (378)         | -             |
| <b>Balance at 30 June 2022</b>                 | <b>6,961</b>  | <b>5,960</b>  |
| <b>Accumulated amortisation and impairment</b> |               |               |
| Balance at 1 July 2021                         | 4,589         | 4,111         |
| Amortisation expense                           | 598           | 478           |
| Amortisation expense for disposals             | (378)         | -             |
| <b>Balance at 30 June 2022</b>                 | <b>4,809</b>  | <b>4,589</b>  |
| <b>Net book value at 30 June 2021</b>          | <b>1,371</b>  | <b>614</b>    |
| <b>Net book value at 30 June 2022</b>          | <b>2,152</b>  | <b>1,371</b>  |

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

**Knox City Council**  
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|   | 2022<br>\$'000 | 2021<br>\$'000 |
|---|----------------|----------------|
| <b>5.3 Payables, trust funds and deposits and unearned income/revenue</b> |                |                |
| <b>(a) Trade and other payables</b>                                       |                |                |
| <i><b>Non-statutory payables</b></i>                                      |                |                |
| Trade payables  | 10,378         | 7,693          |
| Accrued expenses  | 5,601          | 4,979          |
| Prepaid income  | 1,378          | 1,184          |
| <b>Total trade and other payables</b>                                     | <b>17,357</b>  | <b>13,856</b>  |
| <b>(b) Trust funds and deposits</b>                                       |                |                |
| Refundable deposits   | 1,590          | 1,612          |
| Retention amounts   | 118            | 137            |
| Fire services levy  | 770            | 43             |
| Other refundable deposits   | 29             | 65             |
| <b>Total trust funds and deposits</b>                                     | <b>2,507</b>   | <b>1,857</b>   |
| <b>(c) Unearned income/revenue</b>  |                |                |
| Grants received in advance - operating                                    | 1,646          | 1,582          |
| Grants received in advance - capital                                      | 2,717          | 10,075         |
| Other   | -              | -              |
| <b>Total unearned income/revenue</b>                                      | <b>4,363</b>   | <b>11,657</b>  |

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

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

**Purpose and nature of items**

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

Fire service levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a four-installment basis. Amounts disclosed 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 lapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

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|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>5.4 Interest-bearing liabilities</b>               |               |               |
| <b>Current</b>  |               |               |
| Treasury Corporation of Victoria borrowings - secured | 2,034         | -             |
| Other borrowings - secured                            | 2,229         | -             |
|   | <b>4,263</b>  | <b>-</b>      |
| <b>Non-current</b>                                    |               |               |
| Treasury Corporation of Victoria borrowings - secured | 22,966        | -             |
| Other borrowings - secured                            | 21,679        | -             |
|   | <b>44,645</b> | <b>-</b>      |
| <b>Total</b>  | <b>48,908</b> | <b>-</b>      |

Borrowings are secured by the general rates revenue of Council.

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

|   |               |          |
|---|---------------|----------|
| Not later than one year                           | 4,263         | -        |
| Later than one year and not later than five years | 18,658        | -        |
| Later than five years                             | 25,987        | -        |
|   | <b>48,908</b> | <b>-</b> |

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

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

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**5.5 Provisions**

|   | <b>Employee</b> | <b>Landfill</b>       | <b>Total</b>   |
|---|-----------------|-----------------------|----------------|
|   | <b>\$'000s</b>  | <b>rehabilitation</b> |                |
|   | <b>\$'000s</b>  | <b>\$'000s</b>        | <b>\$'000s</b> |
| <b>2022</b>   |                 |                       |                |
| Balance at beginning of the financial year  | 19,842          | 2,785                 | 22,627         |
| Additional provisions   | 7,778           | (118)                 | 7,660          |
| Amounts used  | (6,346)         | (145)                 | (6,491)        |
| Change in the discounted amount arising because of time and the effect of any change in the discount rate | (2,004)         | (373)                 | (2,377)        |
| <b>Balance at the end of the financial year</b>   | <b>19,270</b>   | <b>2,149</b>          | <b>21,419</b>  |
| <b>2021</b>   |                 |                       |                |
| Balance at beginning of the financial year  | 19,086          | 3,236                 | 22,322         |
| Additional provisions   | 7,018           | (175)                 | 6,843          |
| Amounts used  | (5,912)         | (202)                 | (6,114)        |
| Change in the discounted amount arising because of time and the effect of any change in the discount rate | (350)           | (74)                  | (424)          |
| <b>Balance at the end of the financial year</b>   | <b>19,842</b>   | <b>2,785</b>          | <b>22,627</b>  |

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For the Year Ended 30 June 2022**

|  | <b>2022</b>          | <b>2021</b>          |
|--|----------------------|----------------------|
|  | <b>\$'000</b>        | <b>\$'000</b>        |
| <b>5.5 Provisions</b>  |                      |                      |
| <b>(a) Employee provisions</b>   |                      |                      |
| <b>Current provisions expected to be wholly settled within 12 months</b> |                      |                      |
| Annual leave   | 3,214                | 3,020                |
| Long service leave   | 982                  | 1,036                |
| Gratuities   | 76                   | 69                   |
|  | <u><b>4,272</b></u>  | <u><b>4,125</b></u>  |
| <b>Current provisions expected to be wholly settled after 12 months</b>  |                      |                      |
| Annual leave   | 4,037                | 3,750                |
| Long service leave   | 9,283                | 10,107               |
| Gratuities   | 512                  | 648                  |
|  | <u><b>13,832</b></u> | <u><b>14,505</b></u> |
| <b>Total current employee provisions</b>                                 | <u><b>18,104</b></u> | <u><b>18,630</b></u> |
| <b>Non-current</b>   |                      |                      |
| Long service leave   | 1,166                | 1,212                |
| <b>Total non-current employee provisions</b>                             | <u><b>1,166</b></u>  | <u><b>1,212</b></u>  |
| <b>Aggregate carrying amount of employee provisions:</b>                 |                      |                      |
| Current  | 18,104               | 18,630               |
| Non-current  | 1,166                | 1,212                |
| <b>Total aggregate carrying amount of employee provisions</b>            | <u><b>19,270</b></u> | <u><b>19,842</b></u> |

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
- present value if the Council does not expect to wholly settle within 12

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.



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|   | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
| <b>Key Assumptions - AL:</b>  |               |               |
| • Weighted average discount rate  | 1.48%         | 0.03%         |
| • Weighted average index rate   | 2.50%         | 2.26%         |
| • Average settlement period (years)   | 2             | 2             |
| <b>Key Assumptions - LSL:</b>   |               |               |
| • Weighted average discount rate - current  | 3.22%         | 1.09%         |
| • Weighted average discount rate - non-current  | 3.08%         | 0.39%         |
| • Weighted average index rate - current   | 2.22%         | 2.21%         |
| • Weighted average index rate - non-current   | 2.51%         | 2.46%         |
| • Average settlement period (years)   | 18            | 17            |
| <b>Gratuity retirement allowance</b>  |               |               |
| A Gratuity retirement allowance exists for employees who commenced prior to 3 May 1996, with new employees who commenced after that date not being eligible, and is recognised in the provision for employee benefits as a current liability. Liabilities expected to be wholly settled within 12 months of the reporting date are measured at their nominal values. Liabilities that are not expected to be wholly settled within 12 months of the reporting date are 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. |               |               |
| <b>Key Assumptions - Gratuity:</b>  |               |               |
| • Weighted average discount rate  | 2.81%         | 0.08%         |
| • Weighted average index rate   | 2.18%         | 2.17%         |
| • Average settlement period (years)   | 24            | 24            |
|   | <b>2022</b>   | <b>2021</b>   |
|   | <b>\$'000</b> | <b>\$'000</b> |
| <b>(b) Landfill rehabilitation</b>  |               |               |
| <b>Current</b>  |               |               |
| Cathies Lane landfill site  | 226           | 273           |
| Llewellyn Reserve landfill site   | 98            | 116           |
|   | <u>324</u>    | <u>389</u>    |
| <b>Non-current</b>  |               |               |
| Cathies Lane landfill site  | 1,318         | 1,683         |
| Llewellyn Reserve landfill site   | 507           | 713           |
| <b>Total non-current provisions</b>   | <u>1,825</u>  | <u>2,396</u>  |
| <b>Total aggregate carrying amount of landfill rehabilitation provisions</b>  | <u>2,149</u>  | <u>2,785</u>  |

Council owns two former landfill sites - Cathies Lane and Llewellyn Reserve. Under the terms of Post Closure Pollution Abatement Notices issued by the Environment Protection Authority (EPA), Council is required to monitor, progressively rehabilitate and conduct rectification works. The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken including site aftercare and monitoring costs. The expected cost of works has been estimated based on current understanding of work required to progressively rehabilitate the sites to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

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|  | <b>2022</b>      | <b>2021</b>      |
|--|------------------|------------------|
| <b>Key assumptions - Cathies Lane landfill site:</b> |                  |                  |
| • Weighted average discount rate                     | 4.28%            | 2.10%            |
| • Inflation rate                                     | 2.00%            | 2.00%            |
| • Settlement period (years)                          | 12               | 13               |
| • Estimated cost to rehabilitate                     | <b>\$1. 828m</b> | <b>\$2. 031m</b> |

|   |                  |                  |
|---|------------------|------------------|
| <b>Key assumptions - Llewellyn Reserve landfill site:</b> |                  |                  |
| • Weighted average discount rate                          | 4.27%            | 2.09%            |
| • Inflation rate  | 2.00%            | 2.00%            |
| • Settlement period (years)                               | 12               | 13               |
| • Estimated cost to rehabilitate                          | <b>\$0. 715m</b> | <b>\$0. 860m</b> |

**Cathies Lane landfill site**

Council operated the Cathies Lane landfill site, Wantirna South from 1986 to 2004, under a licence issued by the Environment Protection Authority (EPA). The site is closed as a landfill but a portion of the site is still being used as a resource recovery centre (transfer station) to receive, process and transport waste to other sites for refuse and/or disposal. In 2015-16 the EPA issued a Post Closure Pollution Abatement notice and Council has surrendered the landfill licence.

In the financial report for June 2022, Council has an amount of \$1.544 million as a provision for the restoration of the Cathies Lane landfill site and includes an ongoing commitment of approximately \$0.145 million per annum for site aftercare to meet EPA obligations where restoration works have been completed. This is based on the assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Included in the aftercare is the cost to provide a bank guarantee to meet the Financial Assurance requirements imposed by the EPA on Council for thirty years post closure of this site.

**Llewellyn Reserve landfill site**

Council's landfill site at Llewellyn Reserve was closed in 1985. In 2015-16 the EPA issued a Post Closure Pollution Abatement notice.

In the financial report for June 2022, Council has an amount of \$0.605 million as a provision for the restoration of the Llewellyn Reserve landfill site and includes an ongoing commitment of approximately \$0.056 million per annum to cover sampling, testing and reporting requirements as required by the EPA. This is based on an assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs.

|                              | <b>2022</b>   | <b>2021</b>   |
|------------------------------|---------------|---------------|
|                              | <b>\$'000</b> | <b>\$'000</b> |
| <b>Summary of provisions</b> |               |               |
| Current                      | 18,428        | 19,019        |
| Non-current                  | 2,991         | 3,608         |
| <b>Total provisions</b>      | <b>21,419</b> | <b>22,627</b> |

**5.6 Financing arrangements**

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

|                          |              |              |
|--------------------------|--------------|--------------|
| Bank overdraft           | 1,500        | 1,500        |
| Credit card facilities   | 200          | 200          |
| <b>Total facilities</b>  | <b>1,700</b> | <b>1,700</b> |
| Used facilities          | 33           | 17           |
| <b>Unused facilities</b> | <b>1,667</b> | <b>1,683</b> |

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**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**

| <b>2022</b>                             | <b>Not later<br/>than 1 year</b> | <b>Later than 1<br/>year and not<br/>later than 2<br/>years</b> | <b>Later than 2<br/>years and not<br/>later than 5<br/>years</b> | <b>Later than 5<br/>years</b> | <b>Total</b>  |
|---|----------------------------------|---|--|-------------------------------|---------------|
|   | <b>\$'000</b>                    | <b>\$'000</b>   | <b>\$'000</b>  | <b>\$'000</b>                 | <b>\$'000</b> |
| <b>Operating</b>                        |                                  |   |  |                               |               |
| Garbage collection and recycling        | 7,187                            | 7,252   | -  | -                             | 14,439        |
| Library services                        | 4,500                            | 4,567   | 9,341  | -                             | 18,408        |
| Infrastructure management               | 2,942                            | 1,198   | 976  | -                             | 5,116         |
| Consultancies                           | 2,953                            | 434   | 986  | -                             | 4,373         |
| Cleaning contracts for council building | 711                              | 507   | 254  | -                             | 1,472         |
| <b>Total</b>                            | <b>18,293</b>                    | <b>13,958</b>   | <b>11,557</b>  | <b>-</b>                      | <b>43,808</b> |
| <b>Capital</b>                          |                                  |   |  |                               |               |
| Buildings                               | 13,764                           | -   | -  | -                             | 13,764        |
| Plant and equipment                     | 620                              | -   | -  | -                             | 620           |
| Other infrastructure                    | 6,545                            | 235   | -  | -                             | 6,780         |
| <b>Total</b>                            | <b>20,929</b>                    | <b>235</b>  | <b>-</b>   | <b>-</b>                      | <b>21,164</b> |
| <br>                                    |                                  |   |  |                               |               |
| <b>2021</b>                             | <b>Not later<br/>than 1 year</b> | <b>Later than 1<br/>year and not<br/>later than 2<br/>years</b> | <b>Later than 2<br/>years and not<br/>later than 5<br/>years</b> | <b>Later than 5<br/>years</b> | <b>Total</b>  |
|   | <b>\$'000</b>                    | <b>\$'000</b>   | <b>\$'000</b>  | <b>\$'000</b>                 | <b>\$'000</b> |
| <b>Operating</b>                        |                                  |   |  |                               |               |
| Garbage collection and recycling        | 6,903                            | 7,075   | 7,252  | -                             | 21,230        |
| Library services                        | 4,472                            | 4,510   | 9,157  | -                             | 18,139        |
| Infrastructure management               | 2,350                            | 1,547   | 367  | 48                            | 4,312         |
| Consultancies                           | 975                              | 390   | 176  | -                             | 1,541         |
| Cleaning contracts for council building | 816                              | 691   | -  | -                             | 1,507         |
| <b>Total</b>                            | <b>15,516</b>                    | <b>14,213</b>   | <b>16,952</b>  | <b>48</b>                     | <b>46,729</b> |
| <b>Capital</b>                          |                                  |   |  |                               |               |
| Buildings                               | 14,461                           | -   | -  | -                             | 14,461        |
| Plant and equipment                     | -                                | -   | -  | -                             | -             |
| Other infrastructure                    | 1,369                            | 120   | 100  | -                             | 1,589         |
| <b>Total</b>                            | <b>15,830</b>                    | <b>120</b>  | <b>100</b>   | <b>-</b>                      | <b>16,050</b> |

**Knox City Council  
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|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>5.7 Commitments (cont'd)</b>  |               |               |
| <b>(b) Operating lease receivables</b>   |               |               |
| Council has a number of leases with external entities where they pay for the use of Council land and buildings. A number of these leases include a CPI based revision of the rental charge annually. |               |               |
| Future minimum rentals receivable under non-cancellable operating leases are as follows:   |               |               |
| Not later than one year  | 609           | 536           |
| Later than one year and not later than five years  | 1,578         | 1,956         |
| Later than five years  | 6,699         | 7,567         |
|  | <b>8,886</b>  | <b>10,059</b> |

**5.8 Leases**

Council assesses all contracts for acquisition of assets and services to determine whether they include leasing arrangements. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

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

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

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

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

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

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

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

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

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

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

| <b>Right-of-use assets</b>     | <b>Property</b> | <b>Computers<br/>and<br/>Telecommuni<br/>cations</b> | <b>Plant and<br/>Equipment</b> | <b>Total</b>  |
|--------------------------------|-----------------|--|--------------------------------|---------------|
|                                | <b>\$'000</b>   | <b>\$'000</b>  | <b>\$'000</b>                  | <b>\$'000</b> |
| <b>Balance at 1 July 2021</b>  | 662             | 806  | 65                             | 1,533         |
| Additions                      | 19              | 137  | -                              | 156           |
| Amortisation charge            | (186)           | (428)  | (16)                           | (630)         |
| <b>Balance at 30 June 2022</b> | <b>495</b>      | <b>515</b>   | <b>49</b>                      | <b>1,059</b>  |
| <b>Balance at 1 July 2020</b>  | 457             | 356  | -                              | 813           |
| Additions                      | 400             | 884  | 81                             | 1,365         |
| Amortisation charge            | (195)           | (434)  | (16)                           | (645)         |
| <b>Balance at 30 June 2021</b> | <b>662</b>      | <b>806</b>   | <b>65</b>                      | <b>1,533</b>  |

| <b>Lease liabilities</b>                                  | <b>2022</b>   | <b>2021</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Maturity analysis - contractual undiscounted cash flows   |               |               |
| Less than one year  | 558           | 633           |
| One to five years   | 537           | 959           |
| More than five years                                      | -             | -             |
| <b>Total undiscounted lease liabilities as at 30 June</b> | <b>1,095</b>  | <b>1,592</b>  |

Lease liabilities included in Balance Sheet at 30 June:

|                                |              |              |
|--------------------------------|--------------|--------------|
| Current                        | 539          | 605          |
| Non-current                    | 526          | 934          |
| <b>Total lease liabilities</b> | <b>1,065</b> | <b>1,539</b> |

**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.

| <b>Expenses relating to:</b>   | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Short-term leases  | 91            | 206           |
| Leases of low value assets   | 17            | 13            |
| <b>Total</b>   | <b>108</b>    | <b>219</b>    |
| Variable lease payments (not included in measurement of lease liabilities) | -             | -             |

**Non-cancellable lease commitments - short-term and low-value leases**

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

|   |           |           |
|---|-----------|-----------|
| Payable:  |           |           |
| Within one year                                   | 16        | 11        |
| Later than one year but not later than five years | 18        | 9         |
| <b>Total lease commitments</b>                    | <b>34</b> | <b>20</b> |

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|   | <b>2022</b>         | <b>2021</b>         |
|---|---------------------|---------------------|
|   | <b>\$'000</b>       | <b>\$'000</b>       |
| <b>Note 6 Assets we manage</b>                              |                     |                     |
| <b>6.1 Non-current assets classified as held for sale</b>   |                     |                     |
| Buildings   | 477                 | 227                 |
| Land at fair value  | 2,451               | 1,845               |
| <b>Total non-current assets classified as held for sale</b> | <u><b>2,928</b></u> | <u><b>2,072</b></u> |

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of their carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current 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.

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**6.2 Property, infrastructure, plant and equipment**

**Summary of property, infrastructure, plant and equipment**

|                     | Carrying amount<br>at fair value<br>30 June 2021 | Carrying amount<br>at cost<br>30 June 2021 | Additions     | Contributions | Revaluation    | Depreciation    | Disposal       | Impairment   | Transfers and<br>write offs | Carrying amount<br>at fair value<br>30 June 2022 | Carrying amount<br>at cost<br>30 June 2022 | Total carrying<br>amount<br>30 June 2022 |
|---------------------|--|--|---------------|---------------|----------------|-----------------|----------------|--------------|-----------------------------|--|--|--|
|                     | \$'000   | \$'000                                     | \$'000        | \$'000        | \$'000         | \$'000          | \$'000         | \$'000       | \$'000                      | \$'000   | \$'000                                     | \$'000                                   |
| Land                | 947,874  | 7,720                                      | 18,020        | 78            | 73,019         | -               | (606)          | -            | -                           | 1,038,888  | 7,217                                      | 1,046,105                                |
| Buildings           | 173,665  | 7,071                                      | 6,220         | -             | 23,252         | (5,078)         | (862)          | (367)        | -                           | 203,900  | -  | 203,900                                  |
| Plant and equipment | -  | 8,876                                      | 1,066         | -             | -              | (1,485)         | (369)          | -            | -                           | -  | 8,088                                      | 8,088                                    |
| Infrastructure      | 732,234  | 89,300                                     | 16,760        | 362           | 42,930         | (16,402)        | (804)          | (74)         | -                           | 797,233  | 67,074                                     | 864,307                                  |
| Work in progress    | -  | 16,068                                     | 33,003        | -             | -              | -               | -              | -            | (9,739)                     | -  | 39,332                                     | 39,332                                   |
|                     | <b>1,853,773</b>                                 | <b>129,035</b>                             | <b>75,069</b> | <b>440</b>    | <b>139,201</b> | <b>(22,965)</b> | <b>(2,641)</b> | <b>(441)</b> | <b>(9,739)</b>              | <b>2,040,021</b>                                 | <b>121,711</b>                             | <b>2,161,732</b>                         |

**Summary of work in progress**

|                | Opening work in<br>progress | Additions     | Transfers      | Write offs   | Closing work<br>in progress |
|----------------|-----------------------------|---------------|----------------|--------------|-----------------------------|
|                | \$'000                      | \$'000        | \$'000         | \$'000       | \$'000                      |
| Property       | 5,026                       | 15,593        | (3,004)        | (181)        | 17,434                      |
| Infrastructure | 11,042                      | 17,410        | (6,350)        | (204)        | 21,898                      |
|                | <b>16,068</b>               | <b>33,003</b> | <b>(9,354)</b> | <b>(385)</b> | <b>39,332</b>               |

**Knox City Council**  
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**6.2 Property, infrastructure, plant and equipment (cont'd)**

**(a) Property**

|  | Land - specialised | Land - non specialised | Land improvements | Total land       | Buildings - specialised | Total buildings  | Work in progress | Total property   |
|--|--------------------|------------------------|-------------------|------------------|-------------------------|------------------|------------------|------------------|
|  | \$'000             | \$'000                 | \$'000            | \$'000           | \$'000                  | \$'000           | \$'000           | \$'000           |
| At fair value 1 July 2021                        | 772,977            | 174,897                | -                 | <b>947,874</b>   | 296,462                 | <b>296,462</b>   | -                | <b>1,244,336</b> |
| At cost 1 July 2021                              | 3,984              | 582                    | 3,154             | <b>7,720</b>     | 7,295                   | <b>7,295</b>     | 5,026            | <b>20,041</b>    |
| Accumulated depreciation at 1 July 2021          | -                  | -                      | -                 | -                | (123,021)               | <b>(123,021)</b> | -                | <b>(123,021)</b> |
|  | <b>776,961</b>     | <b>175,479</b>         | <b>3,154</b>      | <b>955,594</b>   | <b>180,736</b>          | <b>180,736</b>   | <b>5,026</b>     | <b>1,141,356</b> |
| <b>Movements</b>                                 |                    |                        |                   |                  |                         |                  |                  |                  |
| Additions at cost                                | -                  | 18,020                 | -                 | <b>18,020</b>    | 6,220                   | <b>6,220</b>     | 15,593           | <b>39,833</b>    |
| Contributions                                    | 78                 | -                      | -                 | <b>78</b>        | -                       | -                | -                | <b>78</b>        |
| Revaluation                                      | 91,621             | (18,602)               | -                 | <b>73,019</b>    | 36,637                  | <b>36,637</b>    | -                | <b>109,656</b>   |
| Disposal at fair value                           | (606)              | -                      | -                 | <b>(606)</b>     | (1,944)                 | <b>(1,944)</b>   | -                | <b>(2,550)</b>   |
| Disposal at cost                                 | -                  | -                      | -                 | -                | -                       | -                | -                | -                |
| Impairment losses recognised in operating result | -                  | -                      | -                 | -                | (367)                   | <b>(367)</b>     | -                | <b>(367)</b>     |
| Transfers and write offs                         | -                  | -                      | -                 | -                | -                       | -                | (3,185)          | <b>(3,185)</b>   |
|  | <b>91,093</b>      | <b>(582)</b>           | <b>-</b>          | <b>90,511</b>    | <b>40,546</b>           | <b>40,546</b>    | <b>12,408</b>    | <b>143,465</b>   |
| <b>Movements in accumulated depreciation</b>     |                    |                        |                   |                  |                         |                  |                  |                  |
| Depreciation and amortisation                    | -                  | -                      | -                 | -                | (5,078)                 | <b>(5,078)</b>   | -                | <b>(5,078)</b>   |
| Accumulated depreciation of disposals            | -                  | -                      | -                 | -                | 1,082                   | <b>1,082</b>     | -                | <b>1,082</b>     |
| Revaluation                                      | -                  | -                      | -                 | -                | (13,385)                | <b>(13,385)</b>  | -                | <b>(13,385)</b>  |
|  | <b>91,093</b>      | <b>-</b>               | <b>-</b>          | <b>-</b>         | <b>(17,381)</b>         | <b>(17,381)</b>  | <b>-</b>         | <b>(17,381)</b>  |
| At fair value 30 June 2022                       | 863,992            | 174,897                | -                 | <b>1,038,889</b> | 344,302                 | <b>344,302</b>   | -                | <b>1,383,191</b> |
| At cost 30 June 2022                             | 4,062              | -                      | 3,154             | <b>7,216</b>     | -                       | -                | 17,434           | <b>24,650</b>    |
| Accumulated depreciation at 30 June 2022         | -                  | -                      | -                 | -                | (140,402)               | <b>(140,402)</b> | -                | <b>(140,402)</b> |
| <b>Carrying amount</b>                           | <b>868,054</b>     | <b>174,897</b>         | <b>3,154</b>      | <b>1,046,105</b> | <b>203,900</b>          | <b>203,900</b>   | <b>17,434</b>    | <b>1,267,439</b> |



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**(b) Plant and equipment**

|  | Plant, machinery<br>and equipment<br>\$'000 | Fixtures, fittings<br>and furniture<br>\$'000 | Computers and<br>telecomms<br>\$'000 | Artworks<br>\$'000 | <b>Total plant and<br/>equipment<br/>\$'000</b> |
|--|---|---|--------------------------------------|--------------------|---|
| At cost 1 July 2021                          | 13,301                                      | 2,291   | 4,358                                | 429                | <b>20,379</b>                                   |
| Accumulated depreciation at 1 July 2021      | (5,821)                                     | (2,067)                                       | (3,615)                              | -                  | <b>(11,503)</b>                                 |
|  | <b>7,480</b>                                | <b>224</b>                                    | <b>743</b>                           | <b>429</b>         | <b>8,876</b>                                    |
| <b>Movements</b>                             |   |   |                                      |                    |   |
| Additions at cost                            | 909   | -   | 49                                   | 108                | <b>1,066</b>                                    |
| Disposal at cost                             | (1,070)                                     | -   | -                                    | -                  | <b>(1,070)</b>                                  |
|  | <b>(161)</b>                                | <b>-</b>                                      | <b>49</b>                            | <b>108</b>         | <b>(4)</b>                                      |
| <b>Movements in accumulated depreciation</b> |   |   |                                      |                    |   |
| Depreciation and amortisation                | (1,198)                                     | (64)  | (223)                                | -                  | <b>(1,485)</b>                                  |
| Accumulated depreciation of disposals        | 701   | -   | -                                    | -                  | <b>701</b>                                      |
|  | <b>(497)</b>                                | <b>(64)</b>                                   | <b>(223)</b>                         | <b>-</b>           | <b>(784)</b>                                    |
| At cost 30 June 2022                         | 13,141                                      | 2,291   | 4,407                                | 537                | <b>20,376</b>                                   |
| Accumulated depreciation at 30 June 2022     | (6,319)                                     | (2,131)                                       | (3,838)                              | -                  | <b>(12,288)</b>                                 |
| <b>Carrying amount</b>                       | <b>6,822</b>                                | <b>160</b>                                    | <b>569</b>                           | <b>537</b>         | <b>8,088</b>                                    |

**Knox City Council**  
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**(c) Infrastructure**

|  | Roads           | Bridges       | Footpaths and cycleways | Drainage       | Recreational, leisure and community facilities | Off street car parks | Other infrastructure | Work in progress | Total infrastructure |
|--|-----------------|---------------|-------------------------|----------------|--|----------------------|----------------------|------------------|----------------------|
|  | \$'000          | \$'000        | \$'000                  | \$'000         | \$'000   | \$'000               | \$'000               | \$'000           | \$'000               |
| At fair value 1 July 2021                        | 682,233         | 16,053        | 143,453                 | 326,669        | -  | 25,056               | -                    | -                | <b>1,193,464</b>     |
| At cost 1 July 2021                              | 16,750          | 1,225         | 8,300                   | 4,071          | 74,968   | 2,426                | 60                   | 11,042           | <b>118,842</b>       |
| Accumulated depreciation at 1 July 2021          | (206,797)       | (4,341)       | (77,944)                | (165,216)      | (17,976)                                       | (7,446)              | (10)                 | -                | <b>(479,730)</b>     |
|  | <b>492,186</b>  | <b>12,937</b> | <b>73,809</b>           | <b>165,524</b> | <b>56,992</b>                                  | <b>20,036</b>        | <b>50</b>            | <b>11,042</b>    | <b>832,576</b>       |
| <b>Movements</b>                                 |                 |               |                         |                |  |                      |                      |                  |                      |
| Additions at cost                                | 5,837           | 151           | 3,285                   | 1,785          | 5,041  | 661                  | -                    | 17,410           | <b>34,170</b>        |
| Contributions                                    | 229             | -             | 46                      | 87             | -  | -                    | -                    | -                | <b>362</b>           |
| Revaluation                                      | 58,960          | -             | 14,046                  | -              | -  | (2,244)              | -                    | -                | <b>70,762</b>        |
| Disposal at fair value                           | (1,670)         | -             | (1,783)                 | -              | -  | -                    | -                    | -                | <b>(3,453)</b>       |
| Disposal at cost                                 | -               | -             | -                       | -              | (764)  | -                    | -                    | -                | <b>(764)</b>         |
| Impairment losses recognised in operating result | -               | -             | -                       | -              | (74)   | -                    | -                    | -                | <b>(74)</b>          |
| Transfers and write offs at cost                 | -               | -             | -                       | -              | -  | -                    | -                    | (6,554)          | <b>(6,554)</b>       |
|  | <b>63,356</b>   | <b>151</b>    | <b>15,594</b>           | <b>1,872</b>   | <b>4,203</b>                                   | <b>(1,583)</b>       | <b>-</b>             | <b>10,856</b>    | <b>94,449</b>        |
| <b>Movements in accumulated depreciation</b>     |                 |               |                         |                |  |                      |                      |                  |                      |
| Depreciation and amortisation                    | (6,785)         | (178)         | (3,035)                 | (4,156)        | (1,935)  | (311)                | (2)                  | -                | <b>(16,402)</b>      |
| Accumulated depreciation of disposals            | 1,404           | -             | 1,480                   | -              | 529  | -                    | -                    | -                | <b>3,413</b>         |
| Revaluation                                      | (22,904)        | -             | (5,907)                 | -              | -  | 979                  | -                    | -                | <b>(27,832)</b>      |
|  | <b>(28,285)</b> | <b>(178)</b>  | <b>(7,462)</b>          | <b>(4,156)</b> | <b>(1,406)</b>                                 | <b>668</b>           | <b>(2)</b>           | <b>-</b>         | <b>(40,821)</b>      |
| At fair value 30 June 2022                       | 762,339         | 16,053        | 167,346                 | 326,669        | -  | 25,900               | -                    | -                | <b>1,298,307</b>     |
| At cost 30 June 2022                             | -               | 1,376         | -                       | 5,942          | 79,172   | -                    | 60                   | 21,898           | <b>108,448</b>       |
| Accumulated depreciation at 30 June 2022         | (235,082)       | (4,519)       | (85,405)                | (169,371)      | (19,383)                                       | (6,779)              | (11)                 | -                | <b>(520,550)</b>     |
| <b>Carrying amount</b>                           | <b>527,257</b>  | <b>12,910</b> | <b>81,941</b>           | <b>163,240</b> | <b>59,789</b>                                  | <b>19,121</b>        | <b>49</b>            | <b>21,898</b>    | <b>886,205</b>       |

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**6.2 Property, infrastructure, plant and equipment (cont'd)**

**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.

| <b>Asset recognition thresholds and depreciation periods</b> | <b>Depreciation<br/>Period<br/>Years</b> | <b>Threshold<br/>Limit<br/>\$'000</b> |
|--|--|---------------------------------------|
| <b>Land &amp; land improvements</b>                          |  |                                       |
| Land   | n/a                                      | 10                                    |
| Land improvements  | n/a                                      | 10                                    |
| Land under roads   | n/a                                      | 10                                    |
| <b>Buildings</b>   |  |                                       |
| Buildings  | 20-200                                   | 10                                    |
| <b>Plant and equipment</b>                                   |  |                                       |
| Plant, machinery and equipment                               | 3-10                                     | 10                                    |
| Fixtures, fittings and furniture                             | 3-10                                     | 10                                    |
| Computers and telecommunications                             | 3-10                                     | 10                                    |
| Artworks   | n/a                                      | 10                                    |
| <b>Infrastructure</b>  |  |                                       |
| Roads – surfacing  | 2-50                                     | 5                                     |
| Roads – kerb and channel                                     | 70                                       | 5                                     |
| Roads – substructure   | 30-185                                   | 20                                    |
| Roads – earthworks   | n/a                                      | 20                                    |
| Bridges  | 30-100                                   | 5                                     |
| Footpaths and cycleways                                      | 2-50                                     | 5                                     |
| Drainage   | 80                                       | 5                                     |
| Recreational, leisure and community facilities               | 15-60                                    | 10                                    |
| Off street car parks   | 2-185                                    | 10                                    |
| Other infrastructure   | 7-30                                     | 2                                     |
| <b>Intangible assets</b>                                     |  |                                       |
| Software   | 5  | 10                                    |

**Land under roads**

Land under roads acquired after 30 June 2008 is brought to account at cost. Council does not recognise land under roads that it controlled prior to that date.

**Knox City Council**  
**Notes to the Financial Report**  
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**Depreciation and amortisation**

Buildings, plant and equipment, infrastructure and intangible 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.

Land, land improvements, land under roads, roads - earthworks and artworks 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 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.

**Knox City Council**  
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**6.2 Property, infrastructure, plant and equipment (cont'd)**

**Valuation of land and buildings**

Valuation of land and buildings were undertaken by Brian Robinson from Westlink Consulting, a qualified independent valuer, registration number 62215. 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 will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table. Details of the Council's Land and Buildings and information about the fair value hierarchy as at 30 June 2022 are as follows:

|                       | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>   | <b>Date of</b>   |
|-----------------------|----------------|----------------|------------------|------------------|
|                       | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>    | <b>valuation</b> |
| Land                  | -              | 174,897        | -                | June 2022        |
| Specialised land      | -              | -              | 863,991          | June 2022        |
| Specialised buildings | -              | -              | 203,900          | June 2022        |
| <b>Total</b>          | <b>-</b>       | <b>174,897</b> | <b>1,067,891</b> |                  |

**Valuation of infrastructure**

The valuation of roads, footpaths and cycleways and off street carparks has been determined in accordance with a valuation undertaken by Mr Alexander Bourke, BE (Hons)(Civil), Asset Engineer, Knox City Council.

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

A full revaluation of bridges and drainage will be conducted in 2022-23.

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

|                         | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Date of</b>   |
|-------------------------|----------------|----------------|----------------|------------------|
|                         | <b>\$'000</b>  | <b>\$'000</b>  | <b>\$'000</b>  | <b>valuation</b> |
| Roads                   | -              | -              | 527,257        | June 2022        |
| Bridges                 | -              | -              | 11,551         | June 2023        |
| Footpaths and cycleways | -              | -              | 81,941         | June 2022        |
| Drainage                | -              | -              | 157,363        | June 2023        |
| Off street car parks    | -              | -              | 19,121         | June 2022        |
| <b>Total</b>            | <b>-</b>       | <b>-</b>       | <b>797,233</b> |                  |

**Knox City Council**  
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**6.2 Property, infrastructure, plant and equipment (cont'd)**

**Description of significant unobservable inputs into level 3 valuations**

Specialised land is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 20% and 50%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$8 and \$1,442 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 is calculated on a square metre basis and ranges from \$364 to \$10,703 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary up to 143 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 up to 185 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.

|   | <b>2022</b>    | <b>2021</b>    |
|---|----------------|----------------|
|   | <b>\$'000</b>  | <b>\$'000</b>  |
| <b>Reconciliation of specialised land at fair value</b> |                |                |
| Parks and reserves                                      | 787,064        | 705,817        |
| Community facilities                                    | 33,467         | 30,967         |
| Civic precinct  | 31,315         | 24,856         |
| Transfer station  | 12,145         | 11,337         |
| <b>Total specialised land at fair value</b>             | <b>863,991</b> | <b>772,977</b> |

**Knox City Council  
Notes to the Financial Report  
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|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
| <b>6.3 Investments in associates, joint arrangements and subsidiaries</b>  | <b>\$'000</b> | <b>\$'000</b> |
| <b>(a) Investment in associates</b>  |               |               |
| Investment in associate accounted for by the equity method is:   |               |               |
| Eastern Regional Libraries Corporation (ERLC)  | 3,469         | 5,074         |
| <b>Eastern Regional Libraries Corporation (ERLC)</b>   |               |               |
| <b>Background</b>  |               |               |
| The principal activity of ERLC is the operation of libraries. Council's ownership interest of ERLC as at 30 June 2022 was 36.39% (2021 - 36.39%) based on Council's contribution of the net assets to the entity on its commencement on 1 July 1996. Council's proportion of voting power as at 30 June 2022 was 33.33% (2021 - 33.33%). |               |               |
| <b>Fair value of Council's investment in Eastern Regional Libraries Corporation</b>  | <b>3,469</b>  | <b>5,074</b>  |
| <b>Council's share of accumulated surplus</b>  |               |               |
| Council's share of accumulated surplus at start of year  | 5,074         | 4,920         |
| Reported surplus for year  | 395           | 154           |
| Distribution of accumulated surplus  | (2,000)       | -             |
| <b>Council's share of accumulated surplus at end of year</b>   | <b>3,469</b>  | <b>5,074</b>  |
| <b>Movement in carrying value of specific investment</b>   |               |               |
| Carrying value of investment at start of year  | 5,074         | 4,920         |
| Share of surplus for year  | 395           | 154           |
| Distribution of accumulated surplus  | (2,000)       | -             |
| <b>Carrying value of investment at end of year</b>   | <b>3,469</b>  | <b>5,074</b>  |
| <b>Council's share of expenditure commitments</b>  |               |               |
| Operating commitments  | 26            | 69            |
| Capital commitments  | -             | -             |
| <b>Council's share of expenditure commitments</b>  | <b>26</b>     | <b>69</b>     |

Council directly provides a number of additional resources free of charge to the Eastern Regional Libraries Corporation in relation to the mobile library and library branches in the Knox municipality. The annual operating cost to Council for providing these facilities are as follows:

|   |     |     |
|---|-----|-----|
| Mobile library  | 37  | 36  |
| Knox City, Rowville, Ferntree Gully, Boronia and Bayswater Library Branches | 786 | 668 |

An associate is an entity over which Council has significant influence but not control or joint control. Investment in an associate is accounted for using the equity method of accounting, after initially being recognised at cost.

Changes in the net assets of the ERLC are brought to account as an adjustment to the carrying value of the investment.

**Knox City Council**  
**Notes to the Financial Report**  
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**Note 7 People and relationships****7.1 Council and key management remuneration****(a) Related parties****Parent Entity**

Knox City Council

**Associates**

Eastern Regional Libraries Corporation (ERLC). Interests in 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 Knox City Council. The Councillors, Chief Executive Officer, Directors and Executive Managers are deemed KMP.

Details of KMP at any time during the year are:

**Councillors**

|   |  |
|---|--|
| Councillor Lisa Cooper (Mayor)                    | Mayor from 1 July 2021 to 15 November 2021<br>Councillor from 15 November 2021 to current        |
| Councillor Susan Laukens (Mayor and Deputy Mayor) | Deputy Mayor from 1 July 2021 to 15 November 2021<br>Mayor from 15 November 2021 to current      |
| Councillor Nicole Seymour (Deputy Mayor)          | Councillor from 1 July 2021 to 15 November 2021<br>Deputy Mayor from 15 November 2021 to current |
| Councillor Yvonne Allred                          | Councillor from 1 July 2021 to current   |
| Councillor Meaghan Baker                          | Councillor from 1 July 2021 to current   |
| Councillor Jude Dwight                            | Councillor from 1 July 2021 to current   |
| Councillor Sorina Grasso                          | Councillor from 1 July 2021 to current   |
| Councillor Marcia Timmers-Leitch                  | Councillor from 1 July 2021 to current   |
| Councillor Darren Pearce                          | Councillor from 1 July 2021 to current   |

**Chief Executive Officer and other key management personnel**

|  |                                  |
|--|----------------------------------|
| Tony Doyle – Chief Executive Officer                         | 1 July 2021 to 2 July 2021       |
| Bruce Dobson – Chief Executive Officer                       | 8 September 2021 to 30 June 2022 |
| Dr Ian Bell – Acting Chief Executive Officer                 | 5 July 2021 to 7 September 2021  |
| Dr Ian Bell – Director of Special Projects                   | 1 July 2021 to 2 July 2021       |
| Matt Kelleher – Director City Strategy and Integrity         |                                  |
| Imogen Kelly - Acting Director City Centre                   | 19 July 2021 to 30 June 2022     |
| Samantha Mazer – Director City Centre                        |                                  |
| Tanya Scicluna – Director Connected Communities              |                                  |
| Grant Thorne - Director Infrastructure                       |                                  |
| Sam Stanton – Executive Manager Strategy, People and Culture |                                  |



**Knox City Council**  
**Notes to the Financial Report**  
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|  | <b>2022</b> | <b>2021</b> |
|--|-------------|-------------|
|  | <b>No.</b>  | <b>No.</b>  |
| Total number of Councillors                                | 9           | 14          |
| Chief Executive Officer and other key management personnel | 9           | 8           |
| <b>Total key management personnel</b>                      | <b>18</b>   | <b>22</b>   |

**(c) Remuneration of Key Management Personnel**

|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Total remuneration of Key Management Personnel was as follows: |               |               |
| Short-term benefits  | 2,484         | 2,278         |
| Long-term benefits   | 1             | 64            |
| Post employment benefits                                       | 202           | 205           |
| Termination benefits   | 53            | -             |
| <b>Total</b>   | <b>2,740</b>  | <b>2,547</b>  |

The numbers of Key Management Personnel whose total remuneration from Council and any related entities fall within the following bands:

|                       | <b>2022</b> | <b>2021</b> |
|-----------------------|-------------|-------------|
|                       | <b>No.</b>  | <b>No.</b>  |
| \$1 - \$9,999         | -           | 5           |
| \$10,000 - \$19,999   | 1           | -           |
| \$20,000 - \$29,999   | -           | 5           |
| \$30,000 - \$39,999   | 6           | 2           |
| \$50,000 - \$59,999   | 2           | 1           |
| \$80,000 - \$89,999   | -           | 1           |
| \$90,000 - \$99,999   | 1           | -           |
| \$140,000 - \$149,999 | 1           | -           |
| \$200,000 - \$209,999 | -           | 1           |
| \$220,000 - \$229,999 | -           | 1           |
| \$230,000 - \$239,999 | -           | 1           |
| \$240,000 - \$249,999 | -           | 1           |
| \$250,000 - \$259,999 | 1           | -           |
| \$260,000 - \$269,999 | 1           | -           |
| \$290,000 - \$299,999 | -           | 1           |
| \$310,000 - \$319,999 | 1           | 1           |
| \$320,000 - \$329,999 | 2           | 1           |
| \$330,000 - \$339,999 | 2           | -           |
| \$340,000 - \$349,999 | -           | 1           |
|                       | <b>18</b>   | <b>22</b>   |

**Knox City Council  
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**(d) Senior Officer remuneration**

A senior officer is an officer of Council, other than key management personnel who:

- (a) has management responsibilities and reports directly to the Chief Executive Officer; or  
(a) whose total annual remuneration exceeds \$151,000 (\$151,000 in 2020-21).

The number of senior officers are shown below in their relevant income bands:

| <b>Income range</b>  | <b>2022<br/>No.</b>    | <b>2021<br/>No.</b>    |
|--|------------------------|------------------------|
| <\$151,000   | -                      | 6                      |
| \$151,000 - \$159,999  | 2                      | 1                      |
| \$160,000 - \$169,999  | 10                     | 8                      |
| \$170,000 - \$179,999  | 5                      | 3                      |
| \$180,000 - \$189,999  | 1                      | 5                      |
| \$190,000 - \$199,999  | 1                      | 1                      |
| \$200,000 - \$209,999  | 5                      | -                      |
| \$210,000 - \$219,999  | 5                      | -                      |
| \$220,000 - \$229,999  | 2                      | 1                      |
| \$230,000 - \$239,999  | 2                      | -                      |
|  | <b>33</b>              | <b>25</b>              |
|  | <b>2022<br/>\$'000</b> | <b>2021<br/>\$'000</b> |
| <b>Total remuneration for the reporting year for senior officers included above amounted to:</b> | <b>6,238</b>           | <b>3,991</b>           |

**7.2 Related party disclosure****(a) Transactions with related parties**

During the period Council entered into the following transactions with related parties.

|   |              |              |
|---|--------------|--------------|
| Contributions to Eastern Regional Libraries Corporation | 4,433        | 4,192        |
| <b>Total transactions with related parties</b>          | <b>4,433</b> | <b>4,192</b> |

Council directly provides a number of additional resources free of charge to the Eastern Regional Libraries Corporation in relation to the mobile library and library branches in the Knox municipality. The annual operating cost to Council for providing these facilities are as follows:

|   |     |     |
|---|-----|-----|
| Mobile library  | 37  | 36  |
| Knox City, Rowville, Ferntree Gully, Boronia and Bayswater Library Branches | 786 | 668 |

**(b) Outstanding balances with related parties**

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

**(c) Loans to / from related parties**

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

**(d) Commitments to/from related parties**

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

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**Note 8 Managing uncertainties**

**8.1 Contingent assets and liabilities**

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

**(a) Contingent assets**

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

**Developer contributions**

As a result of development activity within the Knox municipality, Council has identified as a contingent asset the developer contributions of infrastructure assets and open space contributions to be received in respect of subdivisions that are currently under development totalling \$14.969 million (2020-21, \$15.700 million).

**(b) Contingent liabilities**

Contingent liabilities are:

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

**Superannuation**

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

*Future superannuation contributions*

In addition to the disclosed contributions, Knox City Council has paid unfunded liability payments to Vision Super totalling \$Nil during the 2021-22 (2020-21 \$Nil). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2022. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 are \$0.231 million.

**Landfill**

Council has identified a previously unknown former landfill at Wantirna Reserve. Council engaged an environmental consultant to undertake a Landfill Gas Risk Assessment, which identified the site as a low risk for landfill gas. Council continues to seek land owner permission to install monitoring bores to conduct further investigations for groundwater, which will assist in identifying if further works are required. At balance date Council is unable to accurately assess the financial implications of such works.

Council continues to manage its two former landfill sites at Cathies Lane and Llewellyn Reserve as required by Post Closure Pollution Abatement Notices issued by the Environment Protection Authority (EPA). Council has calculated its ongoing management costs for a period up to 30 June 2034. The EPA has issued Council with a requirement to review and have financial assurances for both landfill sites verified by an environmental auditor. This work is underway and is expected to be completed during September 2022. This process will determine whether the after care period and the provisions put aside for both landfill sites are appropriate.

## **Knox City Council Notes to the Financial Report For the Year Ended 30 June 2022**

### **Knox City Council Depot**

During the 2020 financial year, Council ceased operations at the Knox City Council Depot located in Bridgewood Court, Wantirna South. Council is now managing the rehabilitation of this site. It is expected that works could continue for up to another year, however at balance date Council is unable to accurately assess the financial implications of such works.

### **Insurance Claims**

As a large local authority with ownership of numerous parks, reserves, roads and other land holdings, the Council is regularly met with claims and demands allegedly arising from an incident that occurs on land belonging to the Council, or allegedly arising from incidents relating to Council business, services or activities. There are eleven outstanding insurance claims against the Council in this regard. The Council carries \$600.000 million of public liability and professional indemnity insurance and has an excess of \$0.020 million per claim on this policy. Therefore, the maximum liability of the Council in any single claim is the extent of its excess. The primary insurer is Liability Mutual Insurance (MAV Insurance). There are no claims that Council is aware of which would fall outside the terms of the Council's policy.

### **8.2 Change in accounting standards**

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

### **8.3 Financial instruments**

#### **(a) Objectives and policies**

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

#### **(b) Market risk**

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

#### **Interest rate risk**

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

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

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

**Knox City Council**  
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Other than the borrowings taken out by Council in December 2021 and June 2022, there has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

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

**(c) Credit risk**

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

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

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

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

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

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

**(d) Liquidity risk**

Liquidity risk includes the risk that, as a result of our operational liquidity requirements, we 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:

- has an investment policy which specifies the need to meet Council's cash flow requirements;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitors 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.

## **Knox City Council Notes to the Financial Report For the Year Ended 30 June 2022**

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 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 twelve months:

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 2.258%.

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

### **8.4 Fair value measurement**

#### ***Fair value hierarchy***

Knox City Council does not have any financial assets that are measured at fair value subsequent to initial recognition.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

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.

**Knox City Council**  
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**Revaluation**

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on 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 2 to 3 years. The valuations are performed either by experienced Council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the relevant 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 asset, revaluation increments and decrements within the year are offset. Refer to Note 9.1(a) for further information.

**Impairment of assets**

At each reporting date, 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 asset's carrying value. Any excess of the asset's 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.

**Knox City Council**  
**Notes to the Financial Report**  
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**Note 9 Other Matters****9.1 Reserves****(a) Asset revaluation reserve**

|  | Balance at<br>beginning of<br>reporting period<br>\$'000 | Increment<br>(decrement)<br>\$'000 | Balance at end of<br>reporting period<br>\$'000 |
|--|--|------------------------------------|---|
| <b>2022</b>                            |  |                                    |   |
| <b>Property</b>                        |  |                                    |   |
| Land                                   | 777,063  | 73,019                             | 850,082   |
| Buildings                              | 60,551   | 22,885                             | 83,436  |
|  | <b>837,614</b>   | <b>95,904</b>                      | <b>933,518</b>                                  |
| <b>Plant and equipment</b>             |  |                                    |   |
| Artworks                               | 31   | -                                  | 31  |
|  | <b>31</b>  | <b>-</b>                           | <b>31</b>                                       |
| <b>Infrastructure</b>                  |  |                                    |   |
| Roads                                  | 288,572  | 36,056                             | 324,628   |
| Bridges                                | 2,272  | -                                  | 2,272   |
| Footpaths and cycleways                | 23,279   | 8,139                              | 31,418  |
| Drainage                               | 105,475  | -                                  | 105,475   |
| Off street car parks                   | 4,272  | (1,265)                            | 3,007   |
| Other infrastructure                   | -  | -                                  | -   |
|  | <b>423,870</b>   | <b>42,930</b>                      | <b>466,800</b>                                  |
| <b>Total asset revaluation reserve</b> | <b>1,261,515</b>   | <b>138,834</b>                     | <b>1,400,349</b>                                |
| <b>2021</b>                            |  |                                    |   |
| <b>Property</b>                        |  |                                    |   |
| Land                                   | 777,063  | -                                  | 777,063   |
| Buildings                              | 60,601   | (50)                               | 60,551  |
|  | <b>837,664</b>   | <b>(50)</b>                        | <b>837,614</b>                                  |
| <b>Plant and equipment</b>             |  |                                    |   |
| Artworks                               | 31   | -                                  | 31  |
|  | <b>31</b>  | <b>-</b>                           | <b>31</b>                                       |
| <b>Infrastructure</b>                  |  |                                    |   |
| Roads                                  | 288,163  | 409                                | 288,572   |
| Bridges                                | 2,272  | -                                  | 2,272   |
| Footpaths and cycleways                | 15,541   | 7,738                              | 23,279  |
| Drainage                               | 105,475  | -                                  | 105,475   |
| Off street car parks                   | 4,272  | -                                  | 4,272   |
| Other infrastructure                   | 2,221  | (2,221)                            | -   |
|  | <b>417,944</b>   | <b>5,926</b>                       | <b>423,870</b>                                  |
| <b>Total asset revaluation reserve</b> | <b>1,255,639</b>   | <b>5,876</b>                       | <b>1,261,515</b>                                |

**Nature and purpose of asset revaluation reserve**

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



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**(b) Other reserves**

|  | Balance at<br>beginning of<br>reporting<br>period | Transfer from<br>accumulated<br>surplus | Transfer to<br>accumulated<br>surplus | Balance at end<br>of reporting<br>period |
|--|---|---|---------------------------------------|--|
|  | \$'000  | \$'000                                  | \$'000                                | \$'000                                   |
| <b>2022</b>  |   |   |                                       |  |
| <b>Restricted reserves</b>                             |   |   |                                       |  |
| Open space reserve                                     | 15,630  | 5,410                                   | (3,727)                               | 17,313                                   |
| Basketball stadium infrastructure reserve              | 100   | -                                       | -                                     | 100                                      |
| State Basketball Centre asset renewal fund             | 597   | 27                                      | -                                     | 624                                      |
| Football pitch replacement fund                        | 612   | -                                       | -                                     | 612                                      |
| <b>Total restricted reserves</b>                       | <b>16,939</b>                                     | <b>5,437</b>                            | <b>(3,727)</b>                        | <b>18,649</b>                            |
| <b>Unrestricted reserves</b>                           |   |   |                                       |  |
| Mountain Gate reserve                                  | 140   | -                                       | -                                     | 140                                      |
| City futures fund                                      | 2,915   | -                                       | (2,669)                               | 246                                      |
| Revegetation net gain                                  | 461   | 65                                      | (50)                                  | 476                                      |
| Revolving energy fund                                  | 60  | 57                                      | (105)                                 | 12                                       |
| Aged care reserve                                      | 4,891   | -                                       | (1,731)                               | 3,160                                    |
| Unexpended grant reserve (Financial Assistance Grants) | 4,038   | 5,844                                   | (4,038)                               | 5,844                                    |
| Stamford Park  | 8,923   | -                                       | -                                     | 8,923                                    |
| Blue Hills   | 3   | -                                       | -                                     | 3  |
| Scoresby Recreation Reserve                            | 144   | 29                                      | -                                     | 173                                      |
| HACC capital reserve                                   | 635   | -                                       | (90)                                  | 545                                      |
| Library reserve  | -   | 2,000                                   | -                                     | 2,000                                    |
| <b>Total unrestricted reserves</b>                     | <b>22,210</b>                                     | <b>7,995</b>                            | <b>(8,683)</b>                        | <b>21,522</b>                            |
| <b>Total other reserves</b>                            | <b>39,149</b>                                     | <b>13,432</b>                           | <b>(12,410)</b>                       | <b>40,171</b>                            |
| <b>2021</b>  |   |   |                                       |  |
| <b>Restricted reserves</b>                             |   |   |                                       |  |
| Open space reserve                                     | 12,955  | 5,900                                   | (3,225)                               | 15,630                                   |
| Basketball stadium infrastructure reserve              | 100   | -                                       | -                                     | 100                                      |
| State Basketball Centre asset renewal fund             | 597   | -                                       | -                                     | 597                                      |
| Football pitch replacement fund                        | 727   | -                                       | (115)                                 | 612                                      |
| <b>Total restricted reserves</b>                       | <b>14,379</b>                                     | <b>5,900</b>                            | <b>(3,340)</b>                        | <b>16,939</b>                            |
| <b>Unrestricted reserves</b>                           |   |   |                                       |  |
| Mountain Gate Reserve                                  | 140   | -                                       | -                                     | 140                                      |
| City futures fund                                      | 2,915   | -                                       | -                                     | 2,915                                    |
| Revegetation net gain                                  | 406   | 55                                      | -                                     | 461                                      |
| Revolving energy fund                                  | 136   | -                                       | (76)                                  | 60                                       |
| Aged care reserve                                      | 4,949   | -                                       | (58)                                  | 4,891                                    |
| Unexpended grant reserve (Financial Assistance Grants) | 3,885   | 4,038                                   | (3,885)                               | 4,038                                    |
| Stamford Park  | 10,883  | -                                       | (1,960)                               | 8,923                                    |
| Blue Hills   | 3   | -                                       | -                                     | 3  |
| Scoresby Recreation Reserve                            | 117   | 27                                      | -                                     | 144                                      |
| HACC capital reserve                                   | 635   | -                                       | -                                     | 635                                      |
| Library reserve  | -   | -                                       | -                                     | -  |
| <b>Total unrestricted reserves</b>                     | <b>24,069</b>                                     | <b>4,120</b>                            | <b>(5,979)</b>                        | <b>22,210</b>                            |
| <b>Total other reserves</b>                            | <b>38,448</b>                                     | <b>10,020</b>                           | <b>(9,319)</b>                        | <b>39,149</b>                            |

**Knox City Council  
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**Nature and purpose of other reserves****Open space reserve**

The Open Space Reserve is used to provide funding for future purchases and improvements of open space. Funding is provided from developer's contributions for open space which is initially recognised in the comprehensive income statement and then transferred to the reserve from accumulated surplus to facilitate separate tracking of the total funds received but not yet spent.

**Basketball stadium infrastructure reserve**

The purpose of this reserve is to improve basketball stadium facilities within the Knox municipality.

**State basketball centre asset renewal fund**

The purpose of this reserve is to provide for asset renewal works at the State Basketball Centre (Knox Regional Sports Park).

**Football pitch replacement fund**

The purpose of this reserve is to provide for future football pitch replacement at Knox Regional Sports Park.

**Mountain Gate reserve**

The purpose of this reserve is to enhance community facilities within Mountain Gate.

**City futures fund**

The purpose of this reserve is to enhance community facilities within Knox municipality.

**Revegetation net gain**

The purpose of this reserve is to ensure any loss of vegetation through development is re-established in a sustainable location.

**Revolving energy fund**

The purpose of this reserve is to re-invest savings in energy costs to be invested in further works to minimise energy consumption.

**Aged care reserve**

The purpose of this reserve is to set aside the proceeds from the divestment of the Amaroo Gardens Aged Care Facility by Council on 2 November 2011 for aged services and infrastructure within the Knox municipality.

**Unexpended grant reserve (Victoria Grants Commission)**

The purpose of this reserve is to quarantine early payment of Victoria Grants Commission General Purpose and Local Roads Federal Grant funding for use in the following year.

**Stamford Park**

The purpose of this reserve is to develop the Stamford Park site for the benefit of the Knox Community.

**Blue Hills**

The purpose of this reserve is to construct the Early Years Hubs facilities for the benefit of the Knox Community.

**Scoresby Recreation reserve**

The purpose of this reserve is to invest the income derived from lease of this site into the Scoresby Recreation Reserve.

**HACC capital reserve**

The purpose of this reserve is to refurbish, upgrade and maintain minor capital within the Home and Community Care funded programs.

**Library reserve**

The purpose of this reserve is for major capital expenditure for acquiring, refurbishing or redeveloping library premises as standalone premises or as part of community hubs for Knox Library branches.

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

|  | <b>2022</b>   | <b>2021</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| <b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b> |               |               |
| Surplus for the year   | (2,792)       | 9,786         |
| Depreciation   | 22,965        | 22,374        |
| Amortisation - intangible assets   | 598           | 429           |
| Amortisation - right of use assets   | 630           | 299           |
| Bad and doubtful debts   | 334           | 344           |
| Borrowing costs  | 403           |               |
| Finance costs - leases   | 30            | 18            |
| Net (gain)/loss on disposal of property, infrastructure, plant and equipment           | 1,362         | 1,624         |
| Contributions - non-monetary assets  | (440)         | (1,801)       |
| Increment in investment in associate   | (395)         | (316)         |
| <b>Change in operating assets and liabilities</b>                                      |               |               |
| (Increase)/decrease in trade and other receivables                                     | 781           | 1,788         |
| (Increase)/decrease in prepayments   | 172           | 349           |
| (Increase)/decrease in accrued income  | (5)           | 143           |
| Increase/(decrease) in trade and other payables  | (1,856)       | (220)         |
| Increase/(decrease) in unearned income/revenue   | (7,294)       | 1,202         |
| Increase/(decrease) in provisions  | (1,208)       | 497           |
| Increase/(decrease) in other liabilities   | 650           | (451)         |
| (Increase)/decrease in inventories   | (3)           | 3             |
| <b>Net cash provided by operating activities</b>                                       | <b>13,932</b> | <b>36,068</b> |

### 9.3 Superannuation

Knox City 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 categories receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%)).

#### Defined Benefit

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

## Knox City Council Notes to the Financial Report For the Year Ended 30 June 2022

### Funding arrangements

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

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

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

|                       |          |
|-----------------------|----------|
| Net investment        | 4.75% pa |
| Salary information    | 2.75% pa |
| Price inflation (CPI) | 2.25% pa |

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

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

|                       |  |
|-----------------------|--|
| Net investment        | 5.5% pa  |
| Salary information    | 2.5% pa to 30 June 2023, and<br>3.5% pa thereafter |
| Price inflation (CPI) | 3.0% pa  |

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

### Employer contributions

#### Regular contributions

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

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

#### 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 Knox City 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.

## Knox City Council Notes to the Financial Report For the Year Ended 30 June 2022

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

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

### The 2021 interim actuarial investigation surplus amounts

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

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

- A VBI surplus of \$214.7 million (2020: \$100.0 million)
- A total service liability surplus of \$270.3 million (2020: 200.0 million)
- A discounted accrued benefits surplus of \$285.2 million (2020: \$217.8 million)

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

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

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

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

### The 2022 interim actuarial investigation

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

### Superannuation contributions

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

| Scheme       | Type of scheme    | Rate               | 2022<br>\$'000 | 2021<br>\$'000 |
|--------------|-------------------|--------------------|----------------|----------------|
| Vision super | Defined Benefit   | 10.0% (2021: 9.5%) | 250            | 273            |
| Other funds  | Defined Benefit   | 10.0% (2021: 9.5%) | -              | -              |
| Vision super | Accumulation Fund | 10.0% (2021: 9.5%) | 3,360          | 3,237          |
| Other funds  | Accumulation Fund | 10.0% (2021: 9.5%) | 3,010          | 2,595          |

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

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$0.231 million.

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

**Note 10 Change in accounting policy**

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

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

# Performance Statement

## Year ending 30 June 2022

### Description of the municipality

Located approximately 25 kilometres from Melbourne's central business district, the Knox municipality is a major hub of cultural, commercial, business and innovative activity in the eastern suburbs of Melbourne. It is a diverse municipality, with residents from 130 different countries who speak 54 languages. The City of Knox has an estimated resident population of 162,769 (as at 30 June 2022) and covers an area of 113.84 square kilometres. The area boasts a green, leafy image extending to the foothills of the picturesque Dandenong Ranges. Knox consists of the following suburbs: Bayswater, Boronia, Ferntree Gully, Knoxfield, Lysterfield, Rowville, Scoresby, The Basin, Upper Ferntree Gully, Wantirna and Wantirna South.

### Understanding the Performance Statement

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

Where applicable, the results in the Performance Statement have been prepared on accounting bases consistent with those reported in the financial statements. The other results are based on information drawn from Council information systems or from third parties (for example, the Australian Bureau of Statistics).

The Performance Statement presents the actual results for the current year and for the prescribed financial performance indicators and measures and the results forecast by Council's Strategic Resource Plan. The *Local Government (Planning and Reporting) Regulations 2020* require explanation of any material variations in the results contained in the Performance Statement. The materiality thresholds have been set as +/-10% of the 2020-21 results. Explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material in nature.

The forecast figures included in the performance statement are those adopted by Council in its Financial Plan 2022-2032 on 27 June 2022. The Financial Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and are aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the general purpose financial statements. The Financial Plan 2022-2032 is available on Council's website.

The following statement provides the results of the prescribed service performance indicators and measures, including an explanation of material variations.

## Sustainable capacity indicators

For the year ended 30 June 2022

| Service/indicator/measure  | Results    |            |            |                   | Comment  |
|--|------------|------------|------------|-------------------|--|
|  | 2018-19    | 2019-20    | 2020-21    | 2021-22           |  |
| <b>Population</b>  |            |            |            |                   |  |
| <b>Expenses per head of municipal population</b><br>[Total expenses/Municipal population]                | \$947.71   | \$1,009.15 | \$1,047.69 | <b>\$1,196.12</b> | Expenditure includes Council's one-off contribution of \$25.4 million towards the Knox Regional Sports Park project.   |
| <b>Infrastructure per head of municipal population</b><br>[Value of infrastructure/Municipal population] | \$6,012.97 | \$6,138.10 | \$6,220.00 | <b>\$6,854.05</b> | The revaluation in 2022 of buildings, roads, footpaths, shared paths and car parks increased Council's infrastructure value by \$65.8 million.   |
| <b>Population density per length of road</b><br>[Municipal population/Kilometres of local roads]         | 225.42     | 227.26     | 227.91     | <b>224.51</b>     |  |
| <b>Own-source revenue</b>  |            |            |            |                   |  |
| <b>Own-source revenue per head of municipal population</b><br>[Own-source revenue/Municipal population]  | \$828.59   | \$835.22   | \$846.27   | <b>\$894.33</b>   |  |
| <b>Recurrent grants</b>  |            |            |            |                   |  |
| <b>Recurrent grants per head of municipal population</b><br>[Recurrent grants/Municipal population]      | \$156.50   | \$153.90   | \$174.66   | <b>\$194.91</b>   | Recurrent operational grants decreased by \$2.0 million due to a \$3.3 million decrease in recurrent general home care grant income. This is partially offset by a \$1.4 million increase in recurrent financial assistance grants. Recurrent capital grants increased by \$4.8 million. |
| <b>Disadvantage</b>  |            |            |            |                   |  |
| <b>Relative socio-economic disadvantage</b><br>[Index of Relative Socio-economic Disadvantage by decile] | 9.00       | 9.00       | 9.00       | <b>9.00</b>       |  |



| Service/indicator/m<br>easure   | Results |         |         |              | Comment |
|---|---------|---------|---------|--------------|---------|
|   | 2018-19 | 2019-20 | 2020-21 | 2021-22      |         |
| <b>Workforce turnover</b><br><b>Percentage of staff</b><br><b>turnover</b><br>[Number of<br>permanent staff<br>resignations and<br>terminations/Averag<br>e number of<br>permanent staff for<br>the financial year]<br>x100 | 13.0%   | 9.3%    | 15%     | <b>13.5%</b> |         |

#### Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by council

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

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

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

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

## Service performance indicators

For the year ended 30 June 2022

| Service/indicator/meas<br>ure  | Results     |         |         |               | Comment  |
|--|-------------|---------|---------|---------------|--|
|  | 2018-19     | 2019-20 | 2020-21 | 2021-22       |  |
| <b>Aquatic Facilities</b><br><b>Utilisation</b><br><b>Utilisation of aquatic facilities</b><br>[Number of visits to aquatic facilities/Municipal population]   | 2.68        | 1.69    | 0.85    | <b>1.11</b>   | Attendance in 2021-22 increased by 40,829 compared to 2020-21. However, attendance is still lower than the reporting periods before the COVID-19 pandemic commenced. The COVID-19 pandemic resulted in closure of Council's aquatic facilities from 1 September to 29 October 2021. They reopened 30 October 2021 in accordance with COVID-19 Open Premises Direction. |
| <b>Animal Management</b><br><b>Health and safety</b><br><b>Animal management prosecutions</b><br>[Number of successful animal management prosecutions/Number of animal management prosecutions] x100   | New in 2020 | 100%    | 100%    | <b>95.45%</b> | Council continued to have a high success rate of animal management prosecutions in 2021-22. This can be attributed to quality investigation and prosecution services.  |
| <b>Food safety</b><br><b>Health and safety</b><br><b>Critical and major non-compliance outcome notifications</b><br>[Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about a food premises followed up/Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about food premises] x100 | 100.00%     | 100.00% | 98.04%  | <b>96.71%</b> | Many food premises were closed during 2021-22 due to COVID-19. Some of the premises that closed did not reopen, therefore non-compliant or follow up inspections could be conducted.   |
| <b>Governance</b><br><b>Satisfaction</b><br><b>Satisfaction with Council decisions</b><br>[Community satisfaction rating out of 100 with how Council has performed in making   | 60          | 58      | 60      | <b>58</b>     | This result exceeds that of the overall State performance (54) and aligns with metro Council results (59). Analysis of the LG customer satisfaction survey results indicates that a continued focus on community consultation is likely to improve satisfaction with Council's decision making.  |

| Service/indicator/meas<br>ure  | Results |         |         |               | Comment   |
|--|---------|---------|---------|---------------|---|
|  | 2018-19 | 2019-20 | 2020-21 | 2021-22       |   |
| decisions in the interest<br>of the community]   |         |         |         |               |   |
| <b>Libraries</b><br><b>Participation</b><br><b>Active library</b><br><b>borrowers in</b><br><b>municipality</b><br>[Number of active<br>library borrowers in the<br>last three years/The<br>sum of the population<br>for the last three years]<br>x100                                   | 13.28%  | 12.87%  | 11.41%  | <b>10.09%</b> | COVID-19 pandemic related<br>restrictions (including vaccination<br>requirements, density limits and<br>travel restrictions) have had a<br>significant impact on library<br>borrowers over the last two years.<br>Borrowing, in line with library<br>visitations, is increasing slowly with<br>the relaxation of COVID-19 related<br>restrictions. Library programs are<br>starting again after COVID-19, and<br>this will have a positive impact on<br>library borrowing rates.  |
| <b>Maternal and Child</b><br><b>Health (MCH)</b><br><b>Participation</b><br><b>Participation in the</b><br><b>MCH service</b><br>[Number of children<br>who attend the MCH<br>service at least once (in<br>the year)/Number of<br>children enrolled in the<br>MCH service] x100          | 79.12%  | 76.27%  | 75.82%  | <b>73.72%</b> | Participation in Council's MCH<br>service has remained relatively<br>consistent with previous reporting<br>periods. Depending on age, not all<br>older children enrolled may have<br>been required to attend an<br>appointment in 2021-22, e.g.<br>Children are not generally seen by<br>MCH between the ages of 2 years<br>and 3.5 years. MCH participation was<br>impacted by COVID-19 restrictions<br>and workforce impacts, requiring<br>Council's MCH service to prioritise<br>seeing younger infants. Health<br>Department Code Brown was called<br>during February and March 2022,<br>required cancellation of majority of<br>appointments for children older than<br>8 weeks. |
| <b>Participation</b><br><b>Participation in the</b><br><b>MCH service by</b><br><b>Aboriginal children</b><br>[Number of Aboriginal<br>children who attend the<br>MCH service at least<br>once (in the<br>year)/Number of<br>Aboriginal children<br>enrolled in the MCH<br>service] x100 | 77.97%  | 80.36%  | 85.48%  | <b>75.81%</b> | Depending on age, not all older<br>children enrolled may have been<br>required to attend an appointment in<br>2021-22, e.g. Children are not<br>generally seen by MCH between the<br>ages of 2 years and 3.5 years.<br>Aboriginal children have remained a<br>priority group despite COVID-19<br>impacts and Code Brown being called<br>by the Health Department during<br>February and March 2022.   |

| Service/indicator/measure   | Results |         |         |               | Comment   |
|---|---------|---------|---------|---------------|---|
|   | 2018-19 | 2019-20 | 2020-21 | 2021-22       |   |
| <b>Roads</b><br><b>Satisfaction</b><br><b>Satisfaction with sealed local roads</b><br>[Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]  | 73      | 68      | 70      | <b>68</b>     | This is the result from the LG Community Satisfaction Survey for 2022. Satisfaction with sealed local roads has remained relatively consistent with previous reporting periods.   |
| <b>Statutory Planning</b><br><b>Decision-making</b><br><b>Council planning decisions upheld at VCAT</b><br>[Number of VCAT decisions that did not set aside Council's decisions in relation to a planning application/Number of VCAT decisions in relation to planning applications] x100 | 33.33%  | 58.62%  | 47.06%  | <b>62.50%</b> | The percentage of Council decisions upheld at VCAT increased in 2021-22. Whilst appeal numbers were similar to 2020-21, the outcomes are influenced by the individual circumstances of each case.   |
| <b>Waste Collection</b><br><b>Waste Diversion</b><br><b>Kerbside collection waste diverted from landfill</b><br>[Weight of recyclables and green organics collected from kerbside bins/Weight of garbage, recyclables and green organics collected from kerbside bins] x100               | 55.89%  | 53.44%  | 52.10%  | <b>51.60%</b> | The percentage of kerbside collection waste diverted from landfill in 2021-22 has remained relatively consistent with previous reporting periods. This result represents the total weight of all material recycled from kerbside bin collections as a per kerbside of total kerbside waste collected (i.e. waste diverted from landfill). |

#### Definitions

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

## Financial performance indicators

### For the year ended 30 June 2022

|  | Results     | Results    | Results    | Results    | Forecasts  |            |            |            |  |
|--|-------------|------------|------------|------------|------------|------------|------------|------------|--|
| Dimension/indicator/measure  | 2019        | 2020       | 2021       | 2022       | 2023       | 2024       | 2025       | 2026       | Material Variations and Comments   |
| <b>Efficiency</b>  |             |            |            |            |            |            |            |            |  |
| <b>Expenditure level</b><br><i>Expenses per property assessment</i><br>[Total expenses/Number of property assessments]   | \$2,308.49  | \$2,441.81 | \$2,544.46 | \$2,833.93 | \$2,726.41 | \$2,815.26 | \$2,819.42 | \$2,840.68 | Expenditure includes Council's one-off contribution of \$25.4 million towards the Knox Regional Sports Park project. |
| <b>Revenue level</b><br><i>Average rate per property assessment</i><br>[Total rate revenue (general rates and municipal charges)/Number of property assessments] | New in 2020 | \$1,523.82 | \$1,563.94 | \$1,573.01 | \$1,605.08 | \$1,638.60 | \$1,676.94 | \$1,716.23 |  |

|  | Results | Results | Results | Results   | Forecasts |         |         |         |   |
|--|---------|---------|---------|-----------|-----------|---------|---------|---------|---|
| Dimension/indicator/measure  | 2019    | 2020    | 2021    | 2022      | 2023      | 2024    | 2025    | 2026    | Material Variations and Comments  |
| <b>Liquidity</b>   |         |         |         |           |           |         |         |         |   |
| <p><b>Working capital</b><br/>                     Current assets compared to current liabilities<br/>                     [Current assets/Current liabilities] x100</p>         | 236.52% | 168.76% | 144.58% | \$148.44% | 136.98%   | 113.17% | 110.78% | 104.14% | <p>Unearned income has increased by \$10.3 million, with the majority of this related to capital grants received late in the financial year and not yet expended. This accounts for the majority of the \$12.8 million increase in current liabilities.</p> <p>Cash and cash equivalents, combined with other financial assets, have increased by \$5.1 million, which is half of the increase of \$10.2 million in current assets. Trade and other receivables increased by \$3.4 million. This ratio will decrease over the forecast period due to an increase in the capital works program, and the requirement to borrow funds to finance major projects.</p> |
| <p><b>Unrestricted cash</b><br/>                     Unrestricted cash compared to current liabilities<br/>                     [Unrestricted cash/Current liabilities] x100</p> | 27.20%  | 36.99%  | 30.88%  | 35.38%    | 52.71%    | 28.39%  | 37.27%  | 34.64%  | <p>Unearned income has decreased by \$7.3 million, which has been partially offset by a decrease of \$3.5 million in trade and other payables. Statutory reserves have increased by \$1.6 million.</p>  |

|   | Results     | Results     | Results     | Results     | Forecasts   |             |             |             |   |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---|
| <b>Dimension/indicator/measure</b>  | <b>2019</b> | <b>2020</b> | <b>2021</b> | <b>2022</b> | <b>2023</b> | <b>2024</b> | <b>2025</b> | <b>2026</b> | <b>Material Variations and Comments</b>   |
| <b>Obligations</b>  |             |             |             |             |             |             |             |             |   |
| <b>Loans and borrowings</b><br><i>Loans and borrowings compared to rates</i><br>[Interest bearing loans and borrowings/Rate revenue] x100   | 0.00%       | 0.00%       | 0.00%       | 38.83%      | 57.23%      | 55.12%      | 65.93%      | 62.97%      | Borrowings totalling \$50.0 million were taken out in the 2022 financial year, with further borrowings forecast in future years to fund major projects within the capital works program.  |
| <b>Loans and borrowings</b><br><i>Loans and borrowings repayments compared to rates</i><br>[Interest and principal repayments on interest bearing loans and borrowings/Rate revenue] x100 | 0.00%       | 0.00%       | 0.00%       | 1.14%       | 6.17%       | 6.83%       | 7.51%       | 9.39%       | Borrowings totalling \$50.0 million were taken out in the 2022 financial year, with further borrowings forecast in future years to fund major projects within the capital works program.  |
| <b>Indebtedness</b><br><i>Non-current liabilities compared to own source revenue</i><br>[Non-current liabilities/Own source revenue] x100   | 4.37%       | 3.19%       | 3.25%       | 33.09%      | 45.50%      | 44.63%      | 52.89%      | 49.49%      | Borrowings are forecast to increase significantly from 2021-22 to fund major projects within the capital works program.   |
| <b>Asset renewal and upgrade</b><br><i>Asset renewal and upgrade compared to depreciation</i><br>[Asset renewal and asset upgrade expense/Asset depreciation] x100                        | New in 2020 | 139.94%     | 150.75%     | 170.53%     | 264.56%     | 249.63%     | 234.82%     | 188.78%     | Asset renewal is forecast to continue to increase from 2022-23, while a number of upgrade projects are included in the major projects within the capital works program. The 2022-23 forecast figures include capital work projects that have been carried forward from 2021-22. |
| <b>Operating position</b>   |             |             |             |             |             |             |             |             |   |
| <b>Adjusted underlying result</b><br><i>Adjusted underlying surplus (or deficit)</i><br>[Adjusted underlying surplus (deficit)/Adjusted underlying revenue] x100                          | 9.37%       | 2.87%       | 4.66%       | -4.56%      | 2.12%       | 3.59%       | 4.28%       | 6.18%       | Council's one-off contribution of \$25.4 million towards the Knox Regional Sports Park project has impacted the adjusted underlying surplus (deficit) figure.   |



| Dimension/indicator/measure  | Results | Results | Results | Results | Forecasts |        |        |        | Material Variations and Comments |
|--|---------|---------|---------|---------|-----------|--------|--------|--------|----------------------------------|
|  | 2019    | 2020    | 2021    | 2022    | 2023      | 2024   | 2025   | 2026   |                                  |
| <b>Stability</b>   |         |         |         |         |           |        |        |        |                                  |
| <b>Rates concentration</b><br><i>Rates compared to adjusted underlying revenue</i><br>[Rate revenue/Adjusted underlying revenue] x100                    | 66.92%  | 68.58%  | 67.40%  | 67.63%  | 69.14%    | 70.47% | 71.13% | 70.96% |                                  |
| <b>Rates effort</b><br><i>Rates compared to property values</i><br>[Rate revenue/Capital improved value of rateable properties in the municipality] x100 | 0.22%   | 0.24%   | 0.23%   | 0.24%   | 0.22%     | 0.22%  | 0.21%  | 0.20%  |                                  |

**Definitions**

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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



| Sr. No | Governance and Management Items  | Assessment  | Comment  |
|--------|--|---|--|
| 1      | <b>Community engagement policy</b> (policy under section 55 of the Act outlining Council's commitment to engaging with the community on matters of public interest)                                  | Adopted in accordance with section 55 of the Act<br><b>Date of adoption:</b><br>22 February 2021                    | Not due for Review until September 2023.   |
| 2      | <b>Community engagement guidelines</b> (guidelines to assist staff to determine when and how to engage with the community)   | Guidelines<br><b>Date of commencement of current guidelines:</b><br>22 February 2021                                | Community Engagement Guidelines incorporated within the Community Engagement Policy.<br>Not due for Review until September 2023. |
| 3      | <b>Financial Plan</b> (plan under section 91 of the Act outlining the financial and non-financial resources required for at least the next 10 financial years)                                       | Adopted in accordance with section 91 of the Act<br><b>Date of adoption:</b><br>27 June 2022                        |  |
| 4      | <b>Asset Plan</b> (plan under section 92 of the Act setting out the asset maintenance and renewal needs for key infrastructure asset classes for at least the next 10 years)                         | Asset Management Plan adopted in accordance with section 92 of the act.<br><b>Date of adoption:</b><br>27 June 2022 |  |
| 5      | <b>Revenue and Rating Plan</b> (plan under section 93 of the Act setting out the rating structure of Council to levy rates and charges)  | Adopted in accordance with section 93 of the Act<br><b>Date of adoption:</b><br>27 June 2022                        |  |
| 6      | <b>Annual budget</b> (plan under section 94 of the Act setting out the services to be provided and initiatives to be undertaken during the budget year and the funding and other resources required) | Adopted in accordance with section 94 of the Act<br><b>Date of adoption:</b><br>27 June 2022                        |  |
| 7      | <b>Risk policy</b> (policy outlining Council's commitment and approach to minimising the risks to Council's operations)  | Policy - Risk Management Framework<br><b>Date of commencement of current policy:</b><br>2 December 2021             | Risk Management Policy forms part of the Risk Management Framework   |
| 8      | <b>Fraud policy</b> (policy outlining Council's commitment and approach to minimising the risk of fraud)   | Policy - Fraud and Corruption Control Framework   |  |

| Sr. No | Governance and Management Items   | Assessment  | Comment  |
|--------|---|---|--|
|        |   | <b>Date of commencement of current policy:</b><br>25 July 2022  |  |
| 9      | <b>Municipal emergency management plan</b> (plan under section 20 of the Emergency Management Act 1986 for emergency mitigation, response and recovery)                                 | Prepared and maintained in accordance with section 20 of the Emergency Management Act 1986<br><b>Date of adoption:</b><br>February 2022 |  |
| 10     | <b>Procurement Policy</b> (policy under section 108 of the Act outlining the principles, processes and procedures that will apply to the purchase of goods and services by the Council) | Adopted in accordance with section 108 of the Act<br><b>Date of adoption:</b><br>27 June 2022   |  |
| 11     | <b>Business continuity plan</b> (plan setting out the actions that will be undertaken to ensure that key services continue to operate in the event of a disaster)                       | Business Continuity Plan<br><b>Date of commencement of current plan:</b><br>March 2020  |  |
| 12     | <b>Disaster recovery plan</b> (plan setting out the actions that will be undertaken to recover and restore business capability in the event of a disaster)                              | Plan - Disaster recovery plan<br><b>Date of commencement of current plan:</b><br>June 2021  | The document is being reviewed and is on track to go to Executive Management Team on 28/6/2022   |
| 13     | <b>Risk management framework</b> (framework outlining Council's approach to managing risks to the Council's operations)   | Framework - Risk management framework<br><b>Date of commencement of current framework:</b><br>2 December 2021                           |  |
| 14     | <b>Audit and Risk Committee</b> (see sections 53 and 54 of the Act)   | Established in accordance with section 53 of the Act<br><b>Date of establishment:</b> 24 August 2020                                    | The Audit and Risk Committee (ARC) Work Plan includes consideration / review of the Charter at the 8 December 2022 ARC meeting, enabling Council consideration at the 19 December Council meeting. |
| 15     | <b>Internal audit</b> (independent accounting professionals engaged by the Council to provide analyses and recommendations aimed at improving Council's                                 | Engaged - Crowe<br><b>Date of engagement of current provider:</b>  <br>1 December 2018  | Council extended the contract with Crowe as the appointed internal auditor for another 2 years until 30 November 2023.   |

| Sr. No | Governance and Management Items  | Assessment   | Comment  |
|--------|--|--|--|
|        | governance, risk and management controls)  |  |  |
| 16     | <b>Performance reporting framework</b> (a set of indicators measuring financial and non-financial performance, including the performance indicators referred to in section 98 of the Act)                          | Framework -<br>Community Plan 2021 - 2031,<br>Council Plan 2021 - 2025<br>Financial Plan 2021 - 2031<br><b>Date of adoption of current framework:</b><br>25 October 2021 |  |
| 17     | <b>Council Plan report</b> (report reviewing the performance of the Council against the Council Plan, including the results in relation to the strategic indicators, for the first 6 months of the financial year) | Report<br><b>Date of reports:</b><br>28 March 2022<br>23 May 2022  |  |
| 18     | <b>Quarterly budget reports</b> (quarterly reports to the Council under section 97 of the Act, comparing actual and budgeted results and an explanation of any material variations)                                | Reports presented to the Council in accordance with section 97(1) of the Act<br><b>Dates reports presented:</b><br>22 November 2021<br>28 February 2022<br>23 May 2022   |  |
| 19     | <b>Risk reports</b> (6-monthly reports of strategic risks to Council's operations, their likelihood and consequences of occurring and risk minimisation strategies)  | Reports<br><b>Dates of reports:</b><br>December 2021<br>March 2022   | Risk Management Reports presented to the Audit and Risk Committee in December 2021 and March 2022, with an Annual Risk Management report to be presented separately to the June 2022 Audit and Risk Committee Meeting. |
| 20     | <b>Performance reports</b> (6-monthly reports of indicators measuring financial and non-financial performance, including the performance indicators referred to in section 98 of the Act)                          | Reports<br><b>Dates of reports:</b><br>28 March 2022<br>23 May 2022  |  |
| 21     | <b>Annual report</b> (annual report under sections 98 and 99 of the Act containing a report of operations and audited financial and performance statements)  | Presented at a meeting of the Council in accordance with section 100 of the Act<br><b>Date of presentation:</b><br>22 November 2021                                      |  |

| Sr. No | Governance and Management Items   | Assessment   | Comment  |
|--------|---|--|--|
| 22     | <b>Councillor Code of Conduct</b> (Code under section 139 of the Act setting out the standards of conduct to be followed by Councillors and other matters)  | Reviewed and adopted in accordance with section 139 of the Act<br><b>Date reviewed and adopted:</b><br>24 February 2021  |  |
| 23     | <b>Delegations</b> (documents setting out the powers, duties and functions of Council and the Chief Executive Officer that have been delegated to members of staff, in accordance with sections 11 and 47 of the Act) | Reviewed in accordance with section 11(7) of the Act and a register kept in accordance with sections 11(8) and 47(7) of the Act<br><b>Date of review under section 11(7):</b><br><ul style="list-style-type: none"> <li>• Council to CEO – June 2022</li> <li>• Council to SPC – November 2021</li> <li>• Cemeteries and Crematoria – March 2022</li> <li>• Domestic Animals, Environmental Protection and Food – March 2022</li> <li>• Road Management Responsibilities – March 2022</li> <li>• Planning – March 2022</li> <li>• CEO Powers – May 2022</li> <li>• CEO to staff – July 2022</li> </ul> |  |
| 24     | Meeting procedures (Governance Rules under section 60 of the Act governing the conduct of meetings of Council and delegated committees)   | Governance Rules adopted in accordance with section 60 of the Act<br><b>Date Governance Rules adopted:</b><br>24 August 2021   | At its July 2022 meeting, Council resolved to commence a review of the Governance Rules and released proposed amendments for community consultation. Proposed amendments will be reported to Council's August meeting for consideration. |