



ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2024



Hepburn Shire Council

Financial Report

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Hepburn Shire Council

Financial Report

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Certification of the Financial Statements

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



Natalie Martin
Principal Accounting Officer

Dated : 9 October 2024
Daylesford

In our opinion, the accompanying financial statements present fairly the financial transactions of the Hepburn Shire Council for the year ended 30 June 2024 and the financial position of the Council as at that date.

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

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



Mayor Cr Brian Hood
Councillor

Dated : 9 October 2024
Daylesford



Cr Lesley Hewitt
Councillor

Dated : 9 October 2024
Daylesford



Bradley Thomas
Chief Executive Officer

Dated : 9 October 2024
Daylesford

Independent Auditor's Report

To the Councillors of Hepburn Shire Council

Opinion	<p>I have audited the financial report of Hepburn Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2024• comprehensive income statement for the year then ended• statement of changes in equity for the year then ended• statement of cash flows for the year then ended• statement of capital works for the year then ended• notes to the financial statements, including material accounting policy information• certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2024 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 4 of the <i>Local Government Act 2020</i>, the Local Government (Planning and Reporting) Regulations 2020 and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other information	<p>The Councillors of the council are responsible for the Other Information, which comprises the information in the council's annual report for the period ended 30 June 2024, but does not include the financial report and my auditor's report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>

Councillors' responsibilities for the financial report The Councillors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2020, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

**Auditor's
responsibilities
for the audit of
the financial
report
(continued)**

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE
9 October 2024

Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement For the Year Ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Income / Revenue			
Rates and charges	3.1	26,038	24,866
Statutory fees and fines	3.2	915	1,013
User fees	3.3	788	1,154
Grants - operating	3.4	4,168	14,243
Grants - capital	3.4	3,710	9,603
Contributions - monetary	3.5	753	1,100
Contributions - non monetary	3.5	1,135	-
Other income	3.7	1,673	2,057
Total income / revenue		39,180	54,036
Expenses			
Employee costs	4.1	18,051	18,673
Materials and services	4.2	17,354	23,188
Depreciation	4.3	10,380	8,750
Allowance for impairment losses	4.4	144	(3)
Borrowing costs	4.5	141	146
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	1,910	2,973
Other expenses	4.6	1,081	2,903
Total expenses		49,061	56,630
Surplus/(deficit) for the year		(9,881)	(2,594)
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation gain/(loss)	6.1	114,891	23,951
Total other comprehensive income		114,891	23,951
Total comprehensive result		105,009	21,357

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

Balance Sheet As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	1,645	14,274
Trade and other receivables	5.1	7,703	6,892
Other financial assets	5.1	6,187	4,202
Inventories	5.2	5	13
Prepayments	5.2	44	55
Other assets	5.2	36	-
Total current assets		<u>15,620</u>	<u>25,436</u>
Non-current assets			
Property, infrastructure, plant and equipment	6.1	484,726	364,442
Total non-current assets		<u>484,726</u>	<u>364,442</u>
Total assets		<u>500,346</u>	<u>389,878</u>
Liabilities			
Current liabilities			
Trade and other payables	5.3	4,147	3,488
Trust funds and deposits	5.3	1,736	1,496
Contract and other liabilities	5.3	1,629	2,540
Provisions	5.5	2,680	2,747
Interest-bearing liabilities	5.4	883	408
Total current liabilities		<u>11,075</u>	<u>10,679</u>
Non-current liabilities			
Provisions	5.5	526	464
Interest-bearing liabilities	5.4	8,498	3,494
Other liabilities		10	42
Total non-current liabilities		<u>9,034</u>	<u>4,000</u>
Total liabilities		<u>20,109</u>	<u>14,679</u>
Net assets		<u>480,237</u>	<u>375,199</u>
Equity			
Accumulated surplus		140,193	149,684
Reserves	9.1	340,043	225,515
Total Equity		<u>480,237</u>	<u>375,199</u>

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

Statement of Changes in Equity For the Year Ended 30 June 2024

2024	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		375,199	149,684	219,149	6,366
Opening balance adjustment *		29	29	-	-
Revised opening balance		375,228	149,713	219,149	6,366
Surplus/(deficit) for the year		(9,881)	(9,881)	-	-
Net asset revaluation gain/(loss)	6.1	114,891	-	114,891	-
Transfers to other reserves	9.1	-	8,227	-	(8,227)
Transfers from other reserves	9.1	-	(7,865)	-	7,865
Balance at end of the financial year		480,237	140,193	334,040	6,004

2023		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		353,840	155,156	195,198	3,486
Surplus/(deficit) for the year		(2,594)	(2,594)	-	-
Net asset revaluation gain/(loss)	6.1	23,951	-	23,951	-
Transfers to other reserves	9.1	-	6,307	-	(6,307)
Transfers from other reserves	9.1	-	(9,187)	-	9,187
Balance at end of the financial year		375,199	149,684	219,149	6,366

* Prior year error in accounting treatment of depreciation for sale of Rex.

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

Statement of Cash Flows For the Year Ended 30 June 2024

	Note	2024 Inflows/ (Outflows) \$'000	2023 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		25,411	23,842
Statutory fees and fines		932	995
User fees		502	1,311
Grants - operating		4,526	15,592
Grants - capital		2,799	3,951
Contributions - monetary		753	1,100
Interest received		435	423
Rent received		1,234	1,384
Trust funds and deposits taken		36	355
Other receipts		60	354
Net GST refund/payment		3,300	3,224
Employee costs		(18,065)	(18,696)
Materials and services		(20,116)	(26,484)
Other payments		(1,189)	(1,299)
Net cash provided by/(used in) operating activities	9.2	620	6,052
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(16,744)	(14,590)
Proceeds from sale of property, infrastructure, plant and equipment	3.6	143	4,001
Payments for investments		(1,985)	-
Proceeds from sale of investments		-	13,000
Net cash provided by/(used in) investing activities		(18,586)	2,411
Cash flows from financing activities			
Finance costs		(141)	(146)
Proceeds from borrowings		5,887	1,500
Repayment of borrowings		(408)	(2,123)
Net cash provided by/(used in) financing activities		5,338	(769)
Net increase (decrease) in cash and cash equivalents		(12,629)	7,694
Cash and cash equivalents at the beginning of the financial year		14,274	6,579
Cash and cash equivalents at the end of the financial year	5.1	1,645	14,273
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Statement of Capital Works For the Year Ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Property			
Land improvements		16	-
Buildings		5,549	4,466
Total property		<u>5,565</u>	<u>4,466</u>
Plant and equipment			
Plant, machinery and equipment		303	1,243
Computers and telecommunications		162	242
Library books		75	28
Total plant and equipment		<u>540</u>	<u>1,513</u>
Infrastructure			
Roads		2,402	2,663
Bridges		106	526
Footpaths and cycleways		507	299
Drainage		240	278
Recreational, leisure and community facilities		5,725	4,341
Parks, open space and streetscapes		1,424	452
Other infrastructure		259	52
Total infrastructure		<u>10,664</u>	<u>8,611</u>
Total capital works expenditure		<u>16,768</u>	<u>14,590</u>
Represented by:			
New asset expenditure		8,948	6,142
Asset renewal expenditure		4,150	5,553
Asset upgrade expenditure		3,670	2,895
Total capital works expenditure		<u>16,768</u>	<u>14,590</u>

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 1 OVERVIEW

Introduction

The Hepburn Shire Council was established by an Order of the Governor in Council on 19 January 1995 and is a body corporate. The Council's main office is located at 24 Vincent St, Daylesford 3460.

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.

Accounting policy information

1.1 Basis of accounting

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

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

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.

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

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

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

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

Goods and Services Tax (GST)

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 1 OVERVIEW (continued)

1.2 Storm Events

Council has been impacted by three significant storm events during the financial years 2020/21 to 2022/23 with the works finishing in 2023/24. The first event occurred in the Trentham area in June 2021, the second event was in the Creswick area in January 2022 and the third event in October 2022 was state wide.

The result of these storms was significant damage to property and infrastructure across the areas. A storm recovery team was set up by council to co-ordinate a response to the disasters and provide support and information to the affected communities.

The costs to respond to the storm events is being partially reimbursed through government disaster recovery funding and insurance claim assessments and approval. Total costs for the three events is \$14.9m, with all major expenditure for the storms having been completed by 30 June 2024.

Total Financial Impact of Storm Events on Council

	Storm Event Trentham June 2021	Storm Event Creswick January 2022	Storm Event October 2022	Total
	\$'000's	\$'000's	\$'000's	\$'000's
Claims Received	4,886	1,507	5,177	11,570
Costs				
Employee Benefits	635	461	397	1,493
Contractors	5,055	1,791	6,259	13,106
Other	182	114	15	311
Total Expenditure	5,872	2,366	6,671	14,910
(Cost) / Benefit to Council	(986)	(860)	(1,494)	(3,340)

Impact of Storm Events on 2023/2024 financial results

	Storm Event Trentham June 2021	Storm Event Creswick January 2022	Storm Event October 2022	Total
	\$'000's	\$'000's	\$'000's	\$'000's
Claims Received	563	1,500	298	2,361
Costs				
Employee Benefits	11	0	143	154
Contractors	20	5	1,022	1,048
Other	0	0	0	0
Total Expenditure	31	5	1,165	1,202
(Cost) / Benefit* to Council	532	1,494	(867)	1,159

* reimbursements for prior years storm events

1.3 Carried Forward Works

The carried forward works value disclosed in Note 5.1(b) is stated at 30 June 2024 budget value. This amount may fluctuate due to cost inflation in the construction industry and the changing economic climate.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 2 ANALYSIS OF OUR RESULTS

2.1 Performance against budget

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

The budget figures detailed below are those adopted by Council on 27 June 2023. 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 / Revenue and expenditure

	Budget 2024 \$'000	Actual 2024 \$'000	Variance \$'000	Variance %	Ref
Income / Revenue					
Rates and charges	26,159	26,038	(121)	0%	1
Statutory fees and fines	1,130	915	(215)	-19%	2
User fees	1,016	788	(228)	-22%	3
Grants - operating	6,849	4,168	(2,681)	-39%	4
Grants - capital	5,782	3,710	(2,072)	-36%	5
Contributions - monetary	570	753	183	32%	6
Contributions - non monetary	-	1,135	1,135	100%	7
Other income	1,572	1,673	101	6%	8
Total income / revenue	43,277	39,180	(3,898)	-9%	
Expenses					
Employee costs	17,991	18,051	60	0%	
Materials and services	20,431	17,354	(3,077)	-15%	9
Depreciation	8,809	10,380	1,571	18%	10
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	200	1,910	1,710	855%	11
Allowance for impairment losses	15	144	129	860%	12
Borrowing costs	211	141	(70)	-33%	
Other expenses	898	1,081	183	20%	13
Total expenses	48,555	49,061	506	1%	
Surplus/(deficit) for the year	(5,077)	(9,881)	(4,404)	87%	

(i) Explanation of material variations

- 1 **Rates and Charges** - Service charges are unfavourable to budget (\$83k) as a result of slightly lower than expected waste management charges recovered compared to budget. A reduced level of supplementary rates has been returned in the rating year than expected (\$28k).
- 2 **Statutory Fees and Fines** - The decrease in statutory fees and fines is attributable to town planning fees being unfavourable. A mid-year budget adjustment downwards of \$280k realigned this area based on the actual rate of receiving these fees thereby revising the variance to \$65k. There has been a significant drop recently in planning and building applications compared to prior years whereby government stimulus packages were used to incentivise this area.
- 3 **User Fees** - Unfavourable movement in the gate fees charges at the transfer stations \$182k as compared to the adopted budget together with a reduction in the building fee income being generated \$20k.
- 4 **Grants Operating** - The decrease in operating grants is a result of the financial assistance grant for 2024/2025 having been realigned for receipt in the year applicable, so no advanced payment was received in 2023/2024. (\$6.1M prior advance 2022/2023) The movement has been compounded by increased storm recovery income (\$3.6M) received in 2022/2023 as compared to the current financial year. These issues are timing specific.
- 5 **Grants Capital** - The decrease in capital grants received is due to a major project for bridges having not commenced to the construction stage \$2.5m, this is offset in part by final instalments for Local Roads and Community Infrastructure Program (LRCI) Phase 1 and Phase 2 projects being received in 2023/24 that were completed in a prior financial year.
- 6 **Contributions - monetary** - Greater than expected subdivision activity has occurred across the Shire in the year, funds which developers are required to submit to Council are transferred to a financial reserve for capital investment by Council in future years.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 2 ANALYSIS OF OUR RESULTS (continued)

- 7 **Contributions - non monetary** - New subdivisions occurred across the Shire resulting in non-monetary contributions, land under roads of \$181k and infrastructure assets of \$954k were brought to account for the first time.
- 8 **Other income** - decrease predominately due to a reduction in insurance claims (\$134k), other reimbursements (\$144k), and commercial property rental income (\$102k) which was high in the previous year as services returned to strength from the covid pandemic impacts.
- 9 **Materials and Services** - Materials and services are favourable to budget due to costs associated with storm recovery works \$3.1M not required at the budgeted amount. Corresponding net off of income budget for storms.
- 10 **Depreciation** - The budgeted depreciation has not taken into account the increase due to the large capital program and impact of revaluations. It is noted that depreciation is a non-cash item.
- 11 **Net gain / (loss) on disposal of asset** - The increase compared to budget relates to the written down value of disposed infrastructure as a result of capital works undertaken. Given the value of infrastructure disposed is difficult to assume, and it being a non-cash item, it is therefore not budgeted for.
- 12 **Allowance for impairment losses** - Provision has been made for historical infringement debts across the regulatory services of local laws, fire prevention, parking and planning \$111k
- 13 **Other expenses** - The increase compared to budget has resulted from one off and new items that were unbudgeted in the 2023/24 financial year. These include rental adjustments for transfer stations \$16k, corporate memberships \$12k, compensation payments \$40k, grants and donations \$47k. A mid-year adjustment to the adopted budget of \$68k also took place. The resultant position with this adjustment is a variance of \$115k to the revised budget.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 2 ANALYSIS OF OUR RESULTS (continued)

2.1.2 Capital works

	Budget 2024 \$'000	Actual 2024 \$'000	Variance \$'000	Variance %	Ref
Property					
Land improvements	-	16	16	0%	
Buildings and improvements	3,462	5,549	2,087	60%	1
Total property	3,462	5,565	2,103	61%	
Plant and equipment					
Plant, machinery and equipment	600	303	(297)	-50%	2
Computers and telecommunications	200	162	(38)	-19%	
Library books	60	75	15	25%	
Total plant and equipment	860	540	(320)	-37%	
Infrastructure					
Roads	2,730	2,402	(328)	-12%	3
Bridges	3,000	106	(2,894)	-96%	4
Footpaths and cycleways	275	507	232	84%	5
Drainage	264	240	(24)	-9%	
Recreational, leisure and community facilities	7,720	5,725	(1,995)	-26%	6
Parks, open space and streetscapes	760	1,424	664	87%	7
Other infrastructure	300	259	(41)	-14%	
Total infrastructure	15,049	10,664	(4,385)	-29%	
Total capital works expenditure	19,371	16,768	(2,603)	-13%	
Represented by:					
New asset expenditure	8,805	8,948	143	2%	
Asset renewal expenditure	9,629	4,150	(5,479)	-57%	
Asset upgrade expenditure	937	3,670	2,733	292%	
Total capital works expenditure	19,371	16,768	(2,603)	-13%	

(i) Explanation of material variations

Variance Ref	Item / Explanation
1	Buildings and Building Improvements - Mechanics at Trentham finalised in 2023/24 with carry forward from 2022/23 and mid-year budget adjustments totalling \$2.7m added to the original budget allocation.
2	Plant, machinery & equipment - \$600k adopted budget shows a favourable variance of \$297k resulting from a proportion of capital works expenditure (composting trial) from a prior reporting period being expensed due to not meeting the capitalisation threshold.
3	Roads - due to delays in the 2022/23 program, a budget of \$636k was carried forward to the current financial year. As a result of this prior year carry forward, the program is fully expended in 2023/24 with a marginal variance to the amended budget.
4	Bridges - a major bridge renewal has commenced with the design work completed in the prior financial year. Construction of this renewal is anticipated in a future financial year, with the variance to budget of \$2.9m identified as a 2023/24 carry forward.
5	Footpaths and cycleways - due to delays in the 2022/23 program, a budget of \$220k was carried forward to the current financial year. As a result of this prior year carry forward, the program is fully expended in 2023/24 with a marginal variance to the amended budget.
6	Recreation, leisure and community facilities - major project of Djuwang Baring is scheduled for completion late December 2024 therefore variance to budget of just over \$2m has been identified to carry forward to 2024/25.
7	Parks, open space and streetscapes - Central Springs Reserves renewal has identified an overrun on the adopted budget which is impacting on the 2023/24 financial year. Prior year budget has been carried forward of \$627k to eliminate any overruns. The spend to this project will be offset in part from the discretionary reserves.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 2 ANALYSIS OF OUR RESULTS (continued)

2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

CEO Office

The Chief Executive Office (CEO) provides the strategic direction across council to enable the efficient, effective delivery of policy commitments, council vision and mission.

Infrastructure and Delivery

Infrastructure and Delivery Services 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, parks and gardens, facilities maintenance, and the delivery of major projects.

Community and Corporate

Community Services provides high quality community focused programs, service delivery and communication to residents. Community Services is comprised of community care, connected communities, family services, health communities, leisure and recreational services and social planning and investment.

Community Services is underpinned by both customer commitments and customer service strategies. Community and economic development are responsible for business improvement and customer service. Community and economic development also advocate on behalf of the community for major events, arts, culture, economic development and cultural opportunities including the delivery of a reconciliation action plan with the traditional owners of the land of the Dja Dja Wurrung.

The corporate functions of finance services, governance and risk are incorporated into this directorate that supports the whole of council to enable the delivery of all council services.

Development and Regulation

Development Services incorporates planning services and includes the assessment of shire development, planning strategy and urban growth. Health and community safety services, emergency management and municipal resources are also included as part of this program.

People and Transformation

People and Transformation provides efficient, effective and proactive support services across council to enable the delivery of all council services. The provision of these services includes finance services, governance, risk, digital information and technology and culture and performance.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 2 ANALYSIS OF OUR RESULTS (continued)

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

	Income / Revenue	Expenses	Surplus/ (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2024					
CEO Office	-	1,026	(1,026)	-	-
Infrastructure and Delivery Services	13,998	18,736	(4,739)	6,374	375,922
Community and Corporate Services	23,455	19,886	3,569	861	75,375
People and Transformation	350	4,627	(4,276)	334	29,739
Development and Regulation	1,377	4,786	(3,408)	310	19,310
	39,180	49,061	(9,881)	7,878	500,346

	Income / Revenue	Expenses	Surplus/ (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
CEO Office	-	1,786	(1,786)	-	-
Infrastructure and Delivery Services	28,680	24,994	3,685	10,469	294,094
Community and Development Services	3,471	10,462	(6,991)	8,161	34,630
Organisational Services	21,886	19,388	2,498	5,216	61,154
	54,036	56,630	(2,594)	23,846	389,878

Note - change to organisational structure from July 2023.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES

3.1 Rates and charges

2024
\$'000 2023
\$'000

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

The valuation base used to calculate general rates for 2023/24 was \$9,947,301 million (2022/23 \$9,045,824 million).

General rates	20,117	19,331
Garbage and Recycling Rates	2,864	2,643
Waste management charge	2,626	2,409
Special rates and charges	66	85
Supplementary rates and rate adjustments	92	78
Interest on rates and charges	268	311
Revenue in lieu of rates	5	9
Total rates and charges	26,038	24,866

The date of the general revaluation of land for rating purposes within the municipal district was 1 January 2023 and the valuation was first applied in the rating year commencing 1 July 2023.

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

3.2 Statutory fees and fines

Infringements and costs	42	44
Permits	12	11
Local Law Permits	26	11
Environmental Health Permits	69	52
Registration fees	273	230
Town planning fees	430	596
Other fees and fines	63	69
Total statutory fees and fines	915	1,013

Statutory fees and fines (including parking fees and fines) are recognised as income when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

3.3 User fees

Aged and health services	-	8
Building Services	196	232
Aquatic Centre Fees	13	9
Waste management services	492	456
Other fees and charges	87	449
Total user fees	788	1,154

User fees by timing of revenue recognition

User fees recognised over time	-	-
User fees recognised at a point in time	788	1,154
Total user fees	788	1,154

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES (continued)	2024 \$'000	2023 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	1,732	8,318
State funded grants	6,146	15,527
Total grants received	7,878	23,845
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants - VGC	187	5,039
Local Road funding - VGC	87	2,332
Aged care	-	6
Community health	2	1
Recurrent - State Government		
Aged care	4	16
Libraries	177	177
Maternal and child health	329	119
Emergency Management	120	120
School crossing supervisors	45	44
Youth	35	36
Other	56	52
Total recurrent operating grants	1,042	7,942
Non-recurrent - State Government		
Commerce and tourism	-	300
Community Health	150	-
Emergency Management	495	791
Family and Children	20	-
Waste and environment	-	37
Storm Events	-	5,045
Other	2,461	128
Total non-recurrent operating grants	3,126	6,301
Total operating grants	4,168	14,243
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,116	940
Total recurrent capital grants	1,116	940
Non-recurrent - Commonwealth Government		
Buildings	74	-
Roads	266	-
Non-recurrent - State Government		
Buildings	959	6,030
Roads	489	977
Recreation, leisure and community facilities	805	1,609
Other	-	47
Total non-recurrent capital grants	2,594	8,663
Total capital grants	3,710	9,603

Notes to the Financial Report For the Year Ended 30 June 2024

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES (continued)

(c) Recognition of grant income

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

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

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

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

Income recognised under AASB 1058 <i>Income of Not-for-Profit Entities</i>	2024	2023
	\$'000	\$'000
General purpose	-	-
Specific purpose grants to acquire non-financial assets	3,710	9,602
Other specific purpose grants	995	8,550
Revenue recognised under AASB 15 <i>Revenue from Contracts with Customers</i>		
Specific purpose grants	3,173	5,693
	<u>7,878</u>	<u>23,845</u>

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

Operating

Balance at start of year	1,225	2,378
Received during the financial year and remained unspent at balance date	328	1,219
Received in prior years and spent during the financial year	(645)	(2,371)
Balance at year end	<u>908</u>	<u>1,225</u>

Capital

Balance at start of year	925	5,660
Received during the financial year and remained unspent at balance date	214	735
Received in prior years and spent during the financial year	(810)	(5,470)
Balance at year end	<u>329</u>	<u>925</u>

Unspent grants are determined and disclosed on a cash basis.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 3 FUNDING FOR THE DELIVERY OF OUR SERVICES (continued)	2024	2023
3.5 Contributions	\$'000	\$'000
Monetary	753	1,100
Non-monetary	1,135	-
Total contributions	1,888	1,100

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

Land	181	-
Roads	954	-
Total non-monetary contributions	1,135	-

Monetary and non monetary contributions are recognised as income 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	143	4,001
Written down value of assets disposed	(52)	(6,693)
Written down value of infrastructure assets renewed	(2,001)	(281)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(1,910)	(2,973)

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

3.7 Other income

Interest	435	423
Reimbursements	31	235
Facilities rental income	1,178	1,280
Sales of materials	98	114
Other	(69)	5
Total other income	1,673	2,057

Interest is recognised as it is earned.

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

Notes to the Financial Report For the Year Ended 30 June 2024

	2024	2023
	\$'000	\$'000
Note 4 THE COST OF DELIVERING SERVICES		
4.1 (a) Employee costs		
Wages and salaries	14,439	14,481
WorkCover	398	321
Superannuation	1,651	1,478
Fringe benefits tax	117	94
Agency staff	1,446	2,299
Total employee costs	18,051	18,673

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	53	50
	<u>53</u>	<u>50</u>
Employer contributions payable at reporting date.	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	649	568
Employer contributions - other funds	948	864
	<u>1,598</u>	<u>1,432</u>
Employer contributions payable at reporting date.	-	-

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

4.2 Materials and services

Building maintenance	52	53
Consultants	3,002	2,469
Contract Payments		
Waste services	4,105	3,062
Infrastructure Maintenance	1,825	7,953
General Contracts	1,651	2,531
Information technology	1,214	1,151
Insurance	628	576
Materials and services	3,783	4,081
Office administration	387	614
Utilities	707	699
Total materials and services	17,354	23,188

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

A further \$1.2M was incurred in 2024 in relation to storm recovery. (\$5.8M in 2023).

4.3 Depreciation

Property	2,865	2,335
Plant and equipment	1,192	1,169
Infrastructure	6,322	5,245
Total depreciation	10,380	8,750

Refer to note 5.2(c), and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 4 THE COST OF DELIVERING SERVICES (continued)	2024 \$'000	2023 \$'000
4.4 Allowance for impairment losses		
Other debtors	144	(3)
Total allowance for impairment losses	144	(3)
Movement in allowance for impairment losses in respect of debtors		
Balance at the beginning of the year	(16)	(110)
New allowances recognised during the year	(116)	(5)
Amounts already allowed for and written off as uncollectible	2	87
Amounts allowed for but recovered during the year	6	12
Balance at end of year	(124)	(16)

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

4.5 Borrowing costs

Interest - Borrowings	141	146
Total borrowing costs	141	146

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

4.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	52	51
Auditors' remuneration - Internal Audit	33	38
Councillors' allowances	259	254
Community grants	438	300
Operating pension rebate	36	36
Tourism board membership	100	80
Work in Progress Write Off #	1	1,693
Others	163	451
Total other expenses	1,081	2,903

This prior year write off figure includes the works completed on the Trentham Sportsground Pavilion as it is not a Council Asset.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS	2024	2023
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	3	3
Cash at bank	628	8,228
Term deposits	1,014	6,043
Total cash and cash equivalents	1,645	14,274
(b) Other financial assets		
Current		
Term deposits	6,187	4,202
Total current other financial assets	6,187	4,202
Total other financial assets	6,187	4,202
Total cash and cash equivalents and other financial assets	7,832	18,476
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)	1,736	1,496
- Statutory reserves (note 9.1(b))	1,967	1,842
Total restricted funds	3,703	3,339
Total unrestricted cash, cash equivalents and financial assets	4,129	15,137
Intended Allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council.		
- Carried forward capital works	(4,930)	(5,040)
- Discretionary reserves (Note 9.1(b))	(4,037)	(4,525)
Total intended funding allocations	(8,967)	(9,565)
Unrestricted cash, cash equivalents and financial assets	4,129	15,137
	* (4,838)	5,573

* The negative \$4.838 million will be funded through cashflow management including recovery of receivables, timing of government grants, borrowings, and management of capital work projects and use of discretionary reserves in 2024/2025.

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS (continued)	2024	2023
(c) Trade and other receivables	\$'000	\$'000
Current		
<i>Statutory receivables</i>		
Rates debtors	5,329	4,702
Special rate assessment	550	346
Infringement debtors	172	189
Net GST receivable	408	522
<i>Non statutory receivables</i>		
Other debtors - rental	60	68
Other debtors - government grants	660	741
Other debtors - miscellaneous	648	339
Allowance for expected credit loss - other debtors	(124)	(16)
Total current trade and other receivables	7,703	6,892
Total trade and other receivables	7,703	6,892

Short term receivables are carried at invoice amount. An allowance for expected credit losses is recognised based on past experience and other objective evidence of expected losses. 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)	1,275	993
Past due by up to 30 days	1	26
Past due between 31 and 180 days	2	22
Past due between 181 and 365 days	84	96
Past due by more than 1 year	8	11
Total trade and other receivables	1,369	1,148

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$124K (2023: \$16K) were impaired. The amount of the allowance raised against these debtors was \$124K (2023: \$16K). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	124	16
Total trade & other receivables	124	16

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS (continued)

5.2 Non-financial assets

(a) Inventories

	2024	2023
	\$'000	\$'000
Inventories held for distribution	5	13
Total inventories	5	13

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

(b) Other assets

Prepayments	44	55
Other	36	-
Total other assets	80	55

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS (continued)	2024	2023
5.3 Payables, trust funds and deposits and contract and other liabilities	\$'000	\$'000
(a) Trade and other payables		
Current		
<i>Non-statutory payables</i>		
Trade payables	2,694	2,035
Accrued expenses	1,453	1,452
Total current trade and other payables	4,147	3,876
(b) Trust funds and deposits		
Current		
Refundable deposits	263	241
Fire services levy	550	438
Retention amounts	350	243
Other refundable deposits	573	574
Total current trust funds and deposits	1,736	1,496
(c) Contract and other liabilities		
Contract liabilities		
Current		
Income in advance	391	388
Grants received in advance - operating	908	1,346
Grants received in advance - capital	330	806
Total contract liabilities	1,629	2,540
Total contract and other liabilities	1,629	2,540

Trust funds and deposits

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.

Contract liabilities

Contract liabilities reflect consideration received in advance from customers in respect of capital and other grants. Contract liabilities are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

Purpose and nature of items

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS (continued)

5.4 Interest-bearing liabilities

	2024	2023
	\$'000	\$'000
Current		
Borrowings - secured	883	408
Total current interest-bearing liabilities	883	408
Non-current		
Borrowings - secured	8,498	3,494
Total non-current interest-bearing liabilities	8,498	3,494
Total	9,381	3,903

Borrowings are secured by a deed of charge over council rates

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

Not later than one year	883	408
Later than one year and not later than five years	3,920	1,758
Later than five years	4,578	1,737
	9,381	3,903

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 based on contractual repayment terms at every balance date.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS (continued)

5.5 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Other \$ '000	Total \$ '000
2024				
Balance at beginning of the financial year	2,918	293	-	3,211
Additional provisions	1,041	-	-	1,041
Amounts used	(1,015)	(31)	-	(1,046)
Balance at the end of the financial year	2,944	262	-	3,206
<i>Provisions - current</i>	2,654	26	-	2,680
<i>Provisions - non-current</i>	290	236	-	526
2023				
Balance at beginning of the financial year	2,909	328	-	3,237
Additional provisions	1,220	-	-	1,220
Amounts used	(1,211)	(35)	-	(1,246)
Balance at the end of the financial year	2,918	293	-	3,211
<i>Provisions - current</i>	2,721	26	-	2,747
<i>Provisions - non-current</i>	197	267	-	464
(a) Employee provisions			2024	2023
Current provisions expected to be wholly settled within 12 months			\$'000	\$'000
Annual leave			840	927
Long service leave			336	343
Other			122	51
			1,298	1,321
Current provisions expected to be wholly settled after 12 months				
Annual leave			69	84
Long service leave			1,287	1,316
			1,356	1,400
Total current employee provisions			2,654	2,721
Non-current				
Long service leave			290	197
Total non-current employee provisions			290	197
Aggregate carrying amount of employee provisions:				
Current			2,654	2,721
Non-current			290	197
Total aggregate carrying amount of employee provisions			2,944	2,918

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS (continued)

Annual leave

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

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

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

Long service leave

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

Key assumptions:

	2024	2023
- discount rate	4.45%	4.06%
- index rate	2.50%	2.50%
- settlement rate	7 years	7 years

	2024	2023
(b) Landfill restoration	\$'000	\$'000
Current	26	26
Non-current	236	267
	262	293

Council is obligated to restore both Creswick and Daylesford sites to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council reviews the landfill restoration provision on an annual basis, including the key assumptions listed below.

Key assumptions:

- aftercare period	30 years	30 years
- discount rate	4.45%	4.06%
- index rate	2.50%	2.50%

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS (continued)

5.6 Financing arrangements

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

Credit card facilities	150	150
Other facilities	9,381	3,903
Total facilities	9,531	4,053
Used facilities	9,486	4,008
Unused facilities	45	45

5.7 Commitments

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

(a) Commitments for expenditure

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2024					
Operating					
Maternal and child health	315	315	629	-	1,259
Library services	143	-	-	-	143
Kerbside collection	3,901	3,872	-	-	7,773
Transfer stations	1,057	1,057	617	-	2,731
ICT	781	788	1,576	-	3,145
Other	285	154	39	-	478
Total	6,482	6,186	2,861	-	15,529
Capital					
Buildings	162	-	-	-	162
Roads	2,427	71	-	-	2,498
Drainage	2,588	71	-	-	2,659
Total	5,177	142	-	-	5,319
2023					
Operating					
Maternal and child health	122	-	-	-	122
Library services	143	144	-	-	287
Kerbside Collection	2,953	3,071	3,194	-	9,218
Other	331	127	57	-	515
Total	3,549	3,342	3,251	-	10,142
Capital					
Buildings	3,290	-	-	-	3,290
Infrastructure	1,634	-	-	-	1,634
Total	4,924	-	-	-	4,924

Notes to the Financial Report For the Year Ended 30 June 2024

Note 5 INVESTING IN AND FINANCING OUR OPERATIONS (continued)

(b) Operating lease receivables

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 25 years. All leases include a CPI based revision of the rental charge annually.

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

	2024	2023
	\$'000	\$'000
Not later than one year	1,046	997
Later than one year and not later than five years	5,272	4,253
Later than five years	10,409	2,975
	16,727	8,225

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	4	-
Later than one year but not later than five years	15	-
Total lease commitments	18	-

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 6 ASSETS WE MANAGE

6.1 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2023 \$'000	Additions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Contributions \$'000	Transfers from WIP \$'000	Carrying amount 30 June 2024 \$'000
Property	135,717	-	50,953	(2,865)	-	(76)	181	8,321	192,231
Plant and equipment	3,976	-	-	(1,192)	(52)	-	-	1,594	4,326
Infrastructure	217,024	-	63,937	(6,322)	(2,001)	(32)	954	6,006	279,566
Work in progress	7,755	16,768	-	-	-	1	-	(15,921)	8,603
	<u>364,472</u>	<u>16,768</u>	<u>114,891</u>	<u>(10,380)</u>	<u>(2,053)</u>	<u>(107)</u>	<u>1,135</u>	<u>(0)</u>	<u>484,726</u>

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	3,602	5,565	-	(7,983)	1,184
Plant and equipment	1,101	540	1	(1,594)	48
Infrastructure	3,052	10,664	-	(6,345)	7,371
Total	<u>7,755</u>	<u>16,768</u>	<u>1</u>	<u>(15,921)</u>	<u>8,603</u>

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 6 ASSETS WE MANAGE (continued)

(a) Property

	Land - specialised	Land - non specialised	Land improvements	Total Land & Land Improvements	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2023	33,788	21,523	13,982	69,293	141,701	12,791	154,492	3,602	227,387
Accumulated depreciation at 1 July 2023	-	-	(6,100)	(6,100)	(77,238)	(4,760)	(81,998)	-	(88,098)
Opening Balance Adjustment	-	-	-	-	-	30	30	-	30
	33,788	21,523	7,882	63,193	64,463	8,061	72,524	3,602	139,319
Movements in fair value									
Additions	-	-	-	-	-	-	-	5,565	5,565
Revaluation	11,124	10,067	-	21,191	15,849	(8,278)	7,571	-	28,762
Write-off	-	-	-	-	(327)	-	(327)	-	(327)
Contributions	181	-	-	181	-	-	-	-	181
Transfers from WIP	-	-	1,112	1,112	-	7,209	7,209	(7,983)	338
	11,305	10,067	1,112	22,484	15,523	(1,069)	14,453	(2,418)	34,519
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	(272)	(272)	(2,382)	(210)	(2,593)	-	(2,865)
Revaluation	-	-	-	-	22,140	51	22,191	-	22,191
Write-off	-	-	-	-	251	-	251	-	251
	-	-	(272)	(272)	20,009	(159)	19,849	-	19,577
At fair value 30 June 2024	45,093	31,590	15,094	91,777	157,224	11,722	168,945	1,184	261,906
Accumulated depreciation at 30 June 2024	-	-	(6,372)	(6,372)	(57,229)	(4,889)	(62,119)	-	(68,491)
Carrying amount	45,093	31,590	8,722	85,405	99,994	6,832	106,827	1,184	193,415

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 6 ASSETS WE MANAGE (continued)

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2023	8,070	994	2,054	979	1,101	13,198
Accumulated depreciation at 1 July 2023	(5,126)	(844)	(1,439)	(711)	-	(8,120)
	2,943	150	615	268	1,101	5,078
Movements in fair value						
Additions	-	-	-	-	540	540
Disposal	(733)	-	-	-	-	(733)
Write-off	-	-	-	-	1	1
Transfers from WIP	1,350	-	169	75	(1,594)	-
	617	-	169	75	(1,053)	(192)
Movements in accumulated depreciation						
Depreciation and amortisation	(767)	(23)	(366)	(36)	-	(1,192)
Accumulated depreciation of disposals	681	-	-	-	-	681
	(86)	(23)	(366)	(36)	-	(511)
At fair value 30 June 2024	8,687	994	2,223	1,054	48	13,006
Accumulated depreciation at 30 June 2024	(5,212)	(867)	(1,805)	(747)	-	(8,631)
Carrying amount	2,943	127	418	307	48	4,374

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 6 ASSETS WE MANAGE (continued)

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Parks open space and streetscapes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2023	270,088	30,427	10,953	19,663	2,534	4,026	421	7,741	3,052	348,905
Accumulated depreciation at 1 July 2023	(96,773)	(15,065)	(4,010)	(9,333)	(909)	(183)	(39)	(2,518)	-	(128,830)
	173,315	15,362	6,943	10,330	1,625	3,843	382	5,224	3,052	220,075
Movements in fair value										
Additions	-	-	-	-	-	-	-	-	10,664	10,664
Revaluation	35,248	793	1,172	1,768	5,758	2,992	12	487	-	48,230
Disposal	(2,282)	-	(122)	(31)	-	-	-	-	-	(2,436)
Write-off	-	-	-	-	(42)	-	-	-	-	(42)
Contributions	496	-	41	416	-	-	-	-	-	954
Transfers from WIP	2,282	-	522	180	1,563	1,424	-	35	(6,345)	(338)
	35,743	793	1,613	2,333	7,279	4,416	12	522	4,319	57,031
Movements in accumulated depreciation										
Depreciation and amortisation	(4,888)	(239)	(235)	(328)	(317)	(137)	(21)	(158)	-	(6,322)
Accumulated depreciation of disposals	416	-	14	6	-	-	-	-	-	435
Revaluation	23,342	(220)	(394)	(405)	(4,863)	(1,551)	(2)	(201)	-	15,707
Write-off	-	-	-	-	10	-	-	-	-	10
Contributions	-	-	-	-	-	-	-	-	-	-
	18,871	(458)	(616)	(727)	(5,170)	(1,688)	(23)	(359)	-	9,831
At fair value 30 June 2024	305,831	31,220	12,566	21,996	9,813	8,442	433	8,263	7,371	405,936
Accumulated depreciation at 30 June 2024	(77,902)	(15,523)	(4,626)	(10,060)	(6,079)	(1,871)	(62)	(2,877)	-	(118,999)
Carrying amount	227,929	15,697	7,940	11,936	3,734	6,571	371	5,386	7,371	286,936

Notes to the Financial Report For the Year Ended 30 June 2024

Note 6 ASSETS WE MANAGE (continued)

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. Refer also to Note 8.4 for further disclosure regarding fair value measurement.

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

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	10,000
land improvements	20 - 100 years	10,000
Buildings		
buildings	25 - 150 years	10,000
building and leasehold improvements	25 - 150 years	10,000
Plant and Equipment		
plant, machinery and equipment	3 - 10 years	3,000
others	3 - 10 years	3,000
Infrastructure		
roads - pavements, substructure, formation and earthworks	10 - 80 years	10,000
roads - kerb, channel and minor culverts and other	10 - 65 years	10,000
bridges - deck and substructure	50 - 200 years	10,000
footpaths and cycleways	75 years	10,000
others	5 - 80 years	10,000
Intangible assets	3 - 10 years	10,000

Land under roads

Council recognises land under roads acquired after 30 June 2008 at fair value. Council does not recognise land under roads that it controlled prior to that period in this financial report.

Depreciation and amortisation

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

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

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

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

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

Repairs and maintenance

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 6 ASSETS WE MANAGE (continued)

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer [Jake Musgrave, Certified Practising Valuer: 113610] The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2024 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Land	-	31,590	-	Jun-24	Full
Specialised land	-	-	45,093	Jun-24	Full
Land Improvements	-	-	8,722	Jun-24	Full
Buildings	-	6,832	99,994	Jun-24	Full
Total	-	38,422	153,809		

Valuation of infrastructure

Valuation of infrastructure assets being roads and footpaths has been determined in accordance with an independent condition survey and an in-house valuation undertaken by Council officers.

The date and type of the current valuation is detailed in the following table. An index based revaluation was conducted in the current year, this valuation was based on the changes in indexation indicators from the Producer Price Indexes, Australia, a full revaluation of these assets will be conducted from 2024/25 onwards. The indexation applied to the asset class of bridges, drainage, recreational, leisure and community facilities, parks, open space and streetscapes, off street car parks, and other infrastructure.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2024 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Roads	-	-	227,929	Jun-24	Full
Bridges	-	-	15,697	Jun-24	Index
Footpaths and cycleways	-	-	7,940	Jun-24	Full
Drainage	-	-	11,936	Jun-24	Index
Recreational, leisure and community facilities	-	-	3,734	Jun-24	Index
Parks, open space and streetscapes	-	-	6,571	Jun-24	Index
Off Street Car Parks	-	-	371	Jun-24	Index
Other infrastructure	-	-	5,386	Jun-24	Index
Total	-	-	279,565		

Notes to the Financial Report For the Year Ended 30 June 2024

Note 6 ASSETS WE MANAGE (continued)

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$1,600 per square metre.

Land values for parcels with restrictions have been based on market evidence at level 2, using a cost approach as the market approach would be inappropriate due to the lack of an open and active market of sales of restricted land assets. No discount for this zoning has been applied.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$248 to \$13,237 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 5 years to 150 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 200 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.

	2024	2023
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	312	118
Parks and reserves	44,781	33,670
Total specialised land	45,093	33,788

Notes to the Financial Report For the Year Ended 30 June 2024

Note 7 PEOPLE AND RELATIONSHIPS

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Hepburn Shire Council is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in Note 7.2.

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Hepburn Shire Council. The Councillors, Chief Executive Officer and Directors are deemed KMP.

Details of KMP at any time during the year are:

		2024 No.	2023 No.
Councillors	Councillor Brian Hood (Mayor from 15.11.2022))	1	1
	Councillor Juliet Simpson to (Deputy Mayor from 15.11.2023)	1	1
	Councillor Jen Bray	1	1
	Councillor Lesley Hewitt (Deputy Mayor from 15.11.2022-14.11.2023)	1	1
	Councillor Tessa Halliday	1	1
	Councillor Timothy Drylie	1	1
	Councillor Don Henderson	1	1
Officers	Chief Executive Officer - Bradley Thomas	1	1
	Director Infrastructure and Delivery - Bruce Lucas	1	1
	Director Community and Corporate - Karina Lamb (from 31.07.2023)	1	-
	Exec. Manager People & Transformation - Brooke Holmes (from 31.07.2023)	1	-
	Executive Manager Development - Ron Torres (from 31.07.2023)	1	-
Total Number of Councillors		7	7
Total of Chief Executive Officer and other Key Management Personnel		5	5
Total Number of Key Management Personnel		12	12

(c) Remuneration of Key Management Personnel

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

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

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

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

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

	2024 \$'000	2023 \$'000
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	1,163	972
Other long-term employee benefits	49	11
Post-employment benefits	120	90
Termination benefits	-	-
Total	1,332	1,072

Notes to the Financial Report For the Year Ended 30 June 2024

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

Council have not received all money for claims submitted for Storm recovery events. The below table outlines the amount receivable based on various claim rates.

Outstanding Claims from the June 2021, January 2022 and October 2022 Storm

Maximum Amount to be refunded			\$734,008
Claim rates on outstanding claims	80%	90%	100%
Claim Amounts	\$587,206	\$660,607	\$734,008

(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, Council has paid unfunded liability payments to Vision Super totalling \$0 (2022/23 \$0). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2024. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2025 are \$80,000.

Legal matters

From time to time Council is involved in legal matters which are conducted through Council's solicitors. As these matters may yet be finalised, or the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

Liability Mutual Insurance

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

MAV Workcare

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 8 MANAGING UNCERTAINTIES (continued)

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period. Council assesses the impact of these new standards.

In December 2022 the Australian Accounting Standards Board (AASB) issued AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities to modify AASB 13 Fair Value Measurement. AASB 2022-10 amends AASB 13 Fair Value Measurement for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. The AASB 13 modifications:

- are applicable only to not-for-profit public sector entities;
 - are limited to fair value measurements of non-financial assets not held primarily for their ability to generate net cash inflows;
 - are to be applied prospectively for annual periods beginning on or after 1 January 2024;
 - would not necessarily change practice for some not-for-profit public sector entities; and
- do not indicate that entities changing practice in how they measure relevant assets made an error in applying the existing requirements of AASB 13. Council will assess any impact of the modifications to AASB 13 ahead of the 2024-25 reporting period.

In December 2022 the Australian Accounting Standards Board (AASB) issued AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants. AASB 2022-6 amends AASB 101 Presentation of Financial Statements to improve the information an entity provides in its financial statements about long-term liabilities with covenants where the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. The amendments in AASB 2022-6 are effective for annual periods beginning on or after 1 January 2024. Council will assess any impact of the modifications to AASB 101 ahead of the 2024-25 reporting period.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 8 MANAGING UNCERTAINTIES (continued)

(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 allowance for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 4.35%.

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 8 MANAGING UNCERTAINTIES (continued)

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

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

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

Asset class	Revaluation frequency
Land	Biennial
Buildings	Biennial
Roads	4 years
Bridges	5 years
Footpaths and cycleways	4 years
Drainage	10 years
Recreational, leisure and community facilities	5 years
Waste management	Not scheduled
Parks, open space and streetscapes	5 years
Other infrastructure	5 years

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 9 OTHER MATTERS

	Balance at beginning of reporting period \$'000	Increase (decrease) \$'000	Balance at end of reporting period \$'000
9.1 Reserves			
(a) Asset revaluation reserves			
2024			
Property			
Land and land improvements	51,912	21,191	73,103
Buildings	45,971	29,763	75,734
	97,883	50,954	148,837
Infrastructure			
Roads	109,798	61,305	171,103
Other infrastructure	11,467	2,632	14,099
	121,266	63,937	185,202
Total asset revaluation reserves	219,149	114,891	334,039
2023			
Property			
Land and land improvements	54,793	(2,881)	51,912
Buildings	39,150	6,821	45,971
	93,943	3,940	97,883
Infrastructure			
Roads	89,788	20,010	109,798
Other infrastructure	11,467	-	11,467
	101,255	20,010	121,266
Total asset revaluation reserves	195,198	23,951	219,149

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

Notes to the Financial Report For the Year Ended 30 June 2024

Note 9 OTHER MATTERS (continued)

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2024				
Clunes caravan park reserve	7	-	-	7
Heritage advisory fund	20	-	-	20
Mineral springs financial reserve	1,485	1,142	(1,644)	983
Mt Beckworth pit reserve	28	-	-	28
Public open space reserve*	1,842	360	(235)	1,967
Smeaton Hill pit reserve	74	-	-	74
Waste management reserve	801	6,363	(6,348)	816
Staff accommodation and Birch ward facilities	2,109	-	-	2,109
Total Other reserves	6,367	7,865	(8,227)	6,004
2023				
Clunes caravan park reserve	7	-	-	7
Heritage advisory fund	20	-	-	20
Mineral springs financial reserve	1,273	1,070	(858)	1,485
Mt Beckworth pit reserve	28	-	-	28
Public open space reserve*	2,008	396	(561)	1,842
Smeaton Hill pit reserve	74	-	-	74
Waste management reserve	77	5,590	(4,866)	801
Staff accommodation and Birch ward facilities	-	2,132	(22)	2,109
Total Other reserves	3,486	9,187	(6,307)	6,367

* Indicates statutory reserve

Public Open Space Reserve is used to hold developer contributions towards public open infrastructure arising from property developers undertaking property subdivisions.

Mineral Springs Financial Reserve is to fund future works associated with mineral springs across the municipality and the refurbishment of the spa complex.

Staff Accommodation and Birch ward facilities reserve was created following the sale of The Rex and is to be used towards solutions for staffing accommodation and community facilities.

Waste management reserve is to fund future works associated with the waste function of Council and is generated from the waste service charges.

Other reserves are minor in nature and are funds that Council has separately identified to be set aside to meet a specific purpose in the future and to which there is no existing liability.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 9 OTHER MATTERS (continued)	2024	2023
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	\$'000	\$'000
Surplus/(deficit) for the year	(9,881)	(2,594)
<i>Non-cash adjustments:</i>		
Depreciation	10,380	8,750
Profit/(loss) on disposal of property, infrastructure, plant and equipment	1,910	2,973
Contributions - Non-monetary assets	(1,135)	-
Interest Expense	141	146
Write off Work in progress	1	1,722
Other	80	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(811)	(32)
(Increase)/decrease in prepayments	(25)	62
Increase/(decrease) in trade and other payables	660	389
(Decrease)/increase in contract and other liabilities	(911)	(5,651)
(Decrease)/increase in other liabilities	(32)	(18)
(Increase)/decrease in inventories	8	4
(Decrease)/increase in provisions	(5)	(26)
Increase/(decrease) in trust funds/deposits	240	327
Net cash provided by/(used in) operating activities	620	6,052

9.3 Superannuation

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

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2024, this was 11.0% as required under Superannuation Guarantee (SG) legislation (2023: 10.5%)).

Defined Benefit

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

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

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. A triennial actuarial investigation for the Defined Benefit category as at 30 June 2023 was conducted and completed by 31 December 2023. The vested benefit index (VBI) of the Defined Benefit category as at 30 June 2023 was 104.1%. Council was notified of the 30 June 2023 VBI during August 2023. The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns 5.7% pa
Salary information 3.5% pa
Price inflation (CPI) 2.8% pa

Notes to the Financial Report For the Year Ended 30 June 2024

Note 9 OTHER MATTERS (continued)

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2023 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(a) Regular contributions

On the basis of the results of the 2023 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2024, this rate was 11.0% of members' salaries (10.5% in 2022/23). 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 2023 triennial valuation.

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

(b) Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 98% from 26 July 2024 (previously 97%).

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

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

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

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

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

The 2023 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2023.

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

	2023 (Triennial) \$m	2022 (Interim) \$m
- A VBI Surplus	84.7	44.6
- A total service liability surplus	123.6	105.8
- A discounted accrued benefits surplus	141.9	111.9

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 2023.

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 2023.

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 2023.

Notes to the Financial Report For the Year Ended 30 June 2024

Note 9 OTHER MATTERS (continued)

The 2024 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2024 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2024.

The VBI of the Defined Benefit category was 105.4% as at 30 June 2024. The financial assumptions used to calculate the 30 June 2024 VBI were:

Net investment returns 5.6% pa
Salary information 3.5% pa
Price inflation (CPI) 2.7% pa

Council was notified of the 30 June 2024 VBI during August 2024.

Because the VBI was above 100%, the Defined Benefit category was in a satisfactory financial position at 30 June 2024 and it is expected that the actuarial investigation will recommend that no change will be necessary to the Defined Benefit category's funding arrangements from prior years.

The 2020 triennial investigation

The last triennial actuarial investigation conducted prior to 30 June 2023 was at 30 June 2020. This actuarial investigation was completed by 31 December 2020. The financial assumptions for the purposes of that investigation was:

	2020 Triennial investigation	2023 Triennial investigation
Net investment return	5.6% pa	5.7% pa
Salary inflation	2.5% pa for two years and 2.75% pa thereafter	3.50% pa
Price inflation	2.0% pa	2.8% pa

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2024 are detailed below:

Scheme	Type of Scheme	Rate	2024 \$'000	2023 \$'000
Vision super	Defined benefits	11.0% (2023:10.5%)	53	50
Vision super	Accumulation	11.0% (2023:10.5%)	649	568
Other funds	Accumulation	11.0% (2023:10.5%)	948	864

Council has not paid any unfunded liability payments to Vision Super during the 2023/24 and 2022/23 years.

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2024.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2025 is \$55,000.

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 10 CHANGE IN ACCOUNTING POLICY

There have been no changes to accounting policies in the 2023-24 year.