

# Financial Report

## A plain English guide to the Financial Report

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**We are committed to accountability. We have developed this guide to help you understand and analyse the Financial Report.**

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Our report complies with:

- Australian Accounting Standards
- other authoritative pronouncements of the Australian Accounting Standards Board
- the Local Government Act 2020
- the Local Government (Planning and Reporting) Regulations 2014.

Some readers may not be familiar with particular terms required by the standards as we are a part of the public sector. Some of the terms used in private-sector company reports are not appropriate to the public sector.

### What is in the annual Financial Report?

The report has 2 main sections: the report and the notes. There are 5 statements and 10 notes. These are:

- prepared by our staff
- audited by the Victorian Auditor-General
- examined by our Audit Committee.

They are then approved and adopted by Council.

The 5 statements are included in the first few pages of the report. They are the:

- comprehensive income statement
- balance sheet
- statement of changes in equity
- statement of cash flows
- statement of capital works.

The notes detail our accounting policies and the make-up of values contained in the statements.

### Comprehensive income statement

The comprehensive income statement shows:

- the sources of our revenue under various income headings
- the expenses incurred in running Moreland Council during the year.

The expenses relate only to the operations. They do not include the cost associated with the purchase or building of assets. While asset-purchase costs are not included in the expenses, there is an item for depreciation. Depreciation is a non-cash transaction. It represents the value of an asset decreasing overtime due to wear and tear, and becoming out of date.

The key figure to look at is the surplus or deficit of the organisation for the year. The accounting surplus or comprehensive result is the total income less the total expenses (net income). While Moreland Council may be generating a health accounting surplus, this is used to fund other items in our operations. This includes loan principal repayments and rates-funded projects in the capital works program.

## **Balance sheet**

The balance sheet is a snapshot of the financial position as at 30 June. It shows what we own as assets and what we owe as liabilities. Towards the bottom of the balance sheet is a line showing net assets. This is the net worth of the council, which has been built up over many years.

The assets and liabilities are separated into current and non-current. Current means those assets or liabilities which will fall due in the next 12 months. We describe the components of the balance sheet below.

### **Current and non-current assets**

- Cash and other financial assets include cash and investments. That is, cash held in the bank and in petty cash, and our investments.
- Receivables are monies owed to us by ratepayers and others.
- Investment property represents the value of property owned by Moreland Council as investment.
- Property, infrastructure, plant and equipment is the largest component of our worth. It represents the value of all the assets held by Moreland Council. This includes land, buildings, roads, vehicles, equipment and parks. This has been built up over many years.

### **Current and non-current liabilities**

- Payables are those who we owe money to as at 30 June.
- Provisions include accrued long service and annual leave owed to employees.
- Trust funds represent monies held in trust by Moreland Council.
- Loans represent our outstanding borrowings.

### **Net assets**

This term is used to describe the difference between the value of total assets and the value of total liabilities. It represents the net worth of Moreland Council as at 30 June.

### **Total equity**

This always equals net assets. It is made up of the following components:

- asset revaluation reserve is the difference between the previously recorded value of assets and their current valuations
- other reserves are allocations of funds that have been set aside and act as a future funding source for specific purposes:
  - these reserve funds do not have bank accounts of their own but are a theoretical split up of that cash that Moreland Council has on hand for a future identified need or obligation
  - our reserves are broken up into 2 categories: restricted and non-restricted
- accumulated surplus is the value of all surpluses and deficits accumulated over time.

### **Statement of changes in equity**

The statement of changes in equity summarises the transactions relating to the equity over the financial year. This statement shows the values of such changes and how these changes arose.

The main reasons for a change in equity stem from:

- a surplus or deficit from operations for the year
- the use of monies from our reserves
- revaluation of the assets, which takes place on a regular basis and also occurs when existing assets are taken up in the books for the first time.

### **Statement of cash flows**

The cash flow statement summarises our cash payments and cash receipts for the year.

The values may differ from those shown in the income statement as it is prepared on a cash accounting basis. The cash flow statement includes the total value (including GST). The income statement is prepared on an accrual basis and is excluding GST.

Our cash arises from, and is used in, 3 main areas:

- cash flows from operating activities:
  - receipts – all cash received into our bank account from ratepayers and others who owed money to us. Receipts can include grant payments, fees and fines or interest earnings from our cash investments
  - payments – all cash paid by us from our bank account to staff, creditors and other persons
- cash flows from investing activities:
  - this section shows the cash invested in the creation or purchase of property, infrastructure, plant and equipment assets. It also includes the cash received from the sale of these assets
- cash flows from financing activities:
  - this is where the receipt and repayment of borrowed funds are recorded.

The bottom line of the cash flow statement states the cash held at the end of the financial year. This shows our capacity to meet cash debts and other liabilities.

### **Statement of capital works**

The statement of capital works details all amounts expended by Moreland Council on capital works. The statement classifies the expenditure in line with our asset classes. It categorises capital works expenditure into:

- renewal of assets
- upgrading of assets
- expansion of assets
- creating new assets.

Each of these categories has a different impact on our future costs.

### **Notes to the accounts**

The notes are a very important and informative section of the report. The accounting standards are not prescriptive in a lot of issues.

We have given details of our accounting policies to help you to understand how the values shown in the statements are established. We have described these throughout the notes as relevant.

The notes also give details behind many of the summary figures in the statements. The note numbers are shown beside the relevant items in the comprehensive income statement, balance sheet, statement of cash flows and statement of capital works.

Where we wish to disclose other information, which cannot be incorporated into the statements, we have shown it in the notes.

Other notes include:

- the breakdown of expenses, revenues, reserves and other assets
- contingent liabilities
- transactions with persons related to Moreland Council.

The notes should be read at the same time as, and together with, the other parts of the Financial Statements to get a clear picture of the accounts.

### **Statements by Principal Accounting Officer and Councillors**

The certification of the Principal Accounting Officer is made by the person responsible for the financial management of Moreland Council that, in her or his opinion, the financial statements have met all the statutory and professional reporting requirements.

The certification of Councillors is made by 2 Councillors on behalf of Council that, in their opinion, the financial statements present fairly the financial transactions of Moreland Council.

### **Auditor General's report**

The independent audit report provides you with an external and independent opinion on the financial statements. It confirms that the financial report has been prepared in accordance with relevant legislation and professional standards, and that it represents a fair picture of Moreland Council's financial affairs.

Our main office  
90 Bell Street, Coburg

External auditor  
Auditor-General of Victoria

Internal auditor  
Crowe

Solicitors  
Various

Bankers  
Commonwealth Bank of Australia  
Westpac Institutional Bank

Website address  
[www.moreland.vic.gov.au](http://www.moreland.vic.gov.au)

**Moreland City Council  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2021*

**Moreland City 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 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, the Australian Accounting Standards and other mandatory professional reporting requirements.



*Amanda Burgess - Certified Practicing Accountant*  
**Principal Accounting Officer**

**Date :** 23/09/2021  
*Coburg, Victoria*

In our opinion the accompanying financial statements present fairly the financial transactions of Moreland City Council for the year ended 30 June 2021 and the financial position of the Council as at that date.

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

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



*Annalivia Carli Hannan*  
**Mayor**

**Date :** 23/09/2021  
*Coburg*



*Mark Riley*  
**Deputy Mayor**

**Date :** 23/09/2021  
*Coburg*



*Cathy Henderson*  
**Chief Executive Officer**

**Date :** 23/9/2021  
*Coburg*

# Independent Auditor's Report

## To the Councillors of Moreland City Council

<p><b>Opinion</b></p>	<p>I have audited the financial report of Moreland City Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2021</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
<p><b>Basis for Opinion</b></p>	<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>
<p><b>Councillors' responsibilities for the financial report</b></p>	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, 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.</p> <p>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.</p>

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**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.

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.

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MELBOURNE  
30 September 2021



Sanchu Chummar

*as delegate for the Auditor-General of Victoria*

**Comprehensive Income Statement**  
**For the Year Ended 30 June 2021**

	Note	2021 \$'000	2020 \$'000
<b>Income</b>			
Rates and charges	3.1	163,998	159,319
Statutory fees and fines	3.2	10,669	12,906
User fees	3.3	6,026	6,474
Grants - operating	3.4	32,540	21,407
Grants - capital	3.4	5,678	1,443
Contributions - monetary	3.5	13,729	14,770
Contributions - non monetary	3.5	401	468
Fair value adjustments for investment property	6.3	1,225	(884)
Other income	3.7	4,109	4,505
<b>Total income</b>		<b>238,374</b>	<b>220,409</b>
<b>Expenses</b>			
Employee costs	4.1	104,255	89,608
Materials and services	4.2	63,925	59,186
Depreciation	4.3	27,280	25,678
Amortisation - right of use assets	4.4	236	236
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	5,054	5,303
Bad and doubtful debts	4.5	2,865	3,957
Borrowing costs	4.6	937	1,090
Other expenses	4.7	4,429	4,209
<b>Total expenses</b>		<b>208,982</b>	<b>189,267</b>
<b>Surplus/(deficit) for the year</b>		<b>29,392</b>	<b>31,142</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	6.1	667	214,404
<b>Total comprehensive result</b>		<b>30,059</b>	<b>245,547</b>

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

**Balance Sheet**  
**As at 30 June 2021**

	Note	2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	57,425	57,541
Trade and other receivables	5.1	32,425	24,906
Other financial assets	5.1	51,500	41,500
Inventories	5.2	397	295
Other assets	5.2	2,419	2,137
<b>Total current assets</b>		<b>144,166</b>	<b>126,379</b>
<b>Non-current assets</b>			
Unlisted Shares	6.2	2	2
Property, infrastructure, plant and equipment	6.1	2,273,912	2,250,811
Right-of-use assets	5.8	1,181	1,417
Investment property	6.3	27,225	26,000
<b>Total non-current assets</b>		<b>2,302,320</b>	<b>2,278,230</b>
<b>Total assets</b>		<b>2,446,486</b>	<b>2,404,610</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	14,857	17,576
Trust funds and deposits	5.3	6,466	5,812
Unearned Income	5.3	6,674	2,718
Interest-bearing liabilities	5.4	9,907	1,230
Provisions	5.5	21,806	20,779
<b>Total current liabilities</b>		<b>59,711</b>	<b>48,115</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	5.4	24,483	24,971
Provisions	5.5	1,826	1,817
<b>Total non-current liabilities</b>		<b>26,308</b>	<b>26,789</b>
<b>Total liabilities</b>		<b>86,019</b>	<b>74,905</b>
<b>Net assets</b>		<b>2,360,466</b>	<b>2,329,706</b>
<b>Equity</b>			
Accumulated surplus		668,559	655,226
Asset revaluation reserve	9.1	1,612,840	1,612,159
Other reserves	9.1	79,067	62,321
<b>Total Equity</b>		<b>2,360,466</b>	<b>2,329,706</b>

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

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

2021	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,329,707	655,226	1,612,160	62,321
Recognition of previously unrecognised non-current assets					
- Property		(30)	(30)	-	-
- Infrastructure Assets		532	518	14	-
- Plant and equipment		200	200	-	-
Adjusted Opening balance		<u>2,330,407</u>	<u>655,914</u>	<u>1,612,174</u>	<u>62,321</u>
Surplus/(deficit) for the year		29,392	29,392	-	-
Net asset revaluation increment/(decrement)	6.1	667	-	667	-
Transfers to other reserves	9.1	-	(40,170)	-	40,170
Transfers from other reserves	9.1	-	23,423	-	(23,423)
		<u>2,360,466</u>	<u>668,559</u>	<u>1,612,841</u>	<u>79,067</u>
<b>Balance at end of the financial year</b>		<b><u>2,360,466</u></b>	<b><u>668,559</u></b>	<b><u>1,612,840</u></b>	<b><u>79,067</u></b>

2020		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,083,656	635,595	1,397,755	50,307
Recognition of previously unrecognised non-current assets					
- Infrastructure Assets		502	502	-	-
Adjusted Opening balance		<u>2,084,159</u>	<u>636,098</u>	<u>1,397,755</u>	<u>50,307</u>
Surplus/(deficit) for the year		31,142	31,142	-	-
Net asset revaluation increment/(decrement)	6.1	214,404	-	214,404	-
Transfers to other reserves	9.1	-	(34,905)	-	34,905
Transfers from other reserves	9.1	-	22,892	-	(22,892)
		<u>2,329,707</u>	<u>655,226</u>	<u>1,612,160</u>	<u>62,321</u>
<b>Balance at end of the financial year</b>		<b><u>2,329,707</u></b>	<b><u>655,226</u></b>	<b><u>1,612,160</u></b>	<b><u>62,321</u></b>

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

**Statement of Cash Flows**  
**For the Year Ended 30 June 2021**

	Note	2021 Inflows/ (Outflows) \$'000	2020 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		157,771	155,395
Statutory fees and fines		12,893	13,253
User fees		4,804	6,659
Grants - operating		32,370	22,527
Grants - capital		9,265	3,041
Contributions - monetary		13,729	14,770
Interest received		446	1,367
Trust funds and deposits taken		34,435	33,544
Other receipts		3,857	3,658
Net GST refund/payment		2,267	3,465
Employee costs		(103,219)	(87,880)
Materials and services		(73,430)	(69,341)
Trust funds and deposits repaid		(33,782)	(34,808)
Other payments		(4,872)	(4,630)
<b>Net cash provided by/(used in) operating activities</b>		<b>56,535</b>	<b>61,020</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(54,194)	(51,166)
Proceeds from sale of property, infrastructure, plant and equipment		292	341
Proceeds from sale of investments		(10,000)	27,500
<b>Net cash provided by/(used in) investing activities</b>		<b>(63,902)</b>	<b>(23,325)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(937)	(1,090)
Proceeds from borrowings		9,500	-
Repayment of borrowings		(1,312)	(9,121)
<b>Net cash provided by/(used in) financing activities</b>		<b>7,251</b>	<b>(10,211)</b>
Net increase (decrease) in cash and cash equivalents		(116)	27,484
Cash and cash equivalents at the beginning of the financial year		57,541	30,057
<b>Cash and cash equivalents at the end of the financial year</b>		<b>57,425</b>	<b>57,541</b>
Restrictions on cash assets	5.1		
Financing arrangements	5.6		

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

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

	Note	2021 \$'000	2020 \$'000
<b>Property</b>			
Land	6.1	659	12,597
Buildings	6.1	14,247	6,122
<b>Total property</b>		<b>14,906</b>	<b>18,719</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,853	2,509
Fixtures, fittings and furniture		151	447
Computers and telecommunications		438	268
Library books		1,000	992
<b>Total plant and equipment</b>		<b>3,441</b>	<b>4,215</b>
<b>Infrastructure</b>			
Roads		6,771	8,923
Bridges		2,473	46
Footpaths		5,388	4,471
Drainage		3,477	3,831
Other infrastructure		2,356	4,280
<b>Total infrastructure</b>	6.1	<b>20,465</b>	<b>21,551</b>
<b>Total capital works expenditure</b>		<b>38,811</b>	<b>44,486</b>
<b>Represented by:</b>			
New asset expenditure		12,738	22,958
Asset renewal expenditure		23,533	16,841
Asset expansion expenditure		-	3,549
Asset upgrade expenditure		2,540	1,138
<b>Total capital works expenditure</b>	6.1	<b>38,811</b>	<b>44,486</b>

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 2021**

#### **OVERVIEW**

##### **Introduction**

The Moreland City Council was established by an Order of the Governor in Council on 21 June 1994 and is a body corporate. The Council's main office is located at 90 Bell Street, Coburg.

##### **Statement of compliance**

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

##### **Significant accounting policies**

###### **(a) Basis of accounting**

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3)
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements

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

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

In January 2020, the World Health Organisation declared the outbreak of the COVID-19 a public health emergency of international concern and subsequently in March 2020 it was declared a global pandemic. On 16 March 2020, a State of Emergency was declared in Victoria in relation to the COVID-19 pandemic and a national restriction was put in place on gatherings, a nationwide call to work from home and significantly lower levels of activity in the economy and community. A number of Council services required immediate change, including the closure of recreation centres and libraries, cancellation of events and revised health precautions.

A state of disaster was subsequently declared on 2 August 2020. While the impacts of the pandemic have abated somewhat through the 2020-21 year, there were a number of financial impacts to Moreland Council in the year to 30 June 2021 due to the COVID-19 pandemic. Some of these impacts were allowed for in the budget, including:

- Deferral of rates revenue/interest free period of \$1.0 million
- Waiver of six months of health registration fees for food businesses of \$0.5 million
- Parking income loss of \$0.1 million
- Infringements loss of \$1.5 million.

The pandemic continued and restrictions were extended beyond September, which meant further financial impacts to Moreland Council, including:

- Increased costs of \$1.8 million for the closure of leisure centres
- Waiver of the remaining six months of health registration fees for food businesses of \$0.5 million
- Waiver of sporting fees \$0.1 million decrease in revenue
- Further parking income loss of \$0.1 million
- Further infringement loss of \$1.5 million
- Venue hire income \$0.2 million loss.

At the time of preparing the statements, Victoria had entered lockdown 5 and we are currently in lockdown 6. Council is continuing to monitor any financial impacts associated with lost revenue or increased costs and will address these in future forecasts.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2021**

**Note 1 Performance against budget**

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$3 million 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 8 July 2020. The budget was based on assumptions that were relevant at the time of adoption of the budget. Council sets guidelines and parameters for revenue 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 1989 and the Local Government (Planning and Reporting) Regulations 2014.

**1.1 Income and expenditure**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Variance</b>	
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>Ref</b>
<b>Income</b>					
Rates and charges	161,979	163,998	2,019	1%	
Statutory fees and fines	11,939	10,669	(1,270)	-11%	1
User fees	4,780	6,026	1,246	26%	2
Grants - operating	31,299	32,540	1,241	4%	
Grants - capital	4,031	5,678	1,647	41%	3
Contributions - monetary	11,581	13,729	2,148	19%	4
Contributions - non monetary	-	401	401	100%	5
Fair value adjustments for investment property	-	1,225	1,225	100%	6
Other income	5,641	4,109	(1,532)	-27%	7
<b>Total income</b>	<b>231,250</b>	<b>238,374</b>	<b>7,124</b>	<b>3%</b>	
<b>Expenses</b>					
Employee costs	109,270	104,255	5,015	5%	8
Materials and services	67,735	63,925	3,810	6%	9
Depreciation	25,614	27,280	(1,666)	-7%	10
Amortisation - Right of use assets	-	236	(236)	-100%	11
Net loss on disposal of property, infrastructure, plant and equipment	-	5,054	(5,054)	-100%	12
Bad and doubtful debts	2,051	2,865	(814)	-40%	13
Borrowing costs	1,075	937	138	13%	14
Other expenses	601	4,429	(3,828)	-637%	15
<b>Total expenses</b>	<b>206,346</b>	<b>208,982</b>	<b>(2,636)</b>	<b>-1%</b>	
<b>Surplus/(deficit) for the year</b>	<b>24,904</b>	<b>29,392</b>	<b>4,488</b>	<b>18%</b>	

**Notes to the Financial Report**  
**For the Year Ended 30 June 2021**

**(i) Explanation of material variations**

<b>Ref.</b>	<b>Item</b>	<b>Explanation</b>
1	Statutory fees & Fines	Statutory fees and fines were lower than anticipated due to the ongoing impacts of several lockdowns throughout the year.
2	User Fees	User fees were higher than anticipated, primarily due to increased activity in transport related permits, additional animal registrations, as well as being awarded the tender to provide meals on wheels delivery service to a neighbouring Council.
3	Grants - Capital	Grants - Capital was higher than anticipated primarily due to receipt of a grant for the State funded Get Active Moreland Park Enhancement Program.
4	Contributions - monetary	Sub-divider contributions were higher than anticipated due to increased development activity.
5	Contributions - non monetary	This variance is due to the recognition of unbudgeted developer contributed drainage assets.
6	Fair value adjustments for investment property	Market valuations undertaken for Council's investment properties by qualified valuers, resulted in this overall increase.
7	Other income	<p>Other Income was lower than anticipated due to lower interest rates on investments than anticipated. This was partially impacted by lower cash levels as a result of the COVID-19 emergency response. Following a Special Council Meeting on 25 March 2020, Council adopted hardship and community relief measures to support the community in this uncertain time, including a COVID-19 Financial Hardship Policy, temporary 7-day payment terms for suppliers and waiving of food registration renewal fees for 2020, which had an impact on Council's available cash for investments.</p> <p>Other Income was also impacted by other waivers as a result of pandemic. Council waived all summer sports ground and pavilion fees for the 2021 season. The ongoing restrictions on venue capacities also resulted in reduced revenue for Council's hall hire.</p>
8	Employee costs	Employee costs were lower than anticipated due to several vacancies throughout the 2020/21 year. The underspend is partially offset by the Working For Victoria budget which were incorrectly classified as materials and services, however the actual costs related to employee costs.
9	Materials and services	Materials and Services were lower than anticipated primarily due to a significant underspend in utility costs. The utility costs were directly impacted by the ongoing lockdowns, with reduced usage in Council facilities and leisure centres resulting in an underspend. The underspend is also attributed to the Working For Victoria budget which were incorrectly classified as materials and services, however the actual costs related to employee costs.
10	Depreciation	Depreciation was higher than anticipated due to revaluations for buildings, road surfacing and drains during the 2019-20 financial year.
11	Amortisation - Right of use assets	Amortisation - Right of use assets, was included in depreciation figure of 2020-21 budget.
12	Net loss on disposal of property, infrastructure, plant and equipment	The disposal of infrastructure and other assets during the year is unbudgeted. This mainly occurs during the replacement of roads and other infrastructure assets.
13	Bad and doubtful debts	At balance date debtors were assessed for recoverability and as a result the increase in the provision for Parking debtors was higher than budgeted.
14	Borrowing costs	Borrowing costs were lower than anticipated as a result of lower than anticipated interest rates on variable borrowings.
15	Other expenses	Actual costs relating to training, courses and seminars have been reclassified from Employee Costs to Other Expenses to better reflect the statutory nature of the Employee Costs expenditure.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2021**

**1.2 Capital works**

	Budget 2021 \$'000	Actual 2021 \$'000	Variance \$'000	Variance %	Ref
<b>Property</b>					
Land	-	659	659	0%	1
Buildings	28,539	14,247	(14,292)	-50%	2
<b>Total property</b>	<b>28,539</b>	<b>14,906</b>	<b>(13,633)</b>	<b>-48%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	7,420	1,853	(5,567)	-75%	3
Fixtures, fittings and furniture	412	151	(261)	-63%	4
Computers and telecommunications	909	438	(471)	-52%	5
Library books	1,000	1,000	(0)	0%	
<b>Total plant and equipment</b>	<b>9,741</b>	<b>3,441</b>	<b>(6,300)</b>	<b>-65%</b>	
<b>Infrastructure</b>					
Roads	7,649	6,771	(878)	-11%	6
Bridges	560	2,473	1,913	342%	7
Footpaths and cycleways	4,884	5,388	504	10%	
Drainage	950	3,479	2,529	266%	8
Parks, open space and streetscapes	8,148	1,540	(6,608)	-81%	9
Transport management/Off street car parks	1,320	224	(1,096)	-83%	10
Other infrastructure	635	591	(44)	-7%	
<b>Total infrastructure</b>	<b>24,146</b>	<b>20,465</b>	<b>(3,681)</b>	<b>-15%</b>	
<b>Total capital works expenditure</b>	<b>62,426</b>	<b>38,811</b>	<b>(23,615)</b>	<b>-38%</b>	
<b>Represented by:</b>					
New asset expenditure	22,555	12,738	(9,817)	-44%	11
Asset renewal expenditure	33,120	23,533	(9,587)	-29%	12
Asset upgrade expenditure	7,001	2,540	(4,461)	-64%	13
<b>Total capital works expenditure</b>	<b>62,676</b>	<b>38,811</b>	<b>(23,865)</b>	<b>-38%</b>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	As part of the 'Park close to home program: A Framework to Fill Open Space' initiative, Council has undertaken land improvements works on a Bulleke-bek Park in Brunswick. Whilst unbudgeted, this has been funded by reserves specifically established for this purpose.
2	Buildings	Several large projects are in the final stages of completion and remain as Works in Progress. These include the Glenroy Community Hub and Aquatic Leisure projects due for completion next financial year.
3	Plant, machinery and equipment	Due to COVID-19, the delivery of the new waste trucks has been delayed until late August 2021.
4	Fixtures, fittings and furniture	A lesser number of fixtures, fittings, and furniture purchases were completed during the financial year than budgeted.
5	Computers and telecommunications	Due to COVID-19, a large delivery of IT infrastructure has been delayed and is expected to be received in mid September 2021.
6	Roads	A significant portion of expenditure budgeted for Council's road reconstruction and rehabilitation projects were re-classified as drainage assets upon capitalisation, as well as some projects not completed by the end of the financial year.
7	Bridges	The expenditure is higher than budgeted due to the completion of bridge construction works at Edgars Creek and the Footbridge at Kingfisher Gardens that were delayed in the last financial year.
8	Drainage	A significant portion of expenditure budgeted for councils roads construction and rehabilitation projects were reclassified as drainage assets upon capitalisation.
9	Parks, open space and streetscapes	The variance to budget is largely related to several large works still in progress such as Parks Close to Home projects.
10	Transport management/Off street car parks	The variance to budget is largely related to an underspend in the Moreland Integrated Transport Strategy (MITS) - road closure projects not proceeding.
11	New Asset Infrastructure	Several large projects are in the final stages of completion, the most significant being the Glenroy Community Hub that is due for completion next financial year.
12	Asset Renewal Expenditure	The variance relates to refurbishment works on aquatic leisure projects as well as some recreational buildings works and parks and open space projects due for completion next year.
13	Asset Upgrade Expenditure	Associated to delays in some transport, building and IT infrastructure projects as well as projects mentioned previously that are a combination of renewal and upgrade.

## **Notes to the Financial Report**

### **For the Year Ended 30 June 2021**

#### **Note 2 Analysis of Council results by program**

Council delivers its functions and activities through the following programs.

##### **2 (a) Chief Executive Officer Management**

Chief Executive Officer Management oversees the management executive group, manages overall operations and sets the tone, vision and culture of Council.

##### **City Infrastructure Department**

City Infrastructure is responsible for Council's infrastructure and fleet assets. This includes planning, designing, building, expanding, renewing, cleansing and maintaining a diverse range of assets that underpin the day to day operation and wellbeing of the community. The department is also responsible for local laws and waste collection.

##### **Business Transformations**

Business Transformation is responsible for corporate functions relating to people, culture and business enhancement. This includes finance and procurement, human resources, corporate governance, organisational performance and information technology.

##### **City Futures**

City Futures is responsible for influencing development in the city, including urban planning decision-making and urban policy and strategy development, research, transport, sustainable built environment, waste strategy and education, urban design and streetscape improvement, environmental health and building services. The Department supports all Council external facing strategies that respond to population growth and climate change within the city.

##### **Community Development Department**

Community Development provides high quality community focused programs, service delivery and communication to residents. It is responsible for services relating to infants, children, youth, family and aged. Leading the achievement of our wellbeing outcomes including recreation, health, education, cultural vibrancy, safety social cohesion and emergency management.

##### **Engagement and Partnerships**

Engagement & Partnerships is largely responsible for Council's external customer interface with the community, economy, government and other partners. The Directorate enhances the organisation's capacity for engagement and participation, advances city-shaping major partnership projects, supports economic development investment and attraction and the delivers holistic place-based outcomes.

## Notes to the Financial Report For the Year Ended 30 June 2021

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>					
Chief Executive Officer Management	37,739	20,123	17,616	0	233
City Infrastructure	39,188	64,442	(25,253)	5,734	2,047,996
Business Transformations	125,438	52,396	73,042	17,503	176,440
Engagement and Partnerships	3,072	11,023	(7,951)	832	4,854
City Futures	16,163	20,013	(3,850)	413	388
Community Development	16,773	40,984	(24,211)	13,737	216,577
	<b>238,374</b>	<b>208,982</b>	<b>29,392</b>	<b>38,218</b>	<b>2,446,486</b>

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>					
Chief Executive Officer Management	-	626	(626)	-	9
Finance and Property	156,102	45,168	110,934	5,124	154,188
City Infrastructure	30,759	58,816	(28,057)	1,587	2,035,552
Business Transformations	211	19,393	(19,182)	3,236	704
Engagement and Partnerships	861	8,406	(7,545)	-	5,144
City Futures	17,599	19,342	(1,743)	119	423
Community Development	15,762	38,401	(22,639)	12,784	208,590
	<b>221,293</b>	<b>190,151</b>	<b>31,142</b>	<b>22,850</b>	<b>2,404,610</b>

**Notes to the Financial Report  
For the Year Ended 30 June 2021**

<b>Note 3 Funding for the delivery of our services</b>	<b>2021</b>	<b>2020</b>
<b>3.1 Rates and charges</b>	<b>\$'000</b>	<b>\$'000</b>
General rates	143,548	139,343
Waste management charge	17,134	16,528
Special rates and charges	549	613
Supplementary rates and rate adjustments	1,941	2,054
Interest on rates and charges	826	781
<b>Total rates and charges</b>	<b>163,998</b>	<b>159,319</b>

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

The valuation base used to calculate general rates for 2020-21 was \$61.3 billion (2019-20 was \$56.9 billion). The 2020-21 rate in the CIV dollar was 0.0024283, 2019-20 was 0.0024833.

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020, and the valuation was first applied in the rating year commencing 1 July 2020.

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

<b>3.2 Statutory fees and fines</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Infringements and costs	5,360	7,586
Court recoveries	461	666
Town planning fees	2,012	1,789
Land information certificates	382	354
Other fines	487	272
Permits	1,966	2,239
<b>Total statutory fees and fines</b>	<b>10,669</b>	<b>12,906</b>

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

<b>3.3 User fees</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Aged and health services	1,972	1,580
Leisure centre and recreation	12	577
Parking	130	254
Registration and other permits	1,145	1,723
Building services	306	292
Road occupancy/ Right of way closures	300	62
Valuation fees	76	85
Waste management services	206	206
Other fees and charges	1,879	1,695
<b>Total user fees</b>	<b>6,026</b>	<b>6,474</b>

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied.

Recognition is based on the underlying contractual terms. Council has performed a review to ensure that income which may be affected by changes in accounting standards AASB 15 and 1058 have been taken into account.

<b>3.4 Grants</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	13,524	13,377
State funded grants	24,694	9,472
<b>Total grants received</b>	<b>38,218</b>	<b>22,850</b>

**(a) Operating Grants**

**Recurrent - Commonwealth Government**

Financial Assistance Grants	4,559	5,123
Family day care	786	751
Aged care	6,867	6,904

**Recurrent - State Government**

Home help	1,192	1,018
Families and Children	3,330	2,655
Food Services	40	34
Libraries	1,497	1,295
Other	108	73

<b>Total recurrent operating grants</b>	<b>18,379</b>	<b>17,854</b>
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	2021	2020
	\$'000	\$'000
<b>Non-recurrent - State Government</b>		
Environmental protection	-	40
Family and children	52	6
Community welfare	60	-
Working for Victoria	12,944	3,236
Other	1,105	271
<b>Total non-recurrent operating grants</b>	<b>14,161</b>	<b>3,553</b>
<b>Total operating grants</b>	<b>32,540</b>	<b>21,407</b>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	619	599
<b>Total recurrent capital grants</b>	<b>619</b>	<b>599</b>
<b>Non-recurrent - Commonwealth Government</b>		
Local Roads Community Infrastructure	526	-
Other	168	-
<b>Non-recurrent - State Government</b>		
Buildings	882	-
Community Safety	364	93
Recreation	2,302	666
Other	817	86
<b>Total non-recurrent capital grants</b>	<b>5,059</b>	<b>844</b>
<b>Total capital grants</b>	<b>5,678</b>	<b>1,443</b>

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

<b>Operating</b>		
Balance at start of year	3,071	312
Received during the financial year and remained unspent at balance date	985	3,055
Received in prior years and spent during the financial year	(3,071)	(296)
Balance at year end	<b>985</b>	<b>3,071</b>
<b>Capital</b>		
Balance at start of year	2,071	2,390
Received during the financial year and remained unspent at balance date	154	1,221
Received in prior years and spent during the financial year	(2,071)	(1,540)
Balance at year end	<b>154</b>	<b>2,071</b>

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

Unspent grant income that does not satisfy the unearned income accounting standard for operating grants \$985,361 (2020: \$3,071,165) & capital grants \$154,172 (2020: \$2,071,000) are recorded in the carry forward reserve.

**3.5 Contributions**

	2021	2020
	\$'000	\$'000
Monetary	13,729	14,639
Non-monetary	401	468
<b>Total contributions</b>	<b>14,129</b>	<b>15,239</b>

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

Other infrastructure	401	468
<b>Total non-monetary contributions</b>	<b>401</b>	<b>468</b>

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

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

	2021	2020
	\$'000	\$'000
Proceeds of sale	292	342
Written down value of assets disposed	(5,346)	(5,645)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(5,054)</b>	<b>(5,303)</b>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer. A significant portion of asset sales are infrastructure assets where Council receives no proceeds upon disposal.

<b>3.7 Other income</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest	446	1,367
Investment property rental	462	291
Other rent	1,653	1,722
Recoveries	979	688
Other	569	436
<b>Total other income</b>	<b>4,109</b>	<b>4,505</b>

Interest is recognised as it is earned.

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

**Note 4 The cost of delivering services**

<b>4.1 (a) Employee costs</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	91,918	78,283
Casual staff	317	377
WorkCover	2,020	2,408
Superannuation	8,442	7,058
Fringe benefits tax	38	204
Redundancy costs	134	375
Other	1,386	902
<b>Total employee costs</b>	<b>104,255</b>	<b>89,608</b>

**(b) Superannuation**

Council made contributions to the following funds:

<b>Defined benefit fund</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	468	668
<b>Total</b>	<b>468</b>	<b>668</b>
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,549	3,479
Employer contributions - other funds	4,425	2,912
<b>Total</b>	<b>7,974</b>	<b>6,391</b>
Employer contributions payable at reporting date.	791	498

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

<b>4.2 Materials and services</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cleaning contract	997	1,540
General maintenance	16,380	13,037
Utilities	3,136	4,322
Waste fees	13,330	12,647
Leisure management fees	3,487	1,354
Property leases and rentals	948	175
Minor equipment and supplies	1,109	1,055
Office administration	2,087	2,347
Information technology and telecommunications	4,060	3,948
Insurance	2,553	1,538
Consultants and Contractors	12,048	12,845
Other materials and supplies	3,789	4,380
<b>Total materials and services</b>	<b>63,925</b>	<b>59,186</b>

<b>4.3 Depreciation</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Property	5,695	5,417
Plant and equipment	3,228	3,292
Infrastructure	18,357	16,969
<b>Total depreciation</b>	<b>27,280</b>	<b>25,678</b>

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

<b>4.4 Amortisation - Right of use assets</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Rights of use of Animal Shelter	236	236
<b>Total Amortisation - Right of use assets</b>	<b>236</b>	<b>236</b>

<b>4.5 Bad and doubtful debts</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Parking fine debtors	2,496	3,490
Other debtors	369	467
<b>Total bad and doubtful debts</b>	<b>2,865</b>	<b>3,957</b>
<b>Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	3,740	3,276
New provisions recognised during the year	330	463
Amounts already provided for and written off as uncollectible	8	5
Amounts provided for but recovered during the year	(8)	(4)
Balance at end of year	<b>4,070</b>	<b>3,740</b>

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

<b>4.6 Borrowing costs</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest - Borrowings	937	1,090
<b>Total borrowing costs</b>	<b>937</b>	<b>1,090</b>

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.

<b>4.7 Other expenses</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	80	71
Auditors' remuneration - Internal	133	232
Councillors' allowances	11	8
Training, conferences and seminars	669	656
Council grants and contributions	2,480	2,194
Special charge scheme payments	546	540
Others	510	508
<b>Total other expenses</b>	<b>4,429</b>	<b>4,209</b>

<b>Note 5 Our financial position</b>	<b>2021</b>	<b>2020</b>
<b>5.1 Financial assets</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Cash and cash equivalents</b>		
Cash on hand	6	6
Cash at bank	14,419	14,035
Term deposits	43,000	43,500
<b>Total cash and cash equivalents</b>	<b>57,425</b>	<b>57,541</b>
<b>(b) Other financial assets</b>		
Term deposits - current >90 days	51,500	41,500
<b>Total other financial assets</b>	<b>51,500</b>	<b>41,500</b>
<b>Total financial assets</b>	<b>108,925</b>	<b>99,041</b>

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

These include:

- Unearnt Income (Note 5.3)	6,674	2,718
- Trust funds and deposits (Note 5.3)	6,466	5,812
Total restricted funds	<b>13,140</b>	<b>8,530</b>
Total unrestricted cash and cash equivalents	<b>44,285</b>	<b>49,011</b>

**Intended allocations**

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

- restricted reserves (Note 9.1)	29,183	21,096
Total funds subject to intended allocations	<b>29,183</b>	<b>21,096</b>

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

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.

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<b>(c) Trade and other receivables</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Rates debtors	20,815	15,167
Parking Infringement debtors	15,812	13,856
Provision for doubtful debts - parking infringements	(13,145)	(10,649)
Non statutory receivables		
Other debtors	8,561	6,477
Provision for doubtful debts - other debtors	(4,070)	(3,740)
Fire Services Property Levy debtors	2,072	1,493
Net GST receivable	2,381	2,302
<b>Total trade and other receivables</b>	<b>32,425</b>	<b>24,906</b>

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

**(d) Ageing of Receivables**

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

Current (not yet due)	2,659	1,621
Past due by up to 30 days	761	464
Past due between 31 and 180 days	196	120
Past due between 181 and 365 days	17	10
Past due by more than 1 year	858	522
<b>Total trade and other receivables</b>	<b>4,491</b>	<b>2,737</b>

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

At balance date, other debtors representing financial assets with a nominal value of \$4,069,597 (2020: \$3,739,580) were impaired. The amount of the provision raised against these debtors was \$4,069,597 (2020: \$3,739,580). 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 collection agency.

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

Current (not yet due)	28	26
Past due by up to 30 days	100	91
Past due between 31 and 180 days	751	690
Past due between 181 and 365 days	878	807
Past due by more than 1 year	2,313	2,126
<b>Total trade &amp; other receivables</b>	<b>4,070</b>	<b>3,740</b>

**Rates Debtors**

Council's COVID-19 Financial Hardship Policy ceased on June 30 2021. The Policy allowed for the deferral of rates instalments and a hold on interest accumulated. 929 ratepayers applied for COVID-19 extensions, 1264 applied for deferrals and 118 took up payment arrangements.

Council proactively contacted all ratepayers with outstandings rates who had not entered into any of the options outlined in the COVID-19 Financial Hardship Policy. As Council's primary source of operating revenue, the effects on cashflow will also be closely monitored as instalments become due.

<b>5.2</b>	<b>Non-financial assets</b>	<b>2021</b>	<b>2020</b>
	<b>(a) Inventories</b>	<b>\$'000</b>	<b>\$'000</b>
	Inventories held for distribution	397	295
	<b>Total inventories</b>	<b>397</b>	<b>295</b>

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**

**Current**

Prepayments	1,806	1,696
Accrued income	192	170
Other	421	271
<b>Total other assets</b>	<b>2,419</b>	<b>2,137</b>

<b>5.3</b>	<b>Payables</b>	<b>2021</b>	<b>2020</b>
	<b>(a) Trade and other payables</b>	<b>\$'000</b>	<b>\$'000</b>
	Trade payables	5,798	8,107
	Accrued expenses	9,059	9,469
<b>Total trade and other payables</b>	<b>14,857</b>	<b>17,576</b>	

**(b) Trust funds and deposits**

Refundable deposits	1,034	980
Trust funds	679	676
Retention amounts	635	631
Fire Services Levy	3,635	3,067
Other refundable deposits	482	457
<b>Total trust funds and deposits</b>	<b>6,466</b>	<b>5,812</b>

**(c) Unearned income**

Grants received in advance - operating	950	1,120
Grants received in advance - capital	5,185	1,598
Other	539	-
<b>Total unearned income</b>	<b>6,674</b>	<b>2,718</b>

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

**Purpose and nature of items**

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

Council currently maintains separate and distinct Trust Funds for the Gavin Environment Trust, the Blackburn Bequest Trust and the Inner Circle Linear Trust. These funds are held and administered in accordance with the Trust Deed arrangements.

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

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.

Unearned income - Council has recognised the amounts which are yet to be 'earned' through fulfillment of various contracts and operating funding agreements. This reflects the impact of AASB 15 and AASB1058 changes.

<b>5.4 Interest-bearing liabilities</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Borrowings - secured	9,907	1,230
	<b>9,907</b>	<b>1,230</b>
<b>Non-current</b>		
Borrowings - secured	24,483	24,971
	<b>24,483</b>	<b>24,971</b>
<b>Total</b>	<b>34,389</b>	<b>26,201</b>

Borrowings are secured by Council's general rate income.

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

Not later than one year	9,907	1,230
Later than one year and not later than five years	17,633	10,281
Later than five years	6,849	14,690
	<b>34,389</b>	<b>26,201</b>

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

**5.5 Provisions**

	<b>Employee Provisions</b>
	<b>\$ '000</b>
<b>2021</b>	
Balance at beginning of the financial year	22,597
Additional provisions	8,375
Amounts used	(8,417)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	1,078
Balance at the end of the financial year	<b>23,632</b>
<b>2020</b>	
Balance at beginning of the financial year	20,870
Additional provisions	8,703
Amounts used	(7,089)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	113
Balance at the end of the financial year	<b>22,597</b>

<b>(a) Employee provisions</b>	<b>2021</b>	<b>2020</b>
<b>Current provisions expected to be wholly settled within 12</b>	<b>\$'000</b>	<b>\$'000</b>
Annual leave	6,889	6,285
Long service leave	2,136	2,011
	<b>9,025</b>	<b>8,295</b>
<b>Current provisions expected to be wholly settled after 12</b>		
Annual leave	2,356	1,407
Long service leave	10,385	11,035
Other	40	43
	<b>12,781</b>	<b>12,484</b>
Total current employee provisions	<b>21,806</b>	<b>20,779</b>
<b>Non-current</b>		
Long service leave	1,826	1,817
Total non-current employee provisions	<b>1,826</b>	<b>1,817</b>
Aggregate carrying amount of employee provisions:		
Current	21,806	20,779
Non-current	1,826	1,817
Total aggregate carrying amount of employee provisions	<b>23,632</b>	<b>22,597</b>

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

**Wages and salaries and annual leave**

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

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

**Long service leave**

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

Key assumptions:

- discount rate	1.5%	0.9%
- index rate	3.0%	4.3%

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**5.6 Financing arrangements**

	2021	2020
	\$'000	\$'000
The Council has the following funding arrangements in place as at 30 June 2021.		
Bank overdraft	4,000	4,000
Credit card facilities	389	750
<b>Total facilities</b>	<b>4,389</b>	<b>4,750</b>
Used facilities	72	113
<b>Unused facilities</b>	<b>4,317</b>	<b>4,637</b>

**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.

2021	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		
<b>Operating</b>					
Garbage collection	447	447	-	-	894
Leisure Centres	866	-	-	-	866
IT Systems Supports	2,213	1,981	-	-	4,194
Consultancies	8	8	-	-	16
Animal Welfare	39	39	-	-	78
Parking	528	528	-	-	1,056
Building Management	60	60	-	-	120
<b>Total</b>	<b>4,161</b>	<b>3,063</b>	<b>-</b>	<b>-</b>	<b>7,224</b>
<b>Capital</b>					
Consultancies	2,527	-	-	-	2,527
Works	8,686	-	-	-	8,686
Fleet	5,358	-	-	-	5,358
<b>Total</b>	<b>16,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,571</b>

2020	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		
<b>Operating</b>					
Garbage collection	-	-	-	-	-
Leisure Centres	-	-	-	-	-
IT Systems Supports	547	432	-	-	979
Records	85	-	-	-	85
Consultancies	-	-	-	-	-
HR	8	-	-	-	8
Environmental Operations	-	-	-	-	-
Animal Welfare	39	39	-	-	78
Building Management	60	-	-	-	60
<b>Total</b>	<b>739</b>	<b>471</b>	<b>-</b>	<b>-</b>	<b>1,210</b>
<b>Capital</b>					
Consultancies	460	-	-	-	460
Fleet	5,358	-	-	-	5,358
Works	27,035	8,201	-	-	35,236
<b>Total</b>	<b>32,853</b>	<b>8,201</b>	<b>-</b>	<b>-</b>	<b>41,054</b>

**5.8 Leases**

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

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

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

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

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

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

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

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

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

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

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

In 2016 Moreland City Council entered into a 10 year Animal Welfare Facility agreement with Darebin and Whittlesea City Councils for the use of facilities located in Epping, Victoria. Moreland City Council contributed to the construction and ongoing costs with respect to the Facility by way of an upfront payment in 2016.

<b>Right-of-Use Assets</b>	<b>Animal Shelter</b>
	<b>\$'000</b>
<b>2021</b>	
Balance at 1 July 2020	1,417
Additions	-
Amortisation charge	(236)
Balance at 30 June 2021	<u>1,181</u>
<b>2020</b>	
Balance at 1 July 2019	1,653
Additions	-
Amortisation charge	(236)
Balance at 30 June 2020	<u>1,417</u>

**Short-term and low value leases**

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

	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Expenses relating to:</b>		
Short-term leases	<u>43</u>	<u>87</u>
<b>Total</b>	<u>43</u>	<u>87</u>

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**6.1 Property, infrastructure, plant and equipment**

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

	At Fair Value 30								At Fair Value 30
	June 2020	Additions	Contributions	Found Assets	Revaluation	Depreciation	Disposal	Transfers	June 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,320,505	659	-	-	199	-	-	-	1,321,363
Buildings	225,528	14,247	-	(30)	-	(5,695)	(1,586)	162	232,625
Plant and equipment	14,461	3,453	-	518	468	(3,228)	(19)	(162)	15,492
Infrastructure	675,598	20,465	401	200	-	(18,356)	(3,742)	-	674,564
Work in progress	14,719	15,150	-	-	-	-	-	-	29,869
	<b>2,250,811</b>	<b>53,974</b>	<b>401</b>	<b>688</b>	<b>667</b>	<b>(27,280)</b>	<b>(5,346)</b>	<b>(0)</b>	<b>2,273,912</b>

**Summary of Work in Progress**

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	4,698	33,788	(893)	(13,738)	23,855
Plant and equipment	63	3,906	(197)	(3,457)	315
Infrastructure	9,958	20,845	(3,488)	(21,616)	5,698
Total	<b>14,719</b>	<b>58,539</b>	<b>(4,578)</b>	<b>(38,811)</b>	<b>29,869</b>

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**(a) Property**

	Land - specialised	Land - non specialised	Land under Roads	Total Land	Buildings - specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2020	1,025,341	291,467	3,697	1,320,505	354,397	354,397	4,698	1,679,600
Accumulated depreciation at 1 July 2020	-	-	-	-	(128,869)	(128,869)	-	(128,869)
	<b>1,025,341</b>	<b>291,467</b>	<b>3,697</b>	<b>1,320,505</b>	<b>225,528</b>	<b>225,528</b>	<b>4,698</b>	<b>1,550,730</b>
<b>Movements in fair value</b>								
Additions	659	-	-	659	14,247	14,247	33,788	48,694
Contributions	-	-	-	-	-	-	-	-
Revaluation	-	-	199	199	-	-	-	199
Disposal	-	-	-	-	(3,295)	(3,295)	-	(3,295)
Write-off	-	-	-	-	-	-	(893)	(893)
Transfers	-	-	-	-	181	181	(13,738)	(13,557)
Impairment losses recognised in operating r	-	-	-	-	-	-	-	-
Found Assets	-	-	-	-	(30)	(30)	-	(30)
	<b>659</b>	<b>-</b>	<b>199</b>	<b>858</b>	<b>11,102</b>	<b>11,102</b>	<b>19,157</b>	<b>31,117</b>
<b>Movements in accumulated depreciation</b>								
Depreciation and amortisation	-	-	-	-	(5,695)	(5,695)	-	(5,695)
Accumulated depreciation Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	1,709	1,709	-	1,709
Impairment losses recognised in operating r	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(19)	(19)	-	(19)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,005)</b>	<b>(4,005)</b>	<b>-</b>	<b>(4,005)</b>
At fair value 30 June 2021	1,026,000	291,467	3,896	1,321,363	365,499	365,499	23,856	1,710,717
Accumulated depreciation at 30 June 2021	-	-	-	-	(132,874)	(132,874)	-	(132,874)
	<b>1,026,000</b>	<b>291,467</b>	<b>3,896</b>	<b>1,321,363</b>	<b>232,625</b>	<b>232,625</b>	<b>23,856</b>	<b>1,577,843</b>

**(b) Plant and Equipment**

	Motor vehicles	Plant and equipment	Furniture and fittings	Computer equipment	Library books	Artwork	Total Plant and equipment	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2020	18,085	3,542	2,964	3,749	10,248	855	39,442	63	39,505
Accumulated depreciation at 1 July 2020	(12,477)	(1,847)	(2,013)	(3,316)	(5,328)	-	(24,981)	-	(24,981)
	<b>5,608</b>	<b>1,695</b>	<b>952</b>	<b>432</b>	<b>4,920</b>	<b>855</b>	<b>14,461</b>	<b>63</b>	<b>14,524</b>
<b>Movements in fair value</b>									
Additions	1,585	260	151	438	1,000	19	3,453	3,906	7,359
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	468	468	-	468
Disposal	(895)	(26)	(1,363)	-	(1,631)	-	(3,916)	-	(3,916)
Write-off	-	-	-	-	-	-	-	(197)	(197)
Transfers	-	-	(181)	-	-	-	(181)	(3,457)	(3,638)
Impairment losses recognised in operating	-	-	-	-	-	-	-	-	-
Found Assets	-	-	-	-	-	518	518	-	518
	<b>690</b>	<b>234</b>	<b>(1,393)</b>	<b>438</b>	<b>(631)</b>	<b>1,005</b>	<b>343</b>	<b>252</b>	<b>595</b>
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	(1,505)	(322)	(137)	(326)	(937)	-	(3,228)	-	(3,228)
Accumulated depreciation of disposals	886	26	1,353	-	1,631	-	3,897	-	3,897
Impairment losses recognised in operating	-	-	-	-	-	-	-	-	-
Transfers	-	-	19	-	-	-	19	-	19
Accumulated depreciation on found Assets	-	-	-	-	-	-	-	-	-
	<b>(619)</b>	<b>(296)</b>	<b>1,235</b>	<b>(326)</b>	<b>694</b>	<b>-</b>	<b>688</b>	<b>-</b>	<b>688</b>
At fair value 30 June 2021	18,775	3,776	1,571	4,186	9,616	1,860	39,785	315	40,100
Accumulated depreciation at 30 June 2021	(13,096)	(2,143)	(778)	(3,643)	(4,634)	-	(24,293)	-	(24,293)
	<b>5,679</b>	<b>1,633</b>	<b>794</b>	<b>544</b>	<b>4,982</b>	<b>1,860</b>	<b>15,492</b>	<b>315</b>	<b>15,806</b>

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**(c) Infrastructure**

	Road surface	Road pavement	Drainage	Footpaths	Kerb and channel	Bridges/ retaining walls	Other infrastructure	Total Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2020	87,134	347,582	234,148	130,286	97,981	29,879	114,970	1,041,981	9,959	1,051,940
Accumulated depreciation at 1 July 2020	(26,125)	(131,897)	(90,891)	(34,136)	(16,935)	(13,455)	(52,944)	(366,382)	-	(366,382)
	<b>61,010</b>	<b>215,685</b>	<b>143,257</b>	<b>96,150</b>	<b>81,047</b>	<b>16,424</b>	<b>62,026</b>	<b>675,599</b>	<b>9,959</b>	<b>685,558</b>
<b>Movements in fair value</b>										
Additions	2,352	2,834	3,477	5,388	1,585	2,473	2,356	20,465	20,845	41,310
Contributions	-	-	401	-	-	-	-	401	-	401
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposal	(1,133)	(2,759)	(392)	(2,162)	(685)	(59)	(298)	(7,489)	-	(7,489)
Write-off	-	-	-	-	-	-	-	-	(3,488)	(3,488)
Transfers	-	-	-	-	-	-	-	-	(21,616)	(21,616)
Found Assets	-	196	26	1	-	-	(19)	204	-	204
	<b>1,219</b>	<b>271</b>	<b>3,511</b>	<b>3,227</b>	<b>900</b>	<b>2,414</b>	<b>2,039</b>	<b>13,580</b>	<b>(4,259)</b>	<b>9,321</b>
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation	(2,761)	(3,492)	(2,404)	(2,932)	(1,361)	(417)	(4,990)	(18,356)	-	(18,356)
Accumulated depreciation of disposals	480	1,641	194	1,062	137	59	174	3,747	-	3,747
Accumulated depreciation Transfers	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation on found Assets	-	-	(1)	(3)	-	-	-	(4)	-	(4)
	<b>(2,281)</b>	<b>(1,850)</b>	<b>(2,211)</b>	<b>(1,873)</b>	<b>(1,224)</b>	<b>(358)</b>	<b>(4,816)</b>	<b>(14,613)</b>	<b>-</b>	<b>(14,613)</b>
At fair value 30 June 2021	88,353	347,852	237,659	133,513	98,882	32,292	117,009	1,055,561	5,700	1,061,261
Accumulated depreciation at 30 June 2021	(28,405)	(133,747)	(93,102)	(36,009)	(18,159)	(13,813)	(57,761)	(380,997)	-	(380,997)
	<b>59,948</b>	<b>214,106</b>	<b>144,557</b>	<b>97,504</b>	<b>80,723</b>	<b>18,479</b>	<b>59,248</b>	<b>674,564</b>	<b>5,700</b>	<b>680,264</b>

## Notes to the Financial Report

### For the Year Ended 30 June 2021

#### Acquisition

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

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

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

Asset recognition thresholds and depreciation periods	Depreciation Period	Threshold Limit
		\$'000
Land & land improvements		
land	N/A	No limit
land improvements	N/A	No limit
Buildings		
buildings	20-260 years	1
building and leasehold improvements	N/A	1
plant, machinery and equipment	3-10 years	1
furniture and fittings	3-10 years	1
computer equipment	3-10 years	1
library books	3-10 years	1
motor vehicles	up to 10 years	3
artworks	not applicable	1
Infrastructure		
roads surface	Up to 40 years	1
roads pavement	Up to 100 years	1
drainage	Up to 100 years	1
footpaths	Up to 100 years	1
kerb and channel	Up to 100 years	1
bridges	Up to 200 years	1
Other infrastructure		
Street furniture	10 to 20 years	1
Recreational, leisure and community facilities	10 to 50 years	1
Parks, open space and streetscapes	10 to 100 years	1
Playground equipment and other structures	10 to 100 years	1
Right of use assets		
right of use assets	1-10 years	1

#### Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the fair value basis. Council does not recognise land under roads that it controlled prior to that period in its 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.

#### Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, there are no leasehold improvements.

### Valuation of land and buildings

A revaluation is necessary when the fair value of each revalued class of asset differs materially from its carrying amount at balance date. Liam McNamara (Qualified CPV valuer) from Opteon Property Group, has completed a review of the carrying amount of land and building assets as at 30 June 2021. The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of valuation. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. All freehold land reserved for public open space is valued at a discount of 20 percent to market value based on legal precedents. Where land use is restricted through existing planning provisions, the valuation is reduced to reflect this limitation. The review methodology included analysis of recent land and building sales to determine the movement in values as displayed by the market. To ascertain a level of market value movement, Opteon Property Group reviewed the sales data throughout Moreland City Council from the 1st July 2020 to the 30th June 2021, to determine the material change in the underlying land value of each property sector. The property sectors referred to include residential, commercial and industrial property classifications. The change in the underlying land value of each sector over the analysed period has been residential 4.20%, commercial 4.17% and industrial 3.69%. These movements can be summarised across all combined sectors to reflect an average change of 4.19% for that period. In addition, to determine the change in council owned buildings, reference was made to the building cost index "Rawlinson's Construction Guide 2021." The building cost index derived from this reference source has indicated an immaterial change in value over the period of 3.98%. From the valuer analysis, the movement in the value of the land and building assets since the last valuation undertaken as at 1st March 2020 was not material and therefore the change was not applied to Moreland City Council's land and building asset register.

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.

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

	Level 1	Level2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Non-specialised Land	-	291,467	0	Mar-20
Specialised land	-	-	1,029,896	Mar-20
Buildings	-	-	232,624	Mar-20
Total	-	<b>291,467</b>	<b>1,262,520</b>	

### Valuation of infrastructure

Fair value assessments have been performed at 30 June 2021 for Infrastructure. This assessment demonstrated that fair value was materially similar to carrying value, and therefore a full revaluation was not required this year. The next scheduled full revaluation for this purpose will be conducted in 2023-24.

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

	Level 1	Level2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Roads	-	-	274,049	Jun-20
Kerbs	-	-	80,722	Jun-20
Bridges	-	-	18,479	Jun-20
Footpaths and cycleways	-	-	97,505	Jun-20
Drainage	-	-	144,558	Jun-20
Recreational, leisure and community facilities	-	-	17,385	Jul-19
Parks, open space and streetscapes	-	-	32,265	Jul-19
Other infrastructure	-	-	9,600	Jul-19
Total	-	-	<b>674,562</b>	

**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 \$2 and \$10,000 per square metre.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$190 to \$33,273 per square metre. The remaining useful lives of buildings are determined based on the current condition of buildings and vary from 2 years to 260 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 2 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.

**Reconciliation of specialised land**

	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Land under roads	3,896	3,697
Parks and reserves	1,026,000	1,025,342
<b>Total specialised land</b>	<u><b>1,029,896</b></u>	<u><b>1,029,039</b></u>

**Notes to the Financial Report**  
**For the Year Ended 30 June 2021**

<b>6.2 Investments in associates, joint arrangements and subsidiaries</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Investments in associates</b>		
Shares in Procurement Australasia Ltd	2	2
	<u>2</u>	<u>2</u>
<b>6.3 Investment property</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	26,000	26,695
Additions	-	189
Disposals	-	-
Fair value adjustments	1,225	(884)
Balance at end of financial year	<u>27,225</u>	<u>26,000</u>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

**Valuation of investment property**

Valuation of investment property has been determined in accordance with an independent valuation by Opteon Property Group who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

## Notes to the Financial Report For the Year Ended 30 June 2021

**Note 7 People and relationships**

**7.1 Council and key management remuneration**

**(a) Related Parties**

Parent entity

Moreland City Council is the parent entity.

**(b) Key Management Personnel**

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

**Councillors**

Mayor Annalivia Carli Hannan  
Deputy Mayor Mark Riley  
Councillor Lambros Tapinos (Mayor from 1/7/20 to 17/11/20)  
Councillor James Conlan (from 17/11/20 to current)  
Councillor Oscar Yildiz  
Councillor Helen Davidson  
Councillor Angelica Panopolus (from 17/11/20 to current)  
Councillor Milad El-Halabi (from 17/11/20 to current)  
Councillor Adam Pulford (from 17/11/20 to current)  
Councillor Sue Bolton  
Councillor Helen Pavlidis (from 17/11/20 to current)  
Councillor Natalie Abboud (from 1/7/20 to 17/11/20)  
Councillor Dale Martin (from 1/7/20 to 17/11/20)  
Councillor Jess Dorney (from 1/7/20 to 17/11/20)  
Councillor John Kavanagh (from 1/7/20 to 17/11/20)  
Councillor Ali Irfanli (from 1/7/20 to 17/11/20)

**Key Management Personnel**

Chief Executive Officer Cathy Henderson  
Director City Futures Kirsten Coster  
Director Engagement and Partnerships Joseph Tabacco  
Director Community Development Arden Joseph  
Director City Infrastructure Grant Thorne (from 1/7/20 to 31/8/20)  
Director City Infrastructure (acting) Greg Gale (from 31/10/20 to 6/11/20)  
Director City Infrastructure (acting) Andrew Dodd (from 1/9/20 to 30/10/20)  
Director City Infrastructure Anita Curnow (from 9/11/20)  
Director Business Transformation Sue Vujcevic  
Executive Manager Finance Elizabeth Rowland (from 1/7/20 to 17/7/20)  
Executive Manager Finance Melissa Baker (from 18/7/20 to 3/11/20)

	2021	2020
	No.	No.
Total Number of Councillors	16	11
Total of Chief Executive Officer and other Key Management Personnel	11	10
<b>Total Number of Key Management Personnel</b>	<b>27</b>	<b>21</b>

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

	2021	2020
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	2,530	2,508
Long-term benefits	29	46
Post employment benefits	210	220
<b>Total</b>	<b>2,769</b>	<b>2,774</b>

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
\$0 - \$29,999	11	-
\$30,000 - \$39,999	4	9
\$40,000 - \$69,999	1	2
\$70,000 - \$79,999	1	-
\$80,000 - \$119,999	2	1
\$120,000 - \$129,999	-	-
\$130,000 - \$219,999	3	1
\$220,000 - \$229,999	-	2
\$230,000 - \$239,999	-	-
\$240,000 - \$249,999	-	2
\$250,000 - \$259,999	1	1
\$260,000 - \$269,999	1	-
\$270,000 - \$279,999	-	2
\$280,000 - \$289,999	1	-
\$290,000 - \$339,999	1	1
\$340,000 - \$389,999	1	-
	<b>27</b>	<b>21</b>

**(d) Senior Officer Remuneration**

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

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

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Income Range:		
\$150,000 - \$159,999	6	9
\$160,000 - \$169,999	8	7
\$170,000 - \$179,999	5	4
\$180,000 - \$189,999	6	5
\$190,000 - \$199,999	2	2
\$200,000 - \$209,999	4	3
\$210,000 - \$219,999	-	1
\$220,000 - \$269,999	2	-
	<b>33</b>	<b>31</b>

Total Remuneration for the reporting year for Senior Officers included above, amounted to:

5,906,674	5,396,529
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7.2	<b>Related party disclosure</b>	2021	2020
	<b>(a) Transactions with related parties</b>	\$'000	\$'000
	During the period Council entered into the following transactions with related parties.	0	0
	<b>(b) Outstanding balances with related parties</b>		
	The following balances are outstanding at the end of the reporting period in relation to transactions with related parties	0	0
	<b>(c) Loans to/from related parties</b>		
	The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows:	0	0
	<b>(d) Commitments to/from related parties</b>		
	The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:	0	0

## **Notes to the Financial Report** **For the Year Ended 30 June 2021**

**Note 8 Managing uncertainties**

**8.1 (a) Contingent assets**

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. As at 30 June 2021 there were no Contingent Assets identified by Council.

**(b) Contingent liabilities**

As at 30 June 2021, the following Contingent Liabilities have been identified by Council.

**Superannuation**

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

**Insurance claims**

Council is presently involved in several confidential insurance matters, which are being conducted through Council's insurer. As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

**Legal matters**

Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors. As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

**8.2 Change in accounting standards**

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

**8.3 Financial instruments**  
**(a) Objectives and policies**

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

**(b) Market risk**

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

**Interest rate risk**

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

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

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

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

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

**(c) Credit risk**

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

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

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

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

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

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

**(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 + 0.70% and -0.30% in market interest rates (AUD) from year-end rates of 0.30%.

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 2021**

### **8.4 Fair value measurement**

#### **Fair value hierarchy**

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.

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.

#### **Revaluation**

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

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

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

#### **Impairment of assets**

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

### **8.5 Events occurring after balance date**

At the time of preparing the statements, Victoria had entered lockdown 5 and we are currently in lockdown 6. Other than the impacts related to COVID-19, no additional matters have occurred after balance date that require disclosure in the financial report.

**Note 9 Other matters**

**9.1**

<b>Reserves</b>	<b>Balance at beginning of reporting period</b>	<b>Increment (decrement)</b>	<b>Balance at end of reporting period</b>
<b>(a) Asset revaluation reserves</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2021</b>			
<b>Property</b>			
Land and land improvements	990,403	199	990,603
Buildings	93,140	-	93,140
	<u>1,083,544</u>	<u>199</u>	<u>1,083,743</u>
<b>Infrastructure</b>			
Road surface	61,805	-	61,805
Road pavement	160,890	-	160,890
Bridges	12,428	-	12,428
Footpaths	70,912	-	70,912
Drainage	95,066	14	95,080
Kerb and channel	68,304	-	68,304
Other structures	59,210	-	59,210
	<u>528,615</u>	<u>14</u>	<u>528,629</u>
<b>Other</b>			
Artworks	-	468	468
	<u>-</u>	<u>468</u>	<u>468</u>
<b>Total asset revaluation reserves</b>	<b>1,612,159</b>	<b>681</b>	<b>1,612,840</b>
<b>2020</b>			
<b>Property</b>			
Land and land improvements	983,214	7,190	990,403
Buildings	78,844	14,296	93,140
	<u>1,062,058</u>	<u>21,486</u>	<u>1,083,544</u>
<b>Infrastructure</b>			
Road surface	62,783	(978)	61,805
Road pavement	96,429	64,461	160,890
Bridges	12,224	204	12,428
Footpaths	30,470	40,442	70,912
Drainage	53,771	41,295	95,066
Kerb and channel	27,746	40,558	68,304
Other structures	52,274	6,936	59,210
	<u>335,697</u>	<u>192,918</u>	<u>528,615</u>
<b>Total asset revaluation reserves</b>	<b>1,397,755</b>	<b>214,404</b>	<b>1,612,160</b>

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

	<b>Balance at beginning of reporting period</b>	<b>Transfer from accumulated surplus</b>	<b>Transfer to accumulated surplus</b>	<b>Balance at end of reporting period</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(b) Other reserves</b>				
<b>2021</b>				
Public resort and recreation land fund (restricted)	18,440	11,135	(3,508)	26,067
Housing Strategy	753	128	(212)	669
Leisure centre development reserve	3,132	-	(1,393)	1,739
Moreland Defined Benefit reserve	11,079	1,921	-	13,000
Significant Projects reserve	16,965	6,416	(8,132)	15,249
Bridge works reserve	729	-	(729)	0
Local Government Funding Vehicle Developer Contribution Plan reserve (restricted)	-	1,405	-	1,405
Carry Forward Reserve	2,656	1,343	(883)	3,116
	<u>8,567</u>	<u>17,822</u>	<u>(8,567)</u>	<u>17,822</u>
<b>Total Other reserves</b>	<b>62,321</b>	<b>40,170</b>	<b>(23,423)</b>	<b>79,067</b>
<b>2020</b>				
Public resort and recreation land fund (restricted)	20,322	11,960	(13,842)	18,440
Housing Strategy	740	95	(82)	753
Leisure centre development reserve	3,126	500	(495)	3,132
Moreland Defined Benefit reserve	8,422	2,657	-	11,079
Significant Projects reserve	10,415	7,756	(1,206)	16,965
Bridge works reserve	1,900	500	(1,671)	729
Oak Park SAC redevelopment	34	-	(34)	0
Local Government Funding Vehicle Developer Contribution Plan reserve (restricted)	3,492	1,405	(4,897)	-
Carry Forward Reserve	1,856	1,465	(665)	2,656
	<u>-</u>	<u>8,567</u>	<u>-</u>	<u>8,567</u>
<b>Total Other reserves</b>	<b>50,306</b>	<b>34,905</b>	<b>(22,892)</b>	<b>62,321</b>

The Public Resort and Recreation Land Fund accumulates developers contributions paid to Council and is used to provide or improve recreation land and facilities.

The Housing Strategy provides funds for the purchase of community housing projects along with other housing initiatives.

The Leisure Centre Development Reserve accumulates funds from the savings derived from the outsourcing of the leisure centre facilities. These funds are and will continue to be used to maintain and upgrade these facilities.

Moreland Defined Benefit Reserve provides funds for payments requested by Vision Super to meet our superannuation obligations under the defined benefit scheme.

The Significant Projects Reserve accumulates funds to be on significant projects, currently the two projects are Wheatsheaf Community Hub and Saxon Street.

Bridges works Reserve funds works to construct or repair major bridges within Moreland City Council.

The Oak Park SAC Redevelopment Reserve accumulates funds set aside to be used in the complete redevelopment of the Oak Park facility.

The Local Government Funding Vehicle reserve accumulates funds to be used to reduce the LGFV bonds held by Council.

The Developers Contribution Plan Reserve (DCP) accumulates developers funds paid to Council in respect of developments within particular Plan areas and is used to contribute towards payment of a ten year Capital works

## Notes to the Financial Report For the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	29,392	31,142
Depreciation	27,517	25,678
Profit/(loss) on disposal of property, infrastructure, plant and equipment	5,054	5,303
Fair value adjustments for investment property	(1,225)	884
Contributions - Non-monetary assets	(401)	(468)
Finance costs	937	1,090
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(7,519)	1,715
(Increase)/decrease in prepayments	(46)	(705)
Increase/(decrease) in accrued income	3,956	2,718
Increase/(decrease) in trade and other payables	(2,719)	(6,854)
(Decrease)/increase in other liabilities	-	-
(Increase)/decrease in inventories	(102)	55
Increase/(decrease) in provisions	1,035	1,728
Increase/(decrease) in trust funds	654	(1,265)
Net cash provided by/(used in) operating activities	<b>56,535</b>	<b>61,020</b>

### 9.3 Superannuation

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

#### Accumulation

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

#### Defined Benefit

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

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

#### Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. A triennial actuarial review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%.

The financial assumptions used to calculate the VBI were:

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

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. Vision Super has advised that the estimated VBI at 30 June 2021 was 109.7%.

The financial assumptions used to calculate the VBI were:

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

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

#### Employer contributions

##### Regular contributions

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries (9.5% in 2019/2020). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

### Funding calls

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

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

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

### The 2020 triennial actuarial investigation surplus amounts

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

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

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

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

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

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

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

### The 2021 interim actuarial investigation

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

### Superannuation contributions

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

Scheme	Type of Scheme	Rate	2021 \$'000	2020 \$'000
Vision super	Defined benefit	9.50%	468	668
Vision super	Accumulation fund	9.50%	3,549	3,479
Other Funds	Accumulation fund	9.50%	4,425	2,912

## **Notes to the Financial Report** **For the Year Ended 30 June 2021**

### **10 Change in accounting policy**

**The following Accounting Standard Changes are effective for the reporting period. The impact of these standards has been reviewed and have not resulted in changes to accounting policies or adjustments to the amounts recognised in the financial statements.**

AASB 2019-1 Amendments to AASs – References to the Conceptual Framework  
AASB 2018-6 Amendments to AASs – Definition of a Business  
AASB 2019-3 Amendments to AASs – Interest Rate Benchmark Reform [Phase 1]  
AASB 2019-5 Amendments to AASs – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia  
AASB 1059 Service Concession Arrangements: Grantors  
AASB 2019-2 Amendments to AASs – Implementation of AASB 1059  
AASB 2021-4 Amendments to AASs – Modified Retrospective Transition Approach for Service Concession Grantors  
AASB 2020-4 Amendments to AASs – Covid-19-Related Rent Concessions

**The following Accounting Standard Changes are effective for the reporting period. The impact of these standards has been reviewed and have resulted in changes to accounting policies or adjustments to the amounts recognised in the financial statements.**

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material  
Council has adopted AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material, from 1 July 2020. The amendments align the definition of 'material' across AASB 101 and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

AASB 1059 Service Concession Arrangements: Grantors  
Council has adopted AASB 1059 Service Concession Arrangements: Grantors, from 1 July 2020. The standard requires a grantor to recognise a service concession asset constructed, developed or acquired by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset. This change has not resulted in any adjustments to the amounts recognised in the financial statements.

**The following Accounting Standard Changes are effective for Future reporting periods and have not been early adopted. The impact of these standards have been reviewed and we do not expect that these standards will have any significant impact on council.**

AASB 2020-5 Amendments to AASs – Insurance Contracts (Effective 1 January 2021)  
AASB 2020-8 Amendments to AASs – Interest Rate Benchmark Reform – Phase 2 (Effective 1 January 2021)  
AASB 2021-3 Amendments to AASs – Covid-19-Related Rent Concessions beyond 30 June 2021 (Effective 1 April 2021)  
AASB 2020-7 Amendments to AASs – Covid-19-Related Rent Concessions: Tier 2 Disclosures (Effective 1 July 2021)  
AASB 2020-9 Amendments to AASs – Tier 2 Disclosures: Interest Rate Benchmark Reform - Phase 2 (Effective 1 July 2021)