

Ararat Rural City Council

Performance Statement

For the year ended 30 June 2022

Performance Statement

For the year ended 30 June 2022

Description of Municipality

Ararat Rural City lies at an important junction of the Western and Pyrenees highways 198 kilometres north-west of Melbourne, approximately a quarter of the way between Melbourne and Adelaide.

Centrally located to the Grampians National Park, the Goldfields, the Southern Coast and metropolitan Melbourne, the Ararat region is not far from anywhere.

Ararat is a major regional service centre in Victoria's mid-west and is supported by a number of small rural townships. Ararat Rural City has excellent schools, hospitals, transport connections and amenities that support a regional lifestyle.

Ararat Rural City is also the gateway to the world-renowned Grampians region where local produce, wine production, agriculture and tourism are among the economic mainstays. Diverse retail and manufacturing industries are spearheading a growing economy.

The region is nestled within picturesque landscapes which include magnificent natural environments and beautiful inland lakes. Our environment allows for a diverse range of recreational activities to be enjoyed by both residents and visitors to the municipality.

Municipal Snapshot

Population » 11,922 (Australian Bureau of Statistics – Population Estimates by Local Government Area)

Area » 4,230 square kilometres

Rateable properties » 7,227

Number of Councillors » 7

Rates and charges revenue » \$17.516 million

Total revenue » \$36.620 million

Length of sealed local roads » 732 kms

Length of unsealed local roads » 1,469 kms

Length of natural surface roads » 254 kms

Total road length » 2,455 kms

Overview of 2022

During the financial year council completed the changeroom upgrades at the Willaura Recreation Reserve, and preliminary works have been undertaken for the Gordon Street Recreation Reserve development. Extensive roadworks were undertaken to improve Council's road network, including Back Bolac Road, Helendoite Road, Chatsworth-Wickliffe Road, Darlington-Nerrin Road, Chatsworth-Lake Bolac Road, Baird Street, Dean Street and Pollands Road Bridge.

Sustainable Capacity Indicators

For the year ended 30 June 2022

<i>Indicator / measure</i> [formula]	Results				Comment
	2019	2020	2021	2022	
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,559.14	\$2,552.81	\$2,434.43	\$2,454.62	
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$17,820.01	\$17,841.20	\$19,138.82	\$21,849.19	The 14.16% increase in 2022 was due to the revaluation of property and infrastructure assets.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	4.87	4.89	4.94	4.92	
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,620.86	\$1,649.13	\$1,611.45	\$1,623.47	

<i>Indicator / measure</i> [formula]	Results				Comment
	2019	2020	2021	2022	
Recurrent grants					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$702.16	\$723.77	\$943.59	\$921.74	Council received a 5-year allocation of \$7.307 million for Roads to Recovery for 2019-2024. Council increased the level of Roads to Recovery projects undertaken in 2021 with grant funding of \$3.605 million, compared to \$1.319 million in 2022. This has resulted in a decline in recurrent grants of 2.32% in 2022.
Disadvantage					
<i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	1.00	1.00	1.00	1.00	
Workforce turnover					
<i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	10.4%	14.7%	13.5%	16.8%	This indicator has increased due to service changes impacting staff turnover, such as Council's move out of providing Home Care Services, and the outsourcing of Environmental Health Services. There was also a higher number of staff resignations in 2021/2022.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimate, as per Australian Bureau of Statistics – Population Estimates by Local Government Area

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

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

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

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

Service Performance Indicators

For the year ended 30 June 2022

Service / indicator / measure	Results				Comment
	2019	2020	2021	2022	
Aquatic facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i>	8.68	4.13	1.20	2.65	Council saw an increase of 17,234 patrons visiting our municipal pools during the 2021/2022 financial year. This result is tracking toward a normal year as expected coming out of a year of significant closures and lockdowns. Council remain actively focussed on increasing utilisation of our pools and fitness centre to ensure these services are viable into the future.
[Number of visits to aquatic facilities / Municipal population]					
Animal management					
Health and safety					
<i>Animal management prosecutions</i>	New in 2020	0%	0%	0%	There were no animal prosecutions during this reporting period.
[Number of successful animal management prosecutions / Number of animal management prosecutions] x 100					

<i>Service / indicator / measure</i>	Results				Comment
	2019	2020	2021	2022	
Food safety					
Health and safety					
<i>Critical and major non-compliance outcome notifications</i>	95.00%	114.29%	100.00%	83.33%	In 2022 Council received 18 non-compliance notifications regarding food premises, 15 of which were recorded as followed up (a possible reporting error.). Since the reporting period Council have outsourced the Food Safety and Health service to ensure greater compliance, and continues to work with businesses to ensure regulatory standards are met.
[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100					
Governance					
Satisfaction					
<i>Satisfaction with council decisions</i>	46	57	63	65	Council has placed a strong focus on consulting the community in regard to decisions made in their best interests, which has seen a further 3% rise in this indicator from 2020/2021. While the improvement is encouraging, Council is committed to continuous and ongoing improvement in this area.
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					

Service / indicator / measure	Results				Comment
	2019	2020	2021	2022	
Libraries					
Participation					
<i>Active library borrowers in municipality</i>	13.59%	11.75%	10.71%	8.55%	2021/2022 results indicate a continual decrease in active borrowers. Council are actively working to re-establish borrowing in the wake of the pandemic. This indicator does not capture other library activity for example children and youth programs, digital literacy programs and events, the use of public PCs, using facilities such as meeting rooms or study areas, or using services such as Wi-Fi, all which are key focus areas for the service.
[Number of active library borrowers in the last three years / The sum of the population for the last three years] x100					
Maternal and child health					
Participation					
<i>Participation in the MCH service</i>	79.56%	81.45%	85.59%	85.53%	Participation levels have remained steady since last reporting period, especially given the disruptions presented by COVID-19 closures during 2021. Council continue to review engagement practices within the maternal and child health service to increase participation rates.
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100					
Participation					
<i>Participation in the MCH service by Aboriginal children</i>	84.62%	80.00%	92.00%	87.50%	Council has 16 Aboriginal children enrolled in the maternal and child health service with 2 children having not attended in the last 12 months. Such low numbers creates sensitivity when reporting in percentages, however attendance in the program continues to be strong, and Council continue to review engagement practices to increase participation rates.
[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100					

<i>Service / indicator / measure</i>	Results				Comment
	2019	2020	2021	2022	
Roads					
<i>Satisfaction</i>					
<i>Satisfaction with sealed local roads</i>	50	56	59	58	This result reflects steady sentiment around community satisfaction with Council's local roads compared to recent years. It is envisaged that the ongoing investment in road renewal outlined in Council's budget 2021/2022 will continue to improve community satisfaction in the longer term.
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]					
Statutory Planning					
<i>Decision making</i>					
<i>Council planning decisions upheld at VCAT</i>	0.00%	0.00%	0.00%	100.00%	There was one VCAT decision in 2021/2022, and none in the last 3 years. The VCAT decision upheld Council's decision.
[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100					
Waste Collection					
<i>Waste diversion</i>					
<i>Kerbside collection waste diverted from landfill</i>	25.95%	25.19%	23.96%	21.02%	Waste diverted from landfill is slightly less than previous years, and quite low compared to state average. Council is working with contractors, neighbouring Councils and the waste and resource recovery group to establish opportunities for reducing the amount of waste being sent to landfill.
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

Definitions

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

Dimension / <i>indicator / measure</i>	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
Liquidity									
Working capital									
<i>Current assets compared to current liabilities</i>	421.69%	396.18%	202.08%	224.65%	213.29%	207.58%	200.23%	204.66%	This result has increased in 2022 due to the payout of a \$2 million loan
[Current assets / Current liabilities] x100									
Unrestricted cash									
<i>Unrestricted cash compared to current liabilities</i>	196.80%	172.49%	64.51%	64.66%	157.45%	150.97%	144.07%	145.85%	This indicator has reduced in the previous two years as a result of changes to the accounting standards, with around \$7 million of grants in each year being received by Council, but held as unearned income until grant-related performance obligations have been met.
[Unrestricted cash / Current liabilities] x100									

Dimension / indicator / measure	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
Obligations									
Loans and borrowings									
<i>Loans and borrowings compared to rates</i>	17.79%	16.15%	15.43%	3.41%	2.56%	1.70%	0.85%	0.00%	The result for 2022 includes the payout of a \$2 million loan.
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									
Loans and borrowings									
<i>Loans and borrowings repayments compared to rates</i>	0.78%	1.41%	1.41%	12.51%	0.88%	0.88%	0.85%	0.84%	The result for 2022 includes the payout of a \$2 million loan.
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									

Dimension / indicator / measure	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
Indebtedness									
<i>Non-current liabilities compared to own source revenue</i>	16.51%	15.44%	4.29%	3.30%	2.73%	1.94%	1.13%	1.10%	
[Non-current liabilities / Own source revenue] x100									
Asset renewal and upgrade									
<i>Asset renewal and upgrade compared to depreciation</i>	New in 2020	118.09%	164.30%	174.50%	113.59%	109.91%	121.84%	121.26%	Council continues to prioritise capital works expenditure to improve Council's performance in the renewal of assets.
[Asset renewal and upgrade expense / Asset depreciation] x100									
Operating position									
Adjusted underlying result									
<i>Adjusted underlying surplus (or deficit)</i>	-0.66%	-4.12%	9.08%	7.64%	2.20%	1.95%	5.14%	5.51%	The result for 2022 was forecast to be 2.35%. The actual result for 2022 was higher than expected as council received \$1.784 million more than budget for financial assistance grants, due to approximately 75% of the annual allocation for 2023 being received in June 2022, compared to around 50% being received in advance in previous years.
[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100									

Dimension / indicator / measure	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
Stability									
Rates concentration									
<i>Rates compared to adjusted underlying revenue</i>	56.78%	61.17%	55.31%	55.29%	63.65%	63.58%	61.70%	61.95%	
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort									
<i>Rates compared to property values</i>	0.62%	0.62%	0.54%	0.41%	0.29%	0.29%	0.30%	0.31%	
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									Council has delivered a net rate rise of 0% for the past five years. The significant decrease of 24.05% in 2022 is due to a 29% increase in the total valuation of all properties following the 2021 revaluation. The forecast results are based on the 2022 revaluation which has resulted in a further 44% increase in the total valuation of all properties.

Former measures

Service / indicator / measure	Results	Comment
	2019	
Animal Management		
Health and safety		
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	0	This measure was replaced by Animal management prosecutions (%) for 2020.
Efficiency		
Revenue level		
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,777.60	This measure was replaced by Average rate per property assessment for 2020.
Obligations		
Asset renewal		
<i>Asset renewal compared to depreciation</i> [Asset renewal expense / Asset depreciation] x100	93.92%	This measure was replaced by Asset renewal and upgrade compared to depreciation for 2020.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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

Other Information

For the year ended 30 June 2022

1. Basis of preparation

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

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, and the results forecast by Council's strategic resource plan. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by Council in its Budget on 28 June 2022 and which forms part of the council plan. The Budget includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The Budget can be obtained by contacting council.

Certification of the Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2020.

Karissa Hogan, BCom, CPA

Principal Accounting Officer

Dated: *(Date)*

In our opinion, the accompanying performance statement of the Ararat Rural City Council for the year ended 30 June 2022 presents fairly the results of Council's performance in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2020.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

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

We have been authorised by the Council and by the Local Government (Planning and Reporting) Regulations 2020 to certify this performance statement in its final form.

Jo Armstrong

Councillor

Dated: *(Date)*

Henry Burridge

Councillor

Dated: *(Date)*

Dr Tim Harrison

Chief Executive Officer

Dated: *(Date)*

Ararat Rural City Council
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2022

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

Karissa Hogan, BCom, CPA
Principal Accounting Officer
Date : <Date>
Ararat

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

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

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

Jo Armstrong
Mayor
Date : <Date>
Ararat

Henry Burridge
Councillor
Date : <Date>
Ararat

Dr Tim Harrison
Chief Executive Officer
Date : <Date>
Ararat

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Comprehensive Income Statement For the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Rates and charges	3.1	17,516	17,720
Statutory fees and fines	3.2	245	172
User fees	3.3	1,122	1,018
Grants - operating	3.4	10,892	9,046
Grants - capital	3.4	6,189	6,707
Contributions - monetary	3.5	184	162
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	147	136
Fair value adjustments for investment property	6.2	137	47
Other income	3.7	188	188
Total income		36,620	35,196
Expenses			
Employee costs	4.1	10,822	11,910
Materials and services	4.2	10,149	7,167
Depreciation	4.3	7,907	9,641
Bad and doubtful debts	4.4	-	5
Borrowing costs	4.5	54	116
Other expenses	4.6	332	289
Total expenses		29,264	29,128
Surplus/(deficit) for the year		7,356	6,068
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.1	29,339	10,908
Total other comprehensive income		29,339	10,908
Total comprehensive result		36,695	16,976

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

Balance Sheet
As at 30 June 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	21,515	23,049
Trade and other receivables	5.1	3,922	4,233
Inventories	5.2	64	69
Other assets	5.2	13	55
Total current assets		25,514	27,406
Non-current assets			
Trade and other receivables	5.1	9	12
Property, infrastructure, plant and equipment	6.1	278,159	242,101
Investment property	6.2	1,499	1,362
Total non-current assets		279,667	243,475
Total assets		305,181	270,881
Liabilities			
Current liabilities			
Trade and other payables	5.3	1,540	1,303
Trust funds and deposits	5.3	254	455
Unearned income	5.3	7,175	7,191
Provisions	5.5	2,245	2,475
Interest-bearing liabilities	5.4	143	2,138
Total current liabilities		11,357	13,562
Non-current liabilities			
Provisions	5.5	184	231
Interest-bearing liabilities	5.4	454	597
Total non-current liabilities		638	828
Total liabilities		11,995	14,390
Net assets		293,186	256,491
Equity			
Accumulated surplus		85,917	76,891
Reserves	9.1	207,269	179,600
Total Equity		293,186	256,491

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

Statement of Changes in Equity
For the Year Ended 30 June 2022

2022	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		256,491	76,891	155,926	23,674
Surplus/(deficit) for the year		7,356	7,356	-	-
Net asset revaluation increment/(decrement)	6.1	29,339	-	29,339	-
Transfers to other reserves	9.1	-	(17,051)	-	17,051
Transfers from other reserves	9.1	-	18,721	-	(18,721)
		<u>293,186</u>	<u>85,917</u>	<u>185,265</u>	<u>22,004</u>
Balance at end of the financial year		293,186	85,917	185,265	22,004

2021	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		239,515	75,974	145,018	18,523
Surplus/(deficit) for the year		6,068	6,068	-	-
Net asset revaluation increment/(decrement)	6.1	10,908	-	10,908	-
Transfers to other reserves	9.1	-	(15,111)	-	15,111
Transfers from other reserves	9.1	-	9,960	-	(9,960)
		<u>256,491</u>	<u>76,891</u>	<u>155,926</u>	<u>23,674</u>
Balance at end of the financial year		256,491	76,891	155,926	23,674

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 2022

	Note	2022 Inflows/ (Outflows) \$'000	2021 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		17,635	17,560
Statutory fees and fines		246	172
User fees		1,265	1,564
Grants - operating		10,790	11,009
Grants - capital		6,658	9,310
Contributions - monetary		181	180
Interest received		53	63
Trust funds and deposits taken		299	352
Other receipts		145	138
Net GST refund/payment		1,906	1,798
Employee costs		(10,808)	(12,134)
Materials and services		(12,498)	(9,577)
Trust funds and deposits repaid		(389)	(186)
Other payments		(346)	(302)
Net cash provided by/(used in) operating activities	9.2	<u>15,137</u>	<u>19,947</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(14,664)	(16,564)
Proceeds from sale of property, infrastructure, plant and equipment		185	383
Net cash provided by/(used in) investing activities		<u>(14,479)</u>	<u>(16,181)</u>
Cash flows from financing activities			
Finance costs		(54)	(116)
Repayment of borrowings		(2,138)	(134)
Net cash provided by/(used in) financing activities		<u>(2,192)</u>	<u>(250)</u>
Net increase (decrease) in cash and cash equivalents		(1,534)	3,516
Cash and cash equivalents at the beginning of the financial year		23,049	19,533
Cash and cash equivalents at the end of the financial year	5.1	<u>21,515</u>	<u>23,049</u>
Restrictions on cash assets	5.1		

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

Statement of Capital Works
For the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Property			
Buildings		1,195	2,247
Total property		<u>1,195</u>	<u>2,247</u>
Plant and equipment			
Plant, machinery and equipment		1,191	848
Fixtures, fittings and furniture		-	21
Library books		39	34
Total plant and equipment		<u>1,230</u>	<u>903</u>
Infrastructure			
Roads		10,757	12,163
Bridges		708	73
Footpaths and cycleways		240	196
Drainage		534	982
Total infrastructure		<u>12,239</u>	<u>13,414</u>
Total capital works expenditure		<u>14,664</u>	<u>16,564</u>
Represented by:			
New asset expenditure		866	724
Asset renewal expenditure		11,691	11,758
Asset upgrade expenditure		2,107	4,082
Total capital works expenditure		<u>14,664</u>	<u>16,564</u>

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

Note 1 OVERVIEW

Introduction

The Ararat Rural City Council was established by an Order of the Governor in Council on 22 September 1994 and is a body corporate. The Council's main office is located at 59 Vincent Street, Ararat.

Statement of compliance

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

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

Significant accounting policies

(a) Basis of accounting

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

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

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)
- the determination of 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)
- 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

During 2021-22 the COVID-19 pandemic continued to impact on Council's operations. Council has noted the following significant impacts on its financial operations:

- Additional revenue – \$0.158 million for outdoor eating and entertainment package, \$0.092 million for COVID safe outdoor activation funding, \$0.060 million for community activation and social isolation initiative and \$0.063 million for business concierge and hospitality support program.
- Revenue reductions – facilities closures resulted in \$0.165 million less revenue than budget.

Note 2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of \$250,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

2.1.1 Income and expenditure

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Income					
Rates and charges	17,467	17,516	49	0%	
Statutory fees and fines	199	245	46	23%	
User fees	1,367	1,122	(245)	-18%	
Grants - operating	7,964	10,892	2,928	37%	1
Grants - capital	9,651	6,189	(3,462)	-36%	2
Contributions - monetary	97	184	87	90%	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	41	147	106	259%	
Fair value adjustments for investment property	-	137	137	100%	
Other income	173	188	15	9%	
Total income	36,959	36,620	(339)	-1%	
Expenses					
Employee costs	11,277	10,822	455	4.03%	3
Materials and services	9,319	10,149	(830)	-8.91%	4
Depreciation	7,095	7,907	(812)	-11.44%	5
Borrowing costs	55	54	1	1.82%	
Other expenses	348	332	16	4.60%	
Total expenses	28,094	29,264	(1,170)	-4.16%	
Surplus/(deficit) for the year	8,865	7,356	(1,509)	-17.02%	

(i) Explanation of material variations

1	Grants - operating	Council received \$1.784 million more than budget for financial assistance grants due to approximately 75% of the annual allocation for 2022/23 being received in June 2022, compared to around 50% being received in advance in 2020/21. Council was successful in obtaining several grants that had not been budgeted for, including \$0.373 million for several COVID assistance grants and \$0.309 million for new settlement and workforce grants.
2	Grants - capital	In accordance with accounting standards, capital grants totalling \$3.614 million are currently being held as an unearned income liability until grant related performance obligations have been met. This includes \$2.305 million of grant funds received towards the Gordon Street Recreation Reserve development.
3	Employee costs	Savings have mostly resulted from delays in replacing some staff members and other vacancies that have not been filled.
4	Materials and services	Materials and services are higher than budget with increased operating expenditure required to deliver the outcomes for the additional operating grants.
5	Depreciation	Council did not allow enough in the budget, due to the revaluation of infrastructure as at 30 June 2021 which was undertaken after the budget had been finalised.

2.1.2 Capital works

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Property					
Buildings	3,732	1,195	(2,537)	-68%	1
Total property	3,732	1,195	(2,537)	-68%	
Plant and equipment					
Plant, machinery and equipment	720	1,191	471	65%	2
Fixtures, fittings and furniture	25	-	(25)	-100%	
Library books	40	39	(1)	-3%	
Total plant and equipment	785	1,230	445	57%	
Infrastructure					
Roads	11,389	10,757	(632)	-6%	3
Bridges	690	708	18	3%	
Footpaths and cycleways	265	240	(25)	-9%	
Drainage	673	534	(139)	-21%	
Total infrastructure	13,017	12,239	(778)	-6%	
Total capital works expenditure	17,534	14,664	(2,870)	-16%	
Represented by:					
New asset expenditure	1,740	866	(874)	-50%	4
Asset renewal expenditure	13,364	11,691	(1,673)	-13%	5
Asset upgrade expenditure	2,430	2,107	(323)	-13%	6
Total capital works expenditure	17,534	14,664	(2,870)	-16%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	The budget included building works of \$3.224 million for the Gordon Street Recreation Reserve development, however only \$0.350 million was completed during the financial year.
2	Plant, machinery and equipment	Three waste trucks were purchased for Council to commence kerbside waste collection services in 2022/23.
3	Roads	The budget included roadworks for Wilson Street and Delacombe Way which were still in progress at 30 June 2022.
4	New asset expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.
5	Asset renewal expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.
6	Asset upgrade expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.

Note 2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.2.1 Growing our place

The program brings together the planning, building and environmental health service areas to align Council's strategic objectives to support growth, community amenity, and public health.

Building robust local economies

The program combines Council's economic development and tourism services to elevate the region's status as an agriculture powerhouse that drives high yield returns for producers and operators in the Grampians.

Preserving our environment

The program combines waste management, sustainability, parks and gardens and emergency management, delivering a circular economy strategy via Revolution Ararat, revitalising our public parks, and preparedness planning for fire and flood.

Developing and maintaining key enabling infrastructure

The program provides project design and management, property maintenance, city services, road maintenance, major and minor plant, infrastructure works and asset management to support infrastructure upgrades and renewal that underpin freight efficiency and town development.

Enhancing community life

The program recognises the role of arts, culture, education, and community participation in enhancing community life, and is responsible for managing our cultural venues, library services, positive ageing programs, children's services, public recreation, and community events support.

Strong and effective governance

The program is focused on establishing a strong governance framework that secures public value through efficient financial management, rating, procurement, council operations, civic functions, and public engagement.

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Growing our place	412	(1,050)	(638)	84	-
Building robust local economies	694	(669)	25	671	-
Preserving our environment	2,746	(5,126)	(2,380)	202	3
Developing and maintaining key enabling infrastructure	9,347	(11,340)	(1,993)	9,387	258,177
Enhancing community life	2,583	(5,304)	(2,721)	1,622	20,566
Strong and effective governance	20,838	(5,775)	15,063	5,115	26,435
	36,620	(29,264)	7,356	17,081	305,181

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Growing our place	250	(898)	(648)	34	-
Building robust local economies	205	(659)	(454)	195	-
Preserving our environment	2,824	(3,871)	(1,047)	296	8
Developing and maintaining key enabling infrastructure	8,578	(11,482)	(2,904)	8,455	221,077
Enhancing community life	2,796	(6,072)	(3,276)	2,124	21,561
Strong and effective governance	20,543	(6,146)	14,397	4,649	28,235
	35,196	(29,128)	6,068	15,753	270,881

Note 3 Funding for the delivery of our services	2022	2021
3.1 Rates and charges	\$'000	\$'000

Council uses the Capital Improved Valuation as the basis of valuation of all properties within the municipal district. The Capital Improved Valuation of a property is its approximate market value at a given date of 1 January 2021.

The valuation base used to calculate general rates for 2021/22 was \$4.264 billion (2020/21 \$3.275 billion). The 2021/22 rate in the Capital Improved Valuation dollar was General 0.5307, Farm 0.2123, Commercial 0.6634, and Industrial 0.6634 (2020/21 General 0.6280, Farm 0.2952, Commercial 0.7850, and Industrial 0.7850).

General	6,989	7,119
Commercial	814	945
Industrial	226	244
Farm	5,950	5,893
Municipal charge	625	623
Garbage charge	1,728	1,737
Recycling charge	534	540
Interest on rates and charges	151	122
Revenue in lieu of rates	499	497
Total rates and charges	17,516	17,720

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2022, and the valuation will be first applied in the rating year commencing 1 July 2022.

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

3.2 Statutory fees and fines

Infringements and costs	9	6
Town planning fees	193	127
Land information certificates	16	14
Permits	27	25
Total statutory fees and fines	245	172

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

3.3 User fees

Aged and health services	169	198
Leisure centre and recreation	288	210
Child care/children's programs	6	6
Parking	-	6
Registration and other permits	119	93
Building services	54	66
Waste management services	257	236
Gum San Museum/Great Hall charges	2	1
Ararat Town Hall charges	32	7
Visitor Information Centre	12	1
Alexandra Oval	67	38
Road occupancy	5	7
Private Works	22	57
Other fees and charges	89	92
Total user fees	1,122	1,018
User fees by timing of revenue recognition		
User fees recognised at a point in time	1,122	1,018
Total user fees	1,122	1,018

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.

	2022	2021
	\$'000	\$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	14,229	11,145
State funded grants	2,852	4,608
Total grants received	<u>17,081</u>	<u>15,753</u>
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	8,186	6,314
General home care	487	432
<i>Recurrent - State Government</i>		
Aged care	202	192
School crossing supervisors	12	12
Libraries	147	142
Maternal and child health	318	293
Environment	134	117
Culture	140	140
Administration	44	43
Total recurrent operating grants	<u>9,670</u>	<u>7,685</u>
<i>Non-recurrent - Commonwealth Government</i>		
Community development	20	45
<i>Non-recurrent - State Government</i>		
Natural disaster	48	72
Community development	60	181
Libraries	87	11
Maternal and child health	82	61
Environment	35	12
Employment	100	596
Planning and development	760	164
Culture	-	26
Recreation	30	193
Total non-recurrent operating grants	<u>1,222</u>	<u>1,361</u>
Total operating grants	<u>10,892</u>	<u>9,046</u>
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,319	3,605
Total recurrent capital grants	<u>1,319</u>	<u>3,605</u>
<i>Non-recurrent - Commonwealth Government</i>		
Transport	3,939	677
Recreation	278	72
<i>Non-recurrent - State Government</i>		
Transport	434	800
Plant, machinery and equipment	-	118
Recreation	219	1,225
Waste Management	-	210
Total non-recurrent capital grants	<u>4,870</u>	<u>3,102</u>
Total capital grants	<u>6,189</u>	<u>6,707</u>

	2022 \$'000	2021 \$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
<i>Operating</i>		
Balance at start of year	2,191	386
Received during the financial year and remained unspent at balance date	2,163	2,141
Received in prior years and spent during the financial year	(793)	(336)
Balance at year end	<u>3,561</u>	<u>2,191</u>
<i>Capital</i>		
Balance at start of year	5,000	833
Received during the financial year and remained unspent at balance date	185	5,000
Received in prior years and spent during the financial year	(1,571)	(833)
Balance at year end	<u>3,614</u>	<u>5,000</u>

(d) Recognition of grant income

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

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

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

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

Income recognised under AASB 1058 *Income of Not-for-Profit Entities*

General purpose	8,186	6,314
Specific purpose grants to acquire non-financial assets	6,189	6,707
Other specific purpose grants	1,551	1,422
Revenue recognised under AASB 15 <i>Revenue from Contracts with Customers</i>		
Specific purpose grants	1,155	1,310
	<u>17,081</u>	<u>15,753</u>

3.5 Contributions

Monetary	184	162
Total contributions	<u>184</u>	<u>162</u>

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

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

Proceeds of sale	185	383
Written down value of assets disposed	(38)	(247)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>147</u>	<u>136</u>

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

3.7 Other income

Interest	53	63
Investment property rental	135	125
Total other income	<u>188</u>	<u>188</u>

Interest is recognised as it is earned.

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

	2022	2021
	\$'000	\$'000
Note 4 The cost of delivering services		
4.1 (a) Employee costs		
Wages and salaries	9,534	10,491
WorkCover	287	355
Superannuation	945	995
Fringe benefits tax	56	69
Total employee costs	10,822	11,910

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	37	59
	<u>37</u>	<u>59</u>

Employer contributions payable at reporting date.

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Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	644	692
Employer contributions - other funds	264	244
	<u>908</u>	<u>936</u>

Employer contributions payable at reporting date.

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

4.2 Materials and services

Materials and services	5,078	3,343
Contract payments	2,846	1,887
Plant and equipment maintenance	1,134	1,054
Utilities	630	690
Consultants	461	193
Total materials and services	10,149	7,167

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

4.3 Depreciation

Property	1,642	1,584
Plant and equipment	851	823
Infrastructure	5,414	7,234
Total depreciation	7,907	9,641

Refer to note 6.1 for a more detailed breakdown of depreciation and accounting policy.

	2022	2021
	\$'000	\$'000
4.4 Bad and doubtful debts		
Other debtors	-	5
Total bad and doubtful debts	-	5

Bad debts are written off when identified.

4.5 Borrowing costs

Interest - Borrowings	54	116
Total borrowing costs	54	116

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

4.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	47	42
Auditors' remuneration - Other External Audits	1	1
Auditors' remuneration - Internal Audit	62	47
Councillors' allowances	222	199
Total other expenses	332	289

Note 5 Our financial position

	2022	2021
	\$'000	\$'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	3	4
Cash at bank	6,407	9,884
Term deposits	15,105	13,161
Total cash and cash equivalents	21,515	23,049
Total financial assets	21,515	23,049

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

- Trust funds and deposits (Note 5.3)	254	455
Total restricted funds	254	455
Total unrestricted cash and cash equivalents	21,261	22,594

Intended allocations

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

- cash held to fund carried forward capital works	13,817	13,767
- other reserve funds allocated for specific future purposes	8,187	9,907
Total funds subject to intended allocations (Note 9.1(b))	22,004	23,674

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

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

	2022	2021
	\$'000	\$'000
(b) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	1,742	1,860
<i>Non statutory receivables</i>		
Other debtors	2,180	2,373
Total current trade and other receivables	<u>3,922</u>	<u>4,233</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	9	12
Total non-current trade and other receivables	<u>9</u>	<u>12</u>
Total trade and other receivables	<u>3,931</u>	<u>4,245</u>

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

(c) 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)	2,176	2,354
Past due by up to 30 days	3	9
Past due between 31 and 180 days	1	10
Total trade and other receivables	<u>2,180</u>	<u>2,373</u>

5.2 Non-financial assets	2022	2021
(a) Inventories	\$'000	\$'000
Inventories held for sale	6	21
Inventories held for distribution	58	48
Total inventories	64	69

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

(b) Other assets

Prepayments	13	55
Total other assets	13	55

5.3 Payables, trust funds and deposits and unearned income

(a) Trade and other payables

Non-statutory payables

Trade payables	1,493	1,213
Accrued expenses	47	90
Total trade and other payables	1,540	1,303

(b) Trust funds and deposits

Refundable deposits	96	95
Fire services levy	16	190
Retention amounts	60	138
Other refundable deposits	82	32
Total trust funds and deposits	254	455

(c) Unearned income

Grants received in advance - operating	3,561	2,191
Grants received in advance - capital	3,614	5,000
Total unearned income	7,175	7,191

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.

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

Purpose and nature of items

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

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

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

5.4 Interest-bearing liabilities	2022	2021
	\$'000	\$'000
Current		
Borrowings - secured	143	2,138
	<u>143</u>	<u>2,138</u>
Non-current		
Borrowings - secured	454	597
	<u>454</u>	<u>597</u>
Total	<u>597</u>	<u>2,735</u>

Borrowings are secured by Council's rates

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

Not later than one year	143	2,138
Later than one year and not later than five years	454	597
Later than five years	-	-
	<u>597</u>	<u>2,735</u>

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	2022 \$'000	2021 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	624	700
Other leave	52	55
	<u>676</u>	<u>755</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	191	199
Long service leave	1,378	1,521
	<u>1,569</u>	<u>1,720</u>
Total current employee provisions	<u>2,245</u>	<u>2,475</u>
Non-current		
Long service leave	184	231
Total non-current employee provisions	<u>184</u>	<u>231</u>
Aggregate carrying amount of employee provisions:		
Current	2,245	2,475
Non-current	184	231
Total aggregate carrying amount of employee provisions	<u>2,429</u>	<u>2,706</u>

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

Annual leave

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

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

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

Long service leave

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

Key assumptions:

- discount rate	3.33%	0.88%
- index rate	3.85%	2.95%

5.6 Commitments

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

(a) Commitments for expenditure

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Operating					
Recycling	34	-	-	-	34
Garbage collection	76	-	-	-	76
Consultancies	830	77	-	-	907
Total	940	77	-	-	1,017
Capital					
Buildings	3,865	-	-	-	3,865
Plant and equipment	26	-	-	-	26
Total	3,891	-	-	-	3,891
2021					
Operating					
Recycling	310	-	-	-	310
Garbage collection	505	-	-	-	505
Consultancies	50	-	-	-	50
Meals for delivery	78	-	-	-	78
Total	943	-	-	-	943
Capital					
Buildings	189	-	-	-	189
Roads	961	-	-	-	961
Plant and equipment	158	-	-	-	158
Total	1,308	-	-	-	1,308

(b) Operating lease receivables

Operating lease receivables

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

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

	2022 \$'000	2021 \$'000
Not later than one year	57	6
Later than one year and not later than five years	19	20
Later than five years	1	-
	77	26

Note 6 Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2021 \$'000	Additions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	Carrying amount 30 June 2022 \$'000
Property	58,142	914	9,189	(1,642)	-	388	66,991
Plant and equipment	7,343	1,230	-	(851)	(38)	-	7,684
Infrastructure	173,844	11,580	20,150	(5,414)	-	2,180	202,340
Work in progress	2,772	940	-	-	-	(2,568)	1,144
	<u>242,101</u>	<u>14,664</u>	<u>29,339</u>	<u>(7,907)</u>	<u>(38)</u>	<u>-</u>	<u>278,159</u>

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	544	281	-	(388)	437
Infrastructure	2,228	659	-	(2,180)	707
Total	<u>2,772</u>	<u>940</u>	<u>-</u>	<u>(2,568)</u>	<u>1,144</u>

(a) Property

	Freehold Land	Controlled Land	Land under roads	Total Land	Building on freehold land	Building on controlled land	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	6,298	6,564	243	13,105	61,839	52,214	114,053	544	127,702
Accumulated depreciation at 1 July 2021	-	-	-	-	(39,552)	(29,464)	(69,016)	-	(69,016)
	6,298	6,564	243	13,105	22,287	22,750	45,037	544	58,686
Movements in fair value									
Additions	-	-	-	-	715	199	914	281	1,195
Revaluation	2,480	2,033	55	4,568	5,309	2,672	7,981	-	12,549
Transfers	-	-	-	-	388	-	388	(388)	-
	2,480	2,033	55	4,568	6,412	2,871	9,283	(107)	13,744
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(977)	(665)	(1,642)	-	(1,642)
Revaluation	-	-	-	-	(2,904)	(456)	(3,360)	-	(3,360)
	-	-	-	-	(3,881)	(1,121)	(5,002)	-	(5,002)
At fair value 30 June 2022	8,778	8,597	298	17,673	68,251	55,085	123,336	437	141,446
Accumulated depreciation at 30 June 2022	-	-	-	-	(43,433)	(30,585)	(74,018)	-	(74,018)
Carrying amount	8,778	8,597	298	17,673	24,818	24,500	49,318	437	67,428

*Controlled land is Crown land for which Council is Committee of Management.

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Library books	Artworks	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	9,306	1,003	1,264	1,811	13,384
Accumulated depreciation at 1 July 2021	(4,499)	(669)	(873)	-	(6,041)
	<u>4,807</u>	<u>334</u>	<u>391</u>	<u>1,811</u>	<u>7,343</u>
Movements in fair value					
Additions	1,191	-	39	-	1,230
Disposal	(446)	-	-	-	(446)
	<u>745</u>	<u>-</u>	<u>39</u>	<u>-</u>	<u>784</u>
Movements in accumulated depreciation					
Depreciation and amortisation	(744)	(87)	(20)	-	(851)
Accumulated depreciation of disposals	408	-	-	-	408
	<u>(336)</u>	<u>(87)</u>	<u>(20)</u>	<u>-</u>	<u>(443)</u>
At fair value 30 June 2022	10,051	1,003	1,303	1,811	14,168
Accumulated depreciation at 30 June 2022	(4,835)	(756)	(893)	-	(6,484)
Carrying amount	<u>5,216</u>	<u>247</u>	<u>410</u>	<u>1,811</u>	<u>7,684</u>

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	259,595	41,496	12,336	12,516	2,228	328,171
Accumulated depreciation at 1 July 2021	(118,851)	(18,848)	(7,426)	(6,974)	-	(152,099)
	140,744	22,648	4,910	5,542	2,228	176,072
Movements in fair value						
Additions	10,104	708	234	534	659	12,239
Revaluation	71,258	970	(2,469)	-	-	69,759
Transfers	1,611	398	-	171	(2,180)	-
	82,973	2,076	(2,235)	705	(1,521)	81,998
Movements in accumulated depreciation						
Depreciation and amortisation	(4,708)	(373)	(173)	(160)	-	(5,414)
Revaluation	(50,783)	(938)	2,112	-	-	(49,609)
	(55,491)	(1,311)	1,939	(160)	-	(55,023)
At fair value 30 June 2022	342,568	43,572	10,101	13,221	707	410,169
Accumulated depreciation at 30 June 2022	(174,342)	(20,159)	(5,487)	(7,134)	-	(207,122)
Carrying amount	168,226	23,413	4,614	6,087	707	203,047

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

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

	Depreciation Period	Threshold Limit
<i>Asset recognition thresholds and depreciation periods</i>		
Land and land improvements		
land	-	10,000
land under roads	-	10,000
Buildings		
buildings	25 - 193 years	10,000
Plant and equipment		
plant, machinery and equipment	5 - 25 years	3,000
fixtures, fittings and furniture	10 years	3,000
computers and telecommunications	10 years	3,000
library books	3 - 10 years	1
Infrastructure		
roads - pavements and seals	10 - 20 years	10,000
roads - substructure	30 - 80 years	10,000
roads - kerb, channel and minor culverts	30 - 100 years	10,000
bridges	50 - 120 years	10,000
footpaths and cycleways	10 - 80 years	10,000
drainage	50 - 100 years	10,000

Land under roads

Land under roads acquired after 30 June 2008 are 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, 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.

Artworks are not depreciated.

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

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

Repairs and maintenance

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

Valuation of land and buildings

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

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

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets. The date of the current valuation is detailed in the following table.

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

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	6,756	-	Jun-22
Specialised land	-	-	10,917	Jun-22
Buildings	-	873	48,445	Jun-22
Total	-	7,629	59,362	

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Council's Manager Assets, Shaun Foy.

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

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

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

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	168,226	Jun-22
Bridges	-	-	23,413	Jun-22
Footpaths and cycleways	-	-	4,614	Jun-22
Drainage	-	-	6,087	Jun-22
Total	-	-	202,340	

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 15% and 80%. The market value of land varies significantly depending on the location of the land and the current market conditions.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 193 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 120 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.

	2022	2021
Reconciliation of specialised land	\$'000	\$'000
Land under roads	298	243
Parks and reserves	10,619	7,776
Total specialised land	10,917	8,019

	2022	2021
	\$'000	\$'000
6.2 Investment property		
Balance at beginning of financial year	1,362	1,315
Fair value adjustments	137	47
Balance at end of financial year	<u>1,499</u>	<u>1,362</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 PW Newman Pty Ltd 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.

	2022	2021
	No.	No.

Note 7 People and relationships
7.1 Council and key management remuneration
(a) Related Parties

Parent entity

Ararat Rural City Council is the parent entity.

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Ararat Rural City Council. The Councillors, Chief Executive Officer and Senior Managers are deemed KMP.

Details of KMP at any time during the year are:

Councillors	Councillor Jo Armstrong (Mayor)
	Councillor Peter Beales
	Councillor Gwenda Allgood
	Councillor Rob Armstrong
	Councillor Bob Sanders
	Councillor Bill Waterston
	Councillor Henry Burrige
	Chief Executive Officer - Dr Tim Harrison
	Executive Officer/Deputy CEO
	Manager Planning, Community & Compliance
	Manager Corporate Support

Total Number of Councillors	7	11
Total of Chief Executive Officer and other Key Management Personnel	4	4
Total Number of Key Management Personnel	<u>11</u>	<u>15</u>

(c) Remuneration of Key Management Personnel

	2022	2021
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	815	907
Long-term benefits	9	(26)
Post employment benefits	62	83
Termination benefits	116	-
Total	<u>1,002</u>	<u>964</u>

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

	2022	2021
	No.	No.
\$0-\$9,999	-	4
\$10,000-\$19,999	-	4
\$20,000-\$29,999	5	2
\$30,000-\$39,999	1	-
\$60,000-\$69,000	-	1
\$70,000-\$79,000	1	-
\$140,000-\$149,000	-	1
\$150,000-\$159,000	1	-
\$160,000-\$169,999	-	1
\$170,000-\$179,000	1	-
\$180,000-\$189,999	-	1
\$190,000-\$199,000	1	-
\$250,000-\$259,000	1	-
\$270,000-\$279,999	-	1
	<u>11</u>	<u>15</u>

In accordance with accounting standards, the remuneration amounts include wages and salaries, employer superannuation contributions, vehicle benefits and movements in unused leave.

	2022	2021
	\$'000	\$'000

(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

Council has no officers that meet the requirements of a Senior Officer, in the current or previous financial year.

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties within normal customer relationships on terms and conditions no more favourable than those available in similar arm's length dealings.

Remuneration to related parties of Councillors. The employment was on normal terms and conditions of employment with Council.	19	39
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Locksmith, engraving and site camera installation services supplied to Council by a business that is a related party of a Councillor.	28	34
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(b) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties

-	-
---	---

(c) Loans to/from related parties

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

-	-
---	---

(d) Commitments to/from related parties

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:

-	-
---	---

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

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

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

(b) Contingent liabilities

Contingent liabilities are:

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

Superannuation

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

Future superannuation contributions

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2022. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 are \$19,000.

Gravel pits

Council operates a number of gravel pits. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

Liability Mutual Insurance

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

8.2 Change in accounting standards

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

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank 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 Council's 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 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 + 2% and - 2% in market interest rates (AUD) from year-end rates of 0.85%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Note 9 Other matters

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
9.1 Reserves			
(a) Asset revaluation reserves			
2022			
Artworks			
Artworks	961	-	961
	<u>961</u>	<u>-</u>	<u>961</u>
Property			
Land	9,765	4,568	14,333
Buildings	26,073	4,621	30,694
	<u>35,838</u>	<u>9,189</u>	<u>45,027</u>
Infrastructure			
Roads	94,710	20,475	115,185
Bridges	18,540	32	18,572
Footpaths and cycleways	5,087	(357)	4,730
Drainage	790	-	790
	<u>119,127</u>	<u>20,150</u>	<u>139,277</u>
Total asset revaluation reserves	<u>155,926</u>	<u>29,339</u>	<u>185,265</u>
2021			
Artworks			
Artworks	961	-	961
	<u>961</u>	<u>-</u>	<u>961</u>
Property			
Land	9,765	-	9,765
Buildings	26,073	-	26,073
	<u>35,838</u>	<u>-</u>	<u>35,838</u>
Infrastructure			
Roads	80,774	13,936	94,710
Bridges	20,193	(1,653)	18,540
Footpaths and cycleways	6,462	(1,375)	5,087
Drainage	790	-	790
	<u>108,219</u>	<u>10,908</u>	<u>119,127</u>
Total asset revaluation reserves	<u>145,018</u>	<u>10,908</u>	<u>155,926</u>

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

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2022				
Capital works and projects	13,767	13,817	(13,767)	13,817
Plant replacement	775	-	(269)	506
Vehicle replacement	344	-	(344)	-
Election costs	37	-	(37)	-
Aerial imaging	8	-	(8)	-
Library	235	-	(235)	-
Defined benefits	361	-	(361)	-
Essential services	195	-	(195)	-
Recreational land	78	22	-	100
Gravel pit restoration	-	10	-	10
Building capital	3,081	2,927	(50)	5,958
Environmental projects	95	-	-	95
Waste management	1,890	275	(647)	1,518
Asset management	165	-	(165)	-
Information technology	597	-	(597)	-
Loan repayment	2,000	-	(2,000)	-
Aerodrome	46	-	(46)	-
Total Other reserves	<u>23,674</u>	<u>17,051</u>	<u>(18,721)</u>	<u>22,004</u>

2021				
Capital works and projects	8,286	13,767	(8,286)	13,767
Plant replacement	329	446	-	775
Vehicle replacement	465	-	(121)	344
Election costs	105	-	(68)	37
Aerial imaging	8	-	-	8
Library	235	-	-	235
Defined benefits	361	-	-	361
Essential services	195	-	-	195
Recreational land	72	6	-	78
Gravel pit restoration	137	-	(137)	-
Building capital	4,351	78	(1,348)	3,081
Environmental projects	95	-	-	95
Waste management	1,362	528	-	1,890
Asset management	165	-	-	165
Information technology	597	-	-	597
Loan repayment	1,714	286	-	2,000
Aerodrome	46	-	-	46
Total Other reserves	18,523	15,111	(9,960)	23,674

Description of the nature and purpose of each reserve:

Capital works and projects – specific purpose reserve used to fund major capital works projects.
 Plant replacement – specific purpose reserve used to replace major items of plant and equipment.
 Vehicle replacement – specific purpose reserve used to replace vehicles.
 Election costs – specific purpose reserve used to fund election.
 Aerial imaging – specific purpose reserve used to fund aerial imaging costs.
 Library – specific purpose reserve used to fund library upgrade works.
 Defined benefits – specific purpose reserve used to fund defined benefit superannuation calls.
 Essential services – specific purpose reserve used to fund essential services reports and works.
 Recreational land – specific purpose reserve used to fund public open space works.
 Gravel pit restoration – specific purpose reserve used to fund works required to reinstate gravel pits.
 Building capital – specific purpose reserve used to fund major building capital works.
 Environmental projects – specific purpose reserve used to fund innovative environmental projects.
 Waste management – specific purpose reserve used to fund works at waste management facilities.
 Asset management – specific purpose reserve used to fund asset management works.
 Information technology – specific purpose reserve used to fund information technology works.
 Loan repayment – specific purpose reserve used to provide for repayment of loans.
 Aerodrome – specific purpose reserve used to fund works required at the Ararat Aerodrome.

	2022 \$'000	2021 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	7,356	6,068
Depreciation	7,907	9,641
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(147)	(136)
Fair value adjustments for investment property	(137)	(47)
Borrowing Costs	54	116
Other	-	(1)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	314	(1,534)
(Increase)/decrease in inventories	5	7
(Increase)/decrease in prepayments	42	(41)
Increase/(decrease) in trade and other payables	237	(76)
Increase/(decrease) in trust funds and deposits	(201)	167
Increase/(decrease) in unearned income	(16)	5,972
Increase/(decrease) in provisions	(277)	(189)
Net cash provided by/(used in) operating activities	15,137	19,947

9.3 Superannuation

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

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%)).

Defined Benefit

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

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

Funding arrangements

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

As at 30 June 2021, an interim actuarial investigation was conducted and completed by the due date of 31 October 2021.

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

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

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

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

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

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

Employer contributions

(a) Regular contributions

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

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

(b) Funding calls

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

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

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

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

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

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

The 2021 Interim actuarial investigation surplus amounts

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

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

	2021 (Interim)	2020 (Triennial)
	\$m	\$m
- A VBI Surplus	214.7	100.0
- A total service liability surplus	270.3	200.0
- A discounted accrued benefits surplus	285.2	217.8

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

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

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

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

The 2022 Interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022.

Superannuation contributions

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

Scheme	Type of Scheme	Rate	2022 \$'000	2021 \$'000
Vision super	Defined benefits	10.00%	37	59
Vision super	Accumulation	10.00%	644	692
Other super funds	Accumulation	10.00%	264	244

10 Change in accounting policy

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

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