



UNSCHEDULED COUNCIL MEETING

AGENDA

Wednesday 12 October 2022

at 1:30 PM

COPACC

95 - 97 Gellibrand Street, Colac



COLAC OTWAY SHIRE UNSCHEDULED COUNCIL MEETING

Wednesday 12 October 2022

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COLAC OTWAY SHIRE UNSCHEDULED COUNCIL MEETING

NOTICE is hereby given that the next **UNSCHEDULED COUNCIL MEETING OF THE COLAC OTWAY SHIRE COUNCIL** will be held at COPACC on Wednesday 12 October 2022 at 1:30 PM.

AGENDA

1 DECLARATION OF OPENING

OPENING PRAYER

*Almighty God, we seek your
blessing and guidance in our
deliberations on behalf of the
people of the Colac Otway Shire.
Enable this Council's decisions to be
those that contribute to the true
welfare and betterment of our community.*

AMEN

2 PRESENT

3 APOLOGIES AND LEAVE OF ABSENCE

4 WELCOME AND ACKNOWLEDGEMENT OF COUNTRY

Colac Otway Shire acknowledges the original custodians and law makers of this land, their elders past, present and emerging and welcomes any descendants here today.

RECORDING AND PUBLICATION OF MEETINGS

Please note: Council meetings will be live streamed and recorded when the meeting is held either at COPACC or online. This includes the public participation sections of the meetings. When meetings are held in other locations, Council will endeavour to make an audio recording of the meeting for community access. Matters identified as confidential items in the Agenda will not be live streamed or recorded regardless of venue or mode.

By participating in open Council meetings, individuals consent to the use and disclosure of the information they share at the meeting (including any personal and/or sensitive information).

As soon as practicable following each open Council meeting, the live stream recording will be accessible on Council's website. Audio recordings are also taken to facilitate the preparation of the minutes of open Council meetings and to ensure their accuracy. Live stream and audio recordings will be retained by Council for a period of four years.

As stated in the Governance Rules, other than an official Council recording, no video or audio recording of proceedings of Council Meetings will be permitted without specific approval by resolution of the relevant Council Meeting.

This meeting will be livestreamed to the public via Council's YouTube channel (search Colac Otway Shire Council at www.youtube.com).

The sole purpose of the Unscheduled Council Meeting is to consider the following agenda item:

- Approval and Certification of in principal Financial Statements and Performance Statement 2021-22.

5 QUESTION TIME

Please note that as this is an Unscheduled Council meeting, only questions pertaining to this agenda will be responded to. A maximum of 15 minutes is allowed for question time at Unscheduled Council meetings. Any person wishing to participate in question time by videoconference will need to register their intention to do so by contacting the shire prior to 5pm on Monday 10 October 2022. Question time is not a forum for public debate or statements.

1. Questions received in writing prior to the meeting. Written questions must be received by 5pm on Monday 10 October 2022.
2. Questions by videoconference (by prior arrangement).
3. Questions from the floor.

6 DECLARATIONS OF INTEREST

A Councillor who has declared a conflict of interest, must leave the meeting and remain outside the room while the matter is being considered, or any vote is taken.

Item: 7.1

Approval and Certification of in principal Financial Statements and Performance Statement 2021-22

OFFICER	Amanda Barber
GENERAL MANAGER	Andrew Tenni
DIVISION	Corporate Services
ATTACHMENTS	<ol style="list-style-type: none">1. 2021-22 Performance Statement [7.1.1 - 17 pages]2. 2021-22 Financial Statements [7.1.2 - 46 pages]

1. PURPOSE

The purpose of this report is to present the 2021-22 Performance Statement and Financial Statements to Council for in principle approval as recommended by the Audit and Risk Committee and in accordance with Section 99 of the *Local Government Act 2020* (the Act).

2. EXECUTIVE SUMMARY

Performance and Financial Statements are subject to a rigorous audit process to ensure their accuracy. Council's 2021-22 Financial Statements and Performance Statement were audited independently by RSD Audit as the contract agent on behalf of the Victorian Auditor-General's Office.

The Audit and Risk Committee also has a responsibility to review the statements prior to adoption of the statements in principle, and to raise any matters of concern. The Audit and Risk Committee has been provided with the Auditor's Report and Management Letter and discussed the statements and auditing processes with RSD Audit at a meeting without Council's management present prior to its consideration of the statements.

The Audit and Risk Committee reviewed the statements at its meeting on 6 October 2022 and recommends that Council:

1. *Approves in-principle the 2021-22 Financial Statements and Performance Statement for the Colac Otway Shire Council, subject to any further changes that are recommended or agreed by the Auditor in accordance with Section 98(2) of the Local Government Act 2020.*
2. *Makes provisions for the 2021-22 Colac Otway Shire Council Financial Statement Performance Statement to be referred to the Audit and Risk Committee for information, if there is any significant further change prior to certification; and*

3. *In accordance with section 98 of the Local Government Act 2020, nominates and authorises Councillors Graham Costin and Marg White to certify and approve the 2021-22 Financial Statement and Performance State in their final form, after any further changes recommended or agreed with the Auditor have been made on behalf of Council.*

After the conclusion of the Audit and Risk Committee meeting, the Victorian Auditor General Office (VAGO) advised RSD Audit and Council's management that it required a change to be made in relation to reporting of the Geelong Regional Library Corporation into Council's statements. The changes, which are not related to cash, included:

- A reduction in Council's share of ownership of GRLC and therefore a lesser financial benefit than that included in the statements presented to Audit and Risk Committee.
- The financial benefit is reported in the Comprehensive Income Statement as a share of net profit of associates and joint ventures, resulting in a slightly higher net operating surplus.

All other changes relating to VAGO's requirements are so minor they are generally lost in rounding.

The changes were made as per VAGO's requirements and presented to RSD Audit and members of the Audit and Risk Committee have also been provided a copy of the updated statements. The changes were made prior to finalisation of this agenda and the attached statements are the updated versions.

Council's 2021-22 Financial Statements present the following key outcomes for the financial year:

- Council achieved an operating surplus of \$5.74 million for the year, lower than \$6.4 million in the prior year.
- Council's capital works delivery was \$12.88 million which is higher than the prior financial year.
- Working capital \$14.63m (including \$4.6m capital grant revenue and \$5.7m operating grant revenue received in advance).
- Council's assets have been revalued and indexed at 30 June 2022, with a net increase in fair value of \$66.53 million, bring a carrying amount of \$437.6 million at the year end.
- Cash and cash equivalents balance \$13.81m and Other financial assets balance \$12m.
- Some sustainability indicators have declined in 2021-22 and the underlying results continue to trend downward.

Looking forward, Council needs to continue to closely monitor and manage its financial sustainability and performance in light of the current economic conditions. Inflation in Australia is the highest it has been since the early 1990s. There are upward pressures on prices from strong demand, a tight labour market and capacity constraints in some sectors of the economy. Council, like many businesses, faces financial pressures that are generally outside of Council's control or influence and so all decisions of Council will need to be considered in this context.

3. RECOMMENDATION

That Council:

- 1. Receives the 2021-22 Performance Statement (attachment 1) and 2021-22 Financial Statements (attachment 2) which have been prepared in accordance with sections 98(4) and (5) of the Local Government Act 2020.**
- 2. Notes that the Audit and Risk Committee considered 2021-22 Performance Statement and 2021-22 Financial Statements, as well as the Auditor's Report and management letter, at a committee meeting held on 6 October 2022.**
- 3. Approves in principle the 2021-22 Performance Statement (attachment 1) and 2021-22 Financial Statements (attachment 2) and submits the statements to the auditor reporting on the audit in accordance with section 99(2) of the Local Government Act 2020.**
- 4. Authorises Cr Graham Costin and Cr Marg White to certify the 2021-22 Performance Statement and 2021-22 Financial Statements in their final form after any changes recommended or agreed by the auditor have been made in accordance with section 99(3)(a) of the Local Government Act 2020.**
- 5. Requires the 2021-22 Performance Statement and 2021-22 Financial Statements to be referred to the Audit and Risk Committee for information, if there is any significant further change prior to certification.**

4. KEY INFORMATION

Financial Performance

Council is committed to providing accurate, understandable and fair reporting on our financial performance for 2021-22 and our financial position at the end of the reporting period. The financial report enables an assessment of our ability to deliver current services and maintain existing facilities in the longer-term.

Council's 2021-22 Financial Statements present the following key outcomes for the financial year:

- Council achieved an operating surplus of \$5.74 million for the year, lower than \$6.4 million in the prior year.
- Council's capital works delivery was \$12.88 million which is higher than the prior financial year.
- Working capital \$14.63m (including \$4.6m capital grant revenue and \$5.7m operating grant revenue received in advance).
- Council's assets have been revalued and indexed at 30 June 2022, with a net increase in fair value of \$66.53 million, bring a carrying amount of \$437.6 million at the year end.
- Cash and cash equivalents balance \$13.81m and Other financial assets balance \$12m.
- Some sustainability indicators have declined in 2021-22 and the underlying results continue to trend downward

Operating results

The 2021-22 results show that Council achieved an operating surplus of \$5.74 million for the year, lower than \$6.40 million in the prior year. Because the operating result include non-recurrent items, any trends need to be assessed over a longer period than year-on-year comparisons.

The operating environment was again impacted by COVID-19 which resulted in service revenue challenges due to restricted community, businesses and tourism movements, impacting Bluewater Leisure Centre, Colac Otway Performing Arts and Cultural Centre (COPACC) and Visitor Information Centres. Such impacts to operating revenue saw Council's financial performance supported via reductions in other planned expenditure.

Council's major challenge in future years remains ensuring Council is generating sufficient revenue to fund service delivery and infrastructure renewal requirements. Council established a Financial Plan in September 2021 for a 10-year period. This plan forecasts ongoing deficits and significant challenges to Council's financial sustainability. Council's 2021-22 result is consistent with the projected trends.

Revenue

Total revenue for 2021-22 is \$63.83 million (budgeted \$56.37 million) compared with \$61.14 million for 2020-21. Further detail on income can be seen in the Comprehensive Income Statement and notes 3.1 to 3.7 of the 2021-22 Financial Statements.

An analysis of Council's revenue sources highlights that 77% of income is derived from two income categories:

- Rates and charges 52% (2020-21: 52%)
- Operating grants 25% (2020-21: 23%)

Expenditure

Total expenses for 2021-22 is \$58.086 million (budgeted \$53.10 million) with 96 % of its expenses incurred in the following three categories:

- Employee costs 37.9% (2020-21 :40.9%)
- Materials and services 40.0% (2020-21: 36.4%)
- Depreciation and amortisation 18.7% (2020-21: 18.2%)

Notable contributions to the higher expenditure are in the following areas:

1. Materials and services higher than budgeted in a number of areas including:
 - Contract Payments, (\$1.26 million favourable to budget). In some areas of Council "Contract Payments/Consultants" have been used interchangeably and so comparisons need to consider all these.
 - Consultants, noting that these include several contracts for professional services on operating projects (particularly City Deals) that were not included in the budget but carried forward from the prior year (\$1.78 million unfavourable to budget);
 - Agency staff (\$1.63 million unfavourable to budget) required to support continuity of service delivery in roles that would preferably be filled by employees in non-discretionary

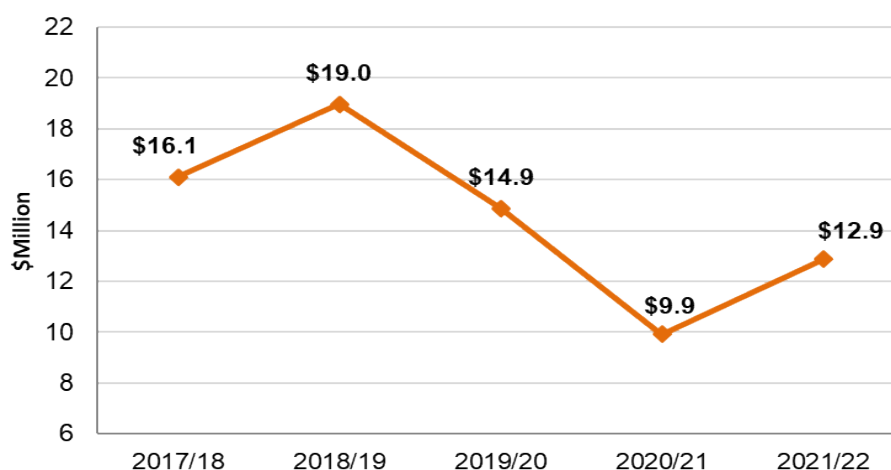
areas including engineering and project management. Agency staff were also used to deliver a range of operating projects.

When the Contractors/consultants/agency staff are considered together, the overall variance is \$2.15 million unfavourable and generally on capital and operating project expenditure not included in the adopted budget.

2. Depreciation and amortisation, higher than budgeted due to:
 - \$1.764 million unfavourable to budget which is largely due to revaluation adjustment in the bridges asset class.
3. 'Other' expenses were \$0.569 million unfavourable to budget, mainly due to the following:
 - Costs incurred through the transition to the Geelong Regional Library Corporation were \$287,304, including the winding up of the Corangamite Regional Library Corporation.
 - Council expended \$161,800 and \$97,000 on the 'COVID Community Support Package' and 'Outdoor Activation Fund' respectively. These programs were funded through State Government.
 - Council incurred \$37,970 to enable it to sell land 36-52 Bruce Street, Colac. These costs were not included in the budget and will be recovered through the proceeds of the sale.
 - Council provided Community Grants of \$38,190 through its Building Facade Improvement Programme Category 4.
 - Council expended \$27,269 to deliver works through its 'Roadside Weeds & Pests Management Project' which was funded externally through a grant.

Capital Works

In 2021-22 Council's Capital Works deliver increased by \$2.95 million compared to the prior year, to a total of \$12.88 million.



Renewal of existing assets accounted for \$10.27 million, new assets accounted for \$1.56 million and upgrade to existing assets totalled \$1.06 million. Investment in capital works is a strategic approach to maintaining or renewing the community's existing assets as they age.

Activities included:

- \$6.6m on road works;
- \$0.6m on drainage and storm water;
- \$0.8m on bridge works;
- \$1.5m on renewal of Council's plant, machinery and equipment;
- \$0.9m on footpaths and cycle ways;
- \$0.5m on buildings; and
- \$1.7m on other infrastructure.

Assets

Total assets are valued at \$472.25 million; primarily consisting of:

- Property, plant, equipment and infrastructure (land, buildings, roads, bridges etc.)
- Cash assets (mainly short-term investments)

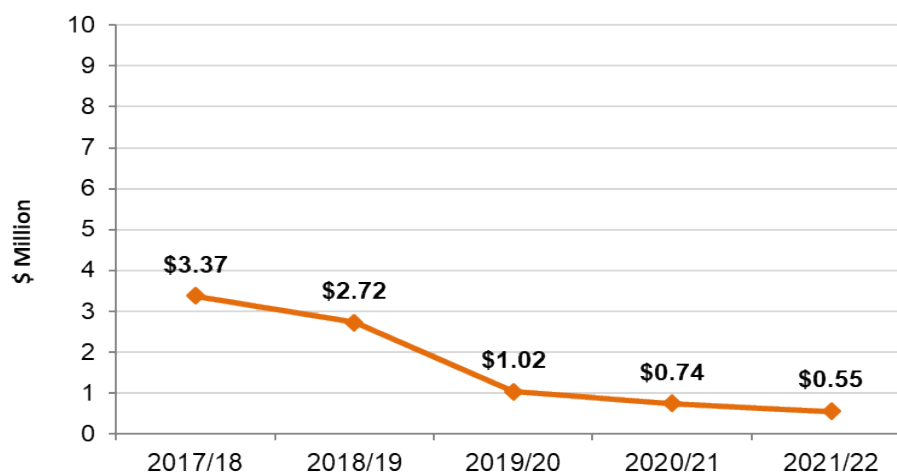
The main contributor to the overall increase in the total assets was due to the revaluation of significant asset classes. These included:

- land - \$24.57 million
- buildings - \$4.81 million
- roads - \$14.71 million
- footpaths - \$1.21 million
- drainage - \$20.79 million
- other infrastructure - \$0.45 million

A \$2.76 million transfer from buildings to right of use assets was recognised in 2021-22 for the Colac Regional Library and Learning facility.

Loan liability

Council's borrowings liability levels reduced from \$0.74 million in 2020-21 to \$0.59 million in 2021-22.



During 2021-22 Council made total loan payments of \$326K (comprising of \$287K in principal repayments and \$39K interest). Council's current borrowings are very low.

Liabilities

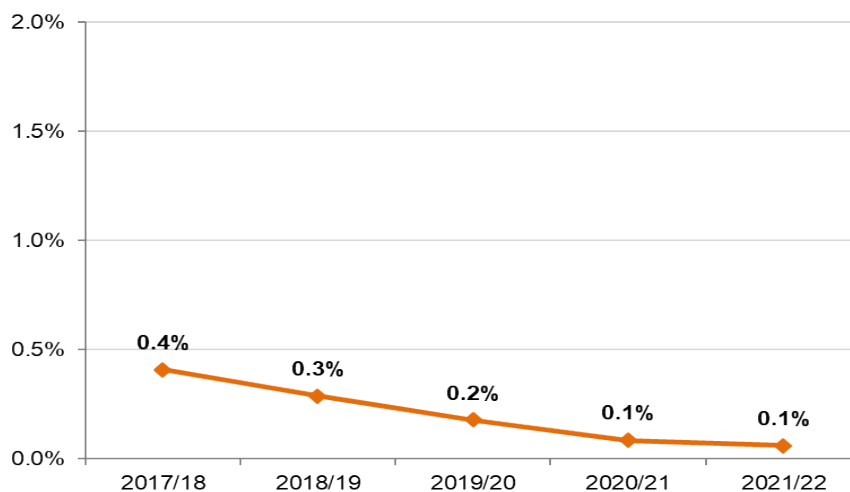
Total liabilities were \$21.69 million as at 30 June 2022. Liabilities include loans, lease obligations, amounts owed to suppliers, provisions for landfill rehabilitation and amounts owed to employees for leave entitlements. Liabilities increased by \$0.24 million, in comparison with 2020-21.

Unearned income has increased from 2020-21 by \$4.78 million. This was due to amounts received in advance for specific purpose government grants for operations, but in particular, \$3.90 million received for the Port of Apollo Bay operations.

Financial Indicators

The financial indicators included in this report provide information on performance trends over time.

Debt Servicing Ratio

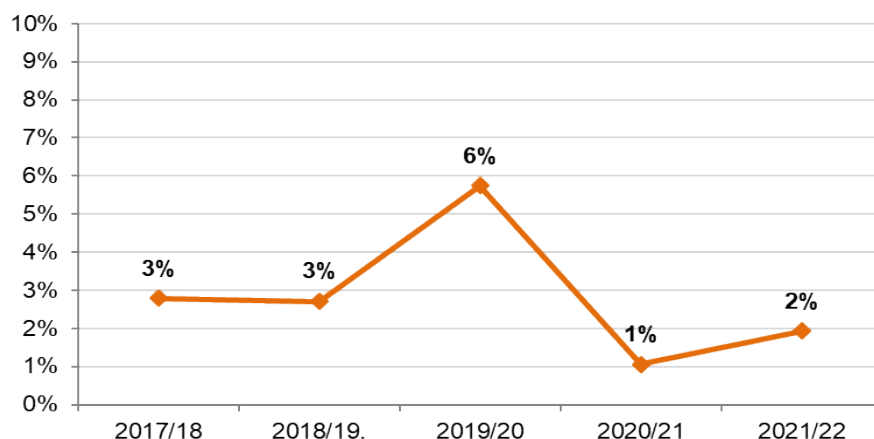


The Debt Servicing Ratio essentially shows how much Council spends on maintaining its outstanding debts compared with how much revenue it earns. These debt-servicing costs refer to the payment of interest on loan borrowings and any lease interest. The ratio expresses the amount of interest paid as a percentage of our total revenue.

The ratio of 0.06% is very low and indicates that Council can service existing debt levels and have further capacity to borrow if required.

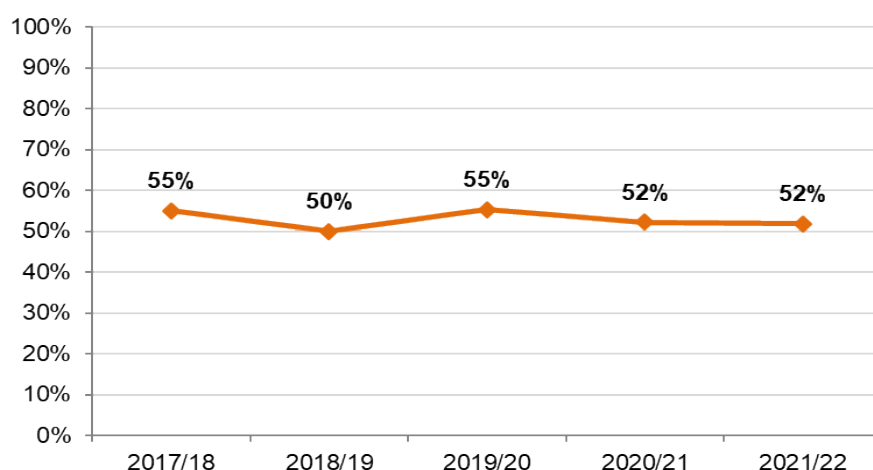
Debt Commitment Ratio

The Debt Commitment Ratio is used to illustrate how much rate revenue is used to fund existing borrowing commitments during the year. This includes the payment of principal and interest relating to loans. The rate at which the ratio either increases or decreases reflects Council's debt redemption strategy. The debt repayment ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.



The Debt Commitment Ratio was higher in 2019-20 due to the increased repayment of loans, including a \$1m bond repayment in November 2019, which was taken under the Local Government Funding Vehicle in 2014.

Revenue Ratio



The Revenue Ratio shows the level of reliance on rate revenue. It is an indication of how much total revenue comes from rates and charges. It is influenced by other revenue sources such as government grants, contributions, special charges, user fees and charges. Rate income is a secure and predictable source of revenue. A low ratio can warn of undue reliance on other forms of revenue, which may or may not be sustainable, eg. government grants. The preferred position is for a reliance on rates and other commercial revenue, with a low dependency on government grants.

Financial Sustainability Indicators

Financial sustainability is defined in a number of different ways. A generally accepted definition is whether local governments have sufficient current and prospective financial capacity (inflows) to meet their current and prospective financial requirements (outflows).

To be sustainable, councils need to have some excess capacity at any point in time to be able to manage future financial risks and shocks without having to radically adjust their current revenue or expenditure policies.

The following seven indicators are utilised and published by the Victorian Auditor General annually, to assess the financial viability of councils. The figures for the prior financial years are taken from the Victorian Auditor-General's Office (VAGO) report that can be found at:

<https://www.audit.vic.gov.au/report/results-2019-20-audits-local-government>

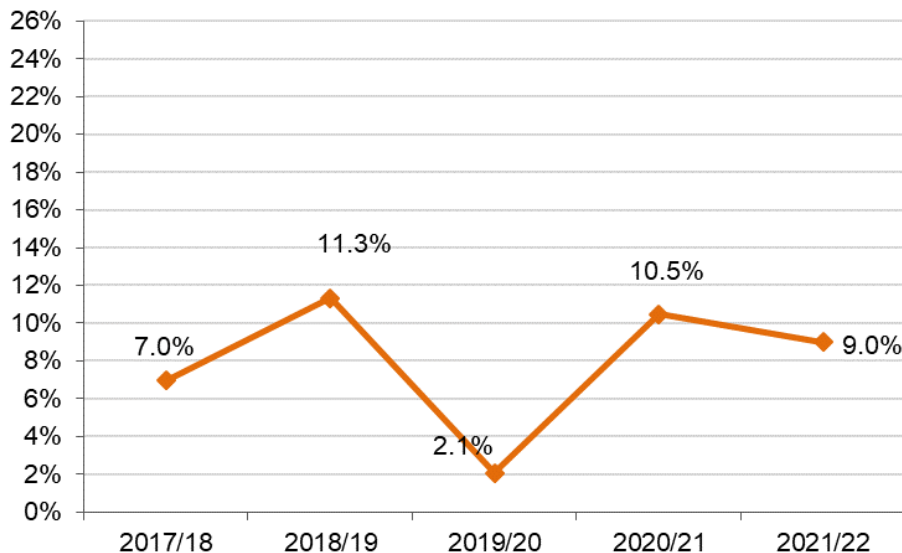
The following table summarises Colac Otway Shire Council's result for 2021-22:

Indicators	Colac Otway Result	Risk Levels		
		High	Medium	Low
Net Result Ratio	9.0%	Less than Negative 10%	Between negative 10% and zero	Greater than zero
Adjusted underlying result	0.7%	Less than 0%	Between 0% and 5%	Greater than 5%
Liquidity Ratio	187.1%	Less than 75%	Between 75% and 100%	Greater than 100%
Indebtedness Ratio	11.9%	Greater than 60%	Between 40% and 60%	Less than 40%
Internal Financing Ratio	152.0%	Less than 75%	Between 75% and 100%	Greater than 100%
Capital Replacement	129.9%	Less than 100%	Between 100% and 150%	Greater than 150%
Renewal Gap	105.3%	Less than 50%	Between 50% and 100%	Greater than 100%

The following information provides a definition for each indicator and the five-year trend for each:

Net Result Ratio

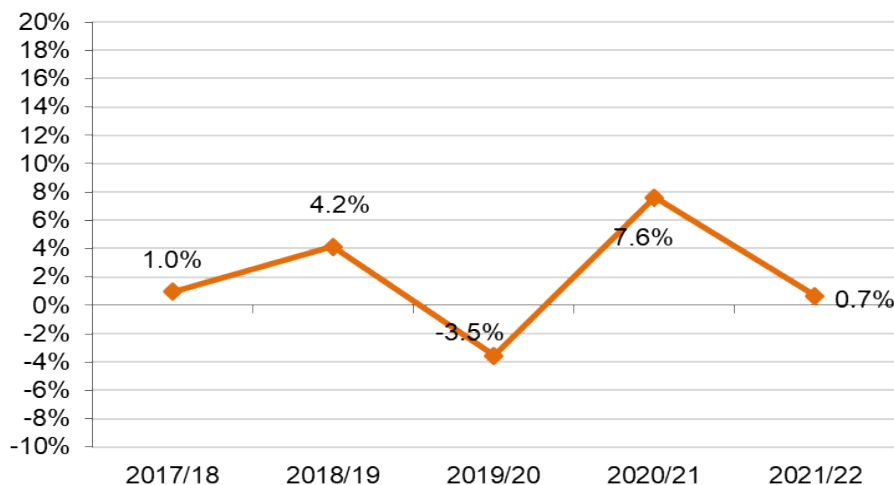
This measures how much of each dollar collected as revenue translates to net result. A positive result indicates a surplus, and the larger the percentage, the stronger the result.



This ratio includes capital grants and grants received in advance that aid in generating a surplus. This can be utilised for new assets or asset renewal. This result places Council within the 'medium' risk category for financial sustainability.

Adjusted Underlying Result

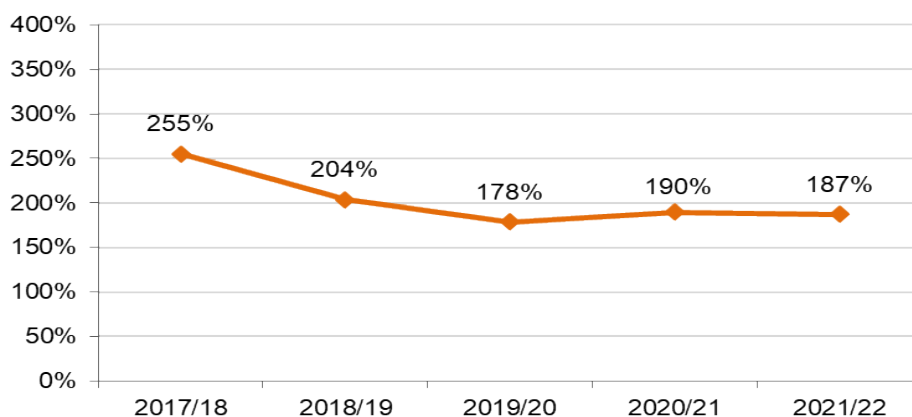
This measures an entity's ability to generate surplus in the ordinary course of business—excluding non-recurrent capital grants, non-monetary asset contributions, and other contributions to fund capital expenditure from the net result. A deficit suggests a reduction in the operating position.



This indicator has reduced significantly primarily due to increases in revenue not being sufficient to cover increases in operating costs associated with delivering the current level of services. Council has reviewed its Long-Term Financial Plan, which focuses on reducing future costs to improve this result.

Working Capital Ratio

This measures an entity's ability to pay existing liabilities in the next 12 months. A ratio greater than 100% means there are more cash and liquid assets than short-term liabilities.

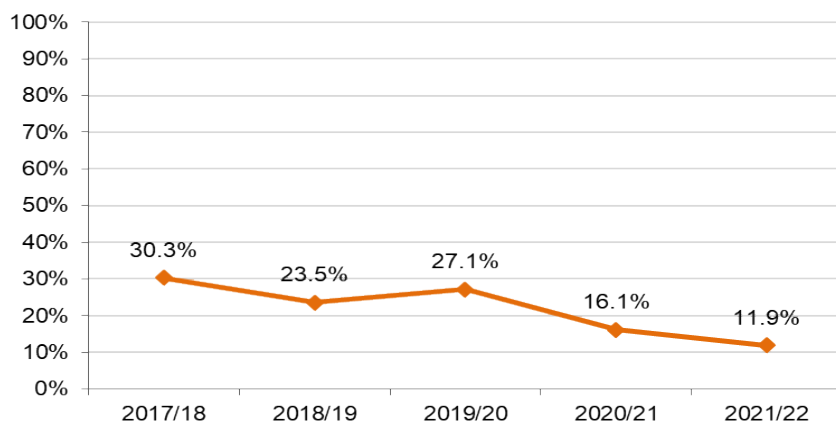


The Working Capital Ratio expresses the level of current assets, such as cash and investments, that Council has available to meet our current liabilities. This includes outstanding creditors and employee entitlements.

The current ratio of 187% is above the low-risk target but includes \$6.7 million of cash received in advance.

Indebtedness Ratio

This assesses an entity's ability to pay liabilities, as and when they fall due, from the funds it generates. The lower the ratio, the less revenue the entity is required to use to repay its total debt. Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions.

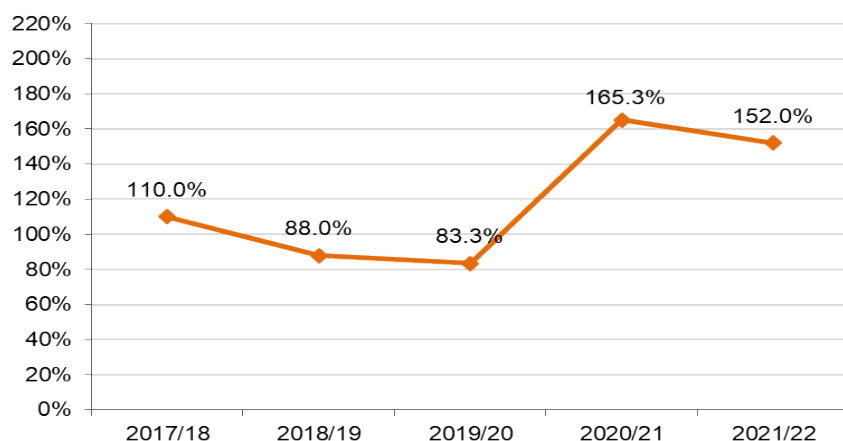


The ratio is comfortably in the low-risk category, indicating that we are generating sufficient funds to cover debt without requiring outside assistance.

This indicator has decreased in 2021-22 due to a reduction in the landfill restoration provision by \$1.08 million, a reduction in the employee leave provisions of \$582K and repayment of loans and lease liabilities of \$731K.

Internal Financing Ratio

This measures an entity's ability to finance capital works using cash generated by its operating cash flows. The higher the percentage, the greater the ability for the entity to finance capital works from its own funds.

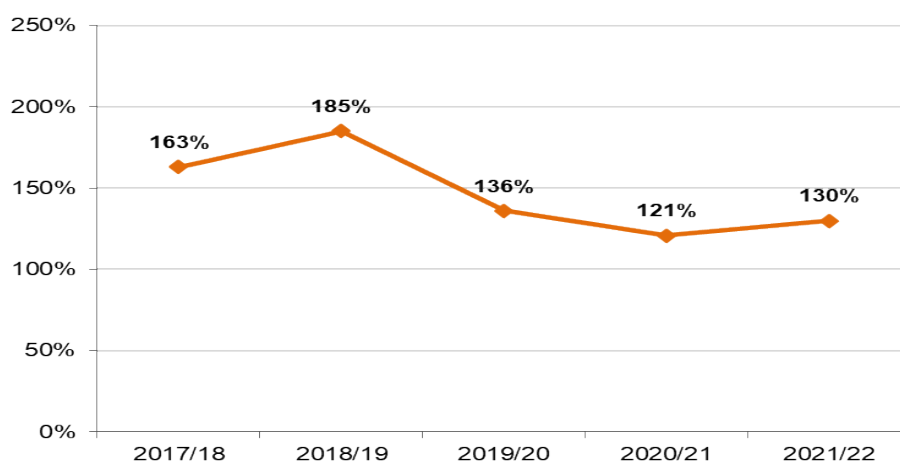


Results indicate that Council's ability to generate sufficient cash from operations to fund the renewal of existing assets has declined over the last three years.

This indicator is primarily influenced by capital projects carried forward to 2022-23 of \$5.27 million.

Capital Replacement Ratio

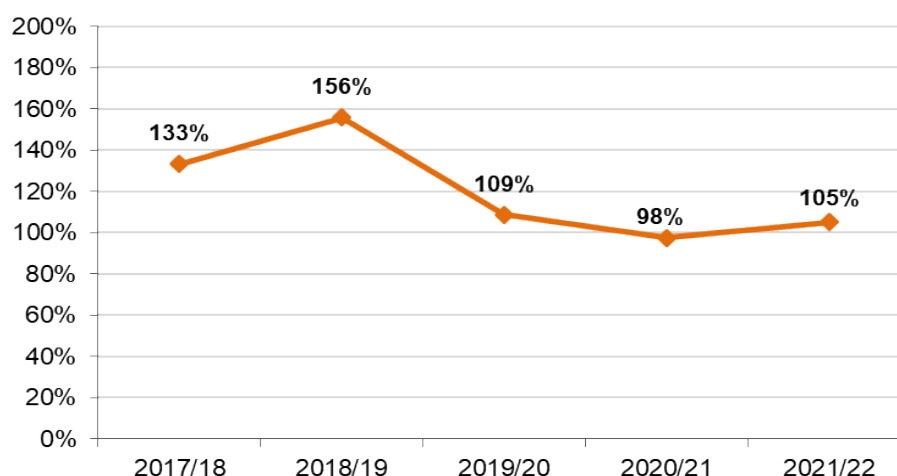
This compares the rate of spending on infrastructure, property, plant and equipment, and intangibles with its depreciation and amortisation. This is a long-term indicator, as capital expenditure can differ in the short term if there are insufficient funds available from operations, and borrowing is not an option. A ratio less than 100% means the spending on capital works has not kept pace with consumption of assets.



This ratio is about the overall spending on assets, both new and existing. The 2021-22 result is assessed as medium risk and is impacted by the carry forward of capital projects of \$5.27 million to 2022-23.

Renewal Gap Ratio

This compares the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 100% indicate that spending on existing assets is faster than the depreciation rate.



This ratio is about the renewal and upgrade of our existing assets (i.e. replacing one asset with another of the same or better quality). The 2021-22 result is now above the low-risk category due to the increase in spending.

PERFORMANCE STATEMENT

The data and indicators contained in the attached 'In Principle' Performance Statement has been carefully collated and reviewed to ensure it is consistent with the Local Government Performance Report Framework Indicator Workbook. Any material variation or commentary has been provided against each indicator.

5. CONSIDERATIONS

Policies and Relevant Law (s(9)(2)(a) LGA 2020)

The 2021-22 Financial Report has been prepared in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2020, Australian Accounting Standards and other mandatory professional reporting requirements.

The 2021-22 Performance Statement has been prepared to meet the requirements of the *Local Government Act 2020* and Local Government (Planning and Reporting) Regulations 2020.

Environmental and Sustainability Implications (s(9)(2)(c) LGA 2020)

Not applicable.

Community Engagement (s56 LGA 2020 and Council's Community Engagement Policy)

Following inclusion of the audit opinion and statements in the Annual Report in October 2022, the Minister will be provided with an electronic copy of the Annual Report, including the audited statements. The 2021-2022 Annual Report will then be presented to the Ordinary Council Meeting scheduled in October 2022 and published on Council's website.

Public Transparency (s58 LGA 2020)

Financial and performance statements provide transparency to the community about Council's financial situation. Data is also accessible via the "Know your Council" website providing transparency as well as comparison to other Councils.

Alignment to Plans and Strategies

Alignment to Council Plan 2021-2025:

Theme 4 – Strong Leadership and Management

Objective 2: We are a financially robust organisation

Financial Management (s101 Local Government Act 2020)

There are no direct financial implications associated with this report, rather this report presents Council's performance and position and how Council utilises ratepayer and other public funds to ensure the Council achieves Best Value.

Service Performance (s106 Local Government Act 2020)

Service performance indicators are reported in a standard manner in the attachments and will also be uploaded to the "Know Your Council" Website.

Risk Assessment

Council's 'total cash and cash equivalents' is \$13.81 million at 30 June 2022 and excludes \$12.00 million held in current term deposits. Council's total financial assets of \$25.81 million do not fund the end of financial year (EOFY) balance of its cash reserves at \$26.07 million. Council will need to continue to monitor its allocations and commitments to ensure adequate cashflow is maintained, in addition to pursuing longer term reforms.

Council's capital works delivery was \$12.8 million which is higher than the prior financial year.

Council's assets have been revalued and indexed at 30 June 2022, with a net increase in fair value of \$66.53 million, bring a carrying amount of \$437.6 million at the year end.

This increase reflects the significant escalation market cost experienced across the nation due to global and domestic factors as well as adjustments for additions and disposals of assets from Council's asset register. The higher asset valuation will impact Council's depreciation in future years and consequently its asset renewal ratios and indicators.

Communication/Implementation

Following inclusion of the audit opinion and statements in the Annual Report in late October, the Minister will be provided with an electronic copy of the Annual Report, including the audited statements. The 2021-2022 Annual Report will then be considered at the Ordinary Council Meeting scheduled in October 2022 and published on Council's website.

Human Rights Charter

Not applicable.

Officer General or Material Interest

No officer declared an interest under the *Local Government Act 2020* in the preparation of this report.



Colac Otway Shire Council
Performance Statement
For the year ended 30 June 2022

Performance Statement

For the year ended 30 June 2022

Description of municipality

Colac Otway Shire is situated about 160 kilometres south-west of the Melbourne CBD and approximately an hour's drive to the large regional cities of Geelong to the east, Ballarat to the north and Warrnambool to the west. Colac Otway Shire has a unique and precious natural environment containing some of the most picturesque scenery in the State. A large proportion is Forest Park and National Park but it also includes beaches, rugged coastline, rainforests, waterfalls, volcanic lakes and craters.

The municipality offers a great lifestyle, being ideally located for those looking for a rural idyll within a comfortable commuting distance to major centres.

The five major industry sectors include:

- Manufacturing
- Healthcare and Social Assistance
- Agriculture, Forestry & Fishing
- Retail Trade
- Tourism

Colac Otway Shire Council provides many high quality services and facilities across a wide range of areas from, community services, environmental management, customer services, health and wellbeing, family and children's services, open spaces, waste management, tourism, parks and gardens; to business development, planning for appropriate development and ensuring accountability for Council' budget.

Sustainable Capacity Indicators

For the year ended 30 June 2022

	Results				
Indicator / measure [formula]	2019	2020	2021	2022	Comment
Population					
Expenses per head of municipal population	\$2,539.11	\$2,577.70	\$2,527.05	\$2,726.65	Council's expenses have grown over recent years, while the municipal population has remained relatively stable by comparison. This is forecast to continue until more housing becomes available and population growth occurs.
[Total expenses / Municipal population]					
Infrastructure per head of municipal population	\$13,558.14	\$15,319.07	\$15,917.69	\$17,967.21	An asset revaluation (and indexation) was completed in 2021-22 for Land and Building assets, which resulted in a net revaluation increment. Council also reviewed and indexed the fair value of other infrastructure asset classes and a net increment resulted across the majority of asset classes. This is consistent with what is observed in many other councils and organisations that have also been impacted by the construction industry market.
[Value of infrastructure / Municipal population]					
Population density per length of road	13.20	13.28	13.34	13.20	Council continues to observe minimal variation in this indicator as both the road network and overall population remain relatively stable.
[Municipal population / Kilometres of local roads]					

Indicator / measure [formula]	Results				Comment
	2019	2020	2021	2022	
Own-source revenue					This indicator has returned to a level that is closer to Councils' previous level. The 2021-22 result is also closer to the average of other similar councils and the prior year (2020-21) may have been a minor anomaly.
Own-source revenue per head of municipal population	\$1,777.87	\$1,797.15	\$2,019.76	\$1,919.00	
[Own-source revenue / Municipal population]					
Recurrent grants					The fluctuation in this indicator is primarily the result of timing of the Federal Assistance funding allocations to Victorian councils. 75% of 2022/23 funding allocation was received in advance in 2021/22, which increased from 50% received in advance in 2020/21.
Recurrent grants per head of municipal population	\$596.29	\$560.47	\$557.80	\$653.40	
[Recurrent grants / Municipal population]					
Disadvantage					No variation in this indicator has been observed over recent years and the Colac Otway community continues to experience significant socio-economic disadvantage in some parts of the community, while other parts do well and prosper.
Relative socio-economic disadvantage	3.00	3.00	3.00	3.00	
[Index of Relative Socio-economic Disadvantage by decile]					
Workforce turnover					Council's turnover rate in 2021-22 was notably higher than prior years and higher than the average Victorian mobility rate. Workforce movement has largely resulted from natural attrition being retirements and employees taking advantage of the tight job market that is providing various job and career advancement opportunities. Employees are reevaluating their working arrangements and making adjustments following the changing employment landscape as a result of the pandemic (eg. Working closer to home and remote working arrangements).
Percentage of staff turnover	17.3%	11.2%	12.0%	23.1%	
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100					

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by council

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

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

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

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

Service Performance Indicators

For the year ended 30 June 2022

Service / <i>indicator</i> / <i>measure</i>	Results				Comment
	2019	2020	2021	2022	
Aquatic facilities					
Utilisation					Council's aquatic facility was closed for 80 days and operated under restrictions for much of 2021-22, resulting in lower visitation.
<i>Utilisation of aquatic facilities</i>	4.60	5.17	1.68	1.73	
[Number of visits to aquatic facilities / Municipal population]					
Animal management					
Health and safety					There were no animal prosecutions during the 2021-22 financial year.
<i>Animal management prosecutions</i>	New in 2020	100%	100%	0%	
[Number of successful animal management prosecutions / Number of animal management prosecutions] x 100					
Food safety					
Health and safety					A change in staff resulted in one major follow up inspection being missed.
<i>Critical and major non-compliance outcome notifications</i>	94.74%	97.50%	90.00%	88.89%	
[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					

Service / indicator / measure	Results				Comment
	2019	2020	2021	2022	
Satisfaction with council decisions [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	52.00	50.00	58.00	53.00	The 2021-22 score for this indicator has decreased by five points and returns to scores similar to previous years.
Libraries					
Participation					This is the first full year with the Geelong Regional Library Corporation.
Active library borrowers in municipality [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	14.99%	15.45%	0.00%	3.98%	
Maternal and child health					
Participation					
Participation in the MCH service [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	74.44%	55.23%	75.83%	75.84%	Participation remains consistent with prior years despite COVID-19 restrictions.
Participation					
Participation in the MCH service by Aboriginal children [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	58.33%	55.26%	72.00%	79.63%	The increase can in part be attributed to active engagement by MCH Nurses and New Beginnings Project.
Roads					
Satisfaction					
Satisfaction with sealed local roads	42	44	53	47	The 2021-22 score for this indicator has returned to levels similar to years before 2020-21.

Service / indicator / measure	Results				Comment
	2019	2020	2021	2022	
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]					
Statutory Planning					
Decision making					One decision was varied by VCAT, and remaining Tribunal decisions are pending.
Council planning decisions upheld at VCAT	0.00%	50.00%	0.00%	100.00%	
[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					
Waste diversion					
Kerbside collection waste diverted from landfill	52.06%	60.38%	57.53%	55.44%	Council received 200 tonnes less organics than 2020-21, contributing to lower diversion levels
[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

Financial Performance Indicators

For the year ended 30 June 2022

Dimension / <i>indicator / measure</i>	Results				Forecasts				Material Variations and Comments
	2019	2020	2021	2022	2023	2024	2025	2026	
Efficiency									
<i>Expenditure level</i>									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,546.50	\$3,609.44	\$3,500.5	\$3,668.96	\$3,501.19	\$3,529.44	\$3,576.81	\$3,626.50	Council's average expenses per property have been relatively stable over recent year. Council-funded expenses per property assessment are forecast to remain relatively stable in future years, however external funding availability may result in some variability.
<i>Revenue level</i>									
<i>Average rate per property assessment</i> [General rates and Municipal charges / Number of property assessments]	New in 2020	\$1,811.10	\$1,827.60	\$1,831.50	\$1,872.69	\$1,915.63	\$1,968.31	\$2,022.06	The average rate per property assessment has had minimal variation over recent years, however some individual ratepayers are experiencing significant variation to previous rates as a result of the large increases in the property market over the last year or two. Increases will be reduced from 20X5 following the introduction of rate capping in that year

Dimension / indicator / measure	Results				Forecasts				Material Variations and Comments
	2019	2020	2021	2022	2023	2024	2025	2026	
Liquidity									
Working capital									
<i>Current assets compared to current liabilities</i>	204.46%	178.40%	189.73%	187.14%	147.91%	165.64%	180.07%	198.78%	Working capital ratio has decreased slightly compared to 2020-21 due to conditional unspent grants and trust funds included in current liabilities. This indicator is forecast to continually decline as Council's expenses continue to exceed its ability to increase its revenue.
[Current assets / Current liabilities] x100									
Unrestricted cash									
<i>Unrestricted cash compared to current liabilities</i>	119.98%	104.93%	93.11%	-16.72%	71.62%	127.40%	141.78%	159.98%	Council continues to experience (and forecast) an overall deterioration in this indicator. The underlying cause is that the cost of delivering Council's services is not balanced by its capacity to generate revenue and this disparity grows each year. Additionally, the 2021-22 indicator has reduced significantly due to a material increase in conditional unspent grants and trust funds included in current liabilities (\$11.4m which is \$5.2m higher than prior year). These liabilities are funded separately from restricted cash rather than unrestricted cash.
[Unrestricted cash / Current liabilities] x100									

Dimension / indicator / measure	Results				Forecasts				Material Variations and Comments
	2019	2020	2021	2022	2023	2024	2025	2026	
Obligations									
Loans and borrowings									
<i>Loans and borrowings compared to rates</i>	8.92%	3.27%	2.31%	1.81%	1.13%	0.74%	0.36%	0.00%	This indicator has improved in 2021-22 due to a loan being fully redeemed. Council has approved a new borrowing of \$380k in June 2023 in the 2022/23 Budget to spread the final payments of the former loan over a further two years.
[Interest and principle repayments on Interest bearing loans and borrowings / Rate revenue] x100									
Loans and borrowings									
<i>Loans and borrowings repayments compared to rates</i>	2.71%	5.74%	1.06%	0.55%	1.86%	0.38%	0.37%	0.36%	This indicator has improved in 2021-22 due to a loan being fully redeemed. Council has approved a new borrowing of \$380k in the 2022-23 Budget to spread the final payments of the former loan over a further two years.
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									
Indebtedness									
<i>Non-current liabilities compared to own source revenue</i>	23.52%	27.14%	16.12%	11.86%	14.23%	13.68%	12.93%	12.50%	Non-current liabilities reduced by 2.15m in 2021-22 due to payout of two way radio leases, no long term borrowing commitments at 30 June 2022, and a reduction in the landfill rehabilitation provision based on higher forecast inflation and discount rates applied per the Local Government Better Practice model.
[Non-current liabilities / Own source revenue] x100									

	Results				Forecasts								
Dimension / <i>indicator / measure</i>	2019	2020	2021	2022	2023	2024	2025	2026	Material Variations and Comments				
Asset renewal and upgrade					<div>In 2021-22 this indicator is higher than the prior year, reflecting the 13% increase in delivery of the capital works program. This is expected to also increase in 2022-23 due to capital projects that have been carried forward but this level of renewal may not be sustained if funding is limited, noting also that Council's depreciation is increasing at a greater rate than its funding and expenditure.</div>								
Asset renewal and upgrade compared to depreciation	New in 2020	108.81%	97.61%	105.27%						109.93%	81.21%	84.02%	86.93%
[Asset renewal and upgrade expense / Asset depreciation] x100													
Operating position					<div>This indicator has continued to reduce in line with forecast, and is also forecast to remain in deficit for 2022-23. Council's revenue is not increasing sufficiently to cover increases in operating costs associated with delivering the current level of services. Council's Long Term Financial Plan projects that its financial challenges will continue.</div>								
Adjusted underlying result													
Adjusted underlying surplus (or deficit)	4.15%	-3.55%	7.60%	0.91%						-5.17%	-0.48%	0.51%	1.44%
[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100													

Dimension / indicator / measure	Results				Forecasts				Material Variations and Comments
	2019	2020	2021	2022	2023	2024	2025	2026	
Stability									
Rates concentration									
<i>Rates compared to adjusted underlying revenue</i>	53.55%	58.39%	53.83%	55.67%	63.27%	61.32%	61.52%	61.72%	This indicator remains relatively stable and is close to the average of other councils similar to Colac Otway.
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort									
<i>Rates compared to property values</i>	0.46%	0.47%	0.44%	0.41%	0.33%	0.33%	0.34%	0.35%	Property values have increased at a higher rate than rates revenue in the last year.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									

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, the results forecast by the 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 financial plan on 27 October 2021. The financial plan 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 financial plan 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.

Amanda Barber CPA

Principal Accounting Officer

Dated: *(Date)*

In our opinion, the accompanying performance statement of the Colac Otway Shire 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.

Cr Margaret White

Councillor

Dated: *(Date)*

Cr Graham Costin

Councillor

Dated: *(Date)*

Anne Howard

Chief Executive Officer

Dated: *(Date)*

**Colac Otway Shire Council
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2022

**Colac Otway Shire Council
Financial Report
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Certification of the Financial Statements

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

Amanda Barber CPA
Principal Accounting Officer

TBC
Colac

In our opinion, the accompanying financial statements present fairly the financial transactions of the Colac Otway Shire 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.

Cr Margaret White
Councillor

TBC
Colac

Cr Graham Costin
Councillor

TBC
Colac

Anne Howard
Chief Executive Officer

TBC
Colac

*Colac Otway Shire Council
2021/2022 Financial Report*

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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	33,000	31,914
Statutory fees and fines	3.2	1,040	740
User fees	3.3	6,144	6,120
Grants - operating	3.4	15,952	13,856
Grants - capital	3.4	4,958	2,665
Contributions - monetary	3.5	204	254
Contributions - non monetary	3.5	2,016	617
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(617)	183
Share of net profits of associates and joint ventures	6.3	147	(44)
Other income	3.7	989	4,839
Total income		63,833	61,144
Expenses			
Employee costs	4.1	21,989	22,410
Materials and services	4.2	23,210	19,936
Depreciation and amortisation	4.3	10,754	9,868
Amortisation - right of use assets	4.4	108	119
Impairment - right of use assets	4.9	-	580
Bad and doubtful debts	4.5	(12)	34
Borrowing costs	4.6	39	53
Finance costs - leases	4.7	40	35
Other expenses	4.8	1,958	1,706
Total expenses		58,086	54,741
Surplus for the year		5,747	6,403
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.2	66,530	16,453
Total other comprehensive income		66,530	16,453
Total comprehensive result		72,277	22,856

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	13,807	15,958
Other financial assets	5.1	12,000	6,000
Trade and other receivables	5.1	3,134	4,009
Inventories	5.2	156	155
Non-current assets classified as held for sale	6.1	1,920	715
Other assets	5.2	409	496
Total current assets		31,426	27,333
Non-current assets			
Property, infrastructure, plant and equipment	6.2	437,591	372,238
Investments in associates, joint arrangements and subsidiaries	6.3	147	-
Right-of-use assets	5.8	3,084	165
Total non-current assets		440,822	372,403
Total assets		472,248	399,736
Liabilities			
Current liabilities			
Trade and other payables	5.3	558	2,961
Trust funds and deposits	5.3	1,131	741
Unearned income	5.3	10,258	5,477
Interest-bearing liabilities	5.4	596	142
Provisions	5.5	4,226	4,975
Lease liabilities	5.8	24	110
Total current liabilities		16,793	14,406
Non-current liabilities			
Interest-bearing liabilities	5.4	-	596
Provisions	5.5	4,881	5,792
Lease liabilities	5.8	18	663
Total non-current liabilities		4,899	7,051
Total liabilities		21,692	21,457
Net assets		450,556	378,279
Equity			
Accumulated surplus		133,368	130,794
Reserves	9.1	317,188	247,485
Total Equity		450,556	378,279

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

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2022					
Balance at beginning of the financial year		378,279	130,794	224,584	22,901
Surplus for the year		5,747	5,747	-	-
Net asset revaluation increment	6.2	66,530	-	66,530	-
Transfers to other reserves	9.1	-	(21,498)	-	21,498
Transfers from other reserves	9.1	-	18,325	-	(18,325)
Balance at end of the financial year		450,556	133,368	291,114	26,074

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2021					
Balance at beginning of the financial year		355,423	130,529	208,131	16,763
Surplus for the year		6,403	6,403	-	-
Net asset revaluation increment	6.2	16,453	-	16,453	-
Transfers to other reserves	9.1	-	(18,474)	-	18,474
Transfers from other reserves	9.1	-	12,336	-	(12,336)
Balance at end of the financial year		378,279	130,794	224,584	22,901

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		33,079	32,017
Statutory fees and fines		1,040	740
User fees		4,458	5,115
Grants - operating		20,225	13,527
Grants - capital		5,588	6,454
Contributions - monetary		204	254
Interest received		50	29
Trust funds and deposits taken/(paid)		390	(244)
Other receipts		18	1,388
Net GST refund		414	63
Employee costs		(22,537)	(22,385)
Materials and services		(25,719)	(21,159)
Net cash provided by operating activities	9.2	17,210	15,799
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(12,787)	(9,907)
Proceeds from sale of property, infrastructure, plant and equipment	3.6	377	347
Payments for investments		(7,000)	(6,000)
Proceeds from sale of investments		1,000	6,000
Net cash used in investing activities		(18,410)	(9,560)
Cash flows from financing activities			
Finance costs		(39)	(53)
Repayment of borrowings		(142)	(286)
Interest paid - lease liability		(40)	(35)
Repayment of lease liabilities		(731)	(105)
Net cash used in financing activities		(952)	(479)
Net increase (decrease) in cash and cash equivalents		(2,152)	5,760
Cash and cash equivalents at the beginning of the financial year		15,958	10,198
Cash and cash equivalents at the end of the financial year		13,806	15,958
Restrictions on cash assets	5.1		
Financing arrangements	5.6		

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

Statement of Capital Works
For the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Property			
Land		123	-
Total land		123	-
Buildings		541	224
Total buildings		541	224
Total property		664	224
Plant and equipment			
Plant, machinery and equipment		1,440	1,171
Fixtures, fittings and furniture		3	96
Computers and telecommunications		29	123
Total plant and equipment		1,472	1,390
Infrastructure			
Roads		6,646	4,094
Bridges		858	1,587
Footpaths and cycleways		885	648
Drainage		642	1,743
Other infrastructure		1,710	243
Total infrastructure		10,741	8,316
Total capital works expenditure	6.2	12,877	9,929
Represented by:			
New asset expenditure		1,556	297
Asset renewal expenditure		10,266	9,335
Asset upgrade expenditure		1,055	297
Total capital works expenditure		12,877	9,929

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

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Note 1 Overview**Introduction**

The Colac Otway Shire Council was established by an Order of the Governor in Council on 23 September 1994 and is a body corporate. The Council's main office is located at 2-6 Rae Street Colac Victoria 3250.

Statement of compliance

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

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

Significant accounting policies**(a) Basis of accounting**

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

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

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

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

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

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

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:

- Revenue reductions – User Fees & Charges generated from leisure centre reduced (approx. 417k) due to closures during the lockdown.
- Revenue foregone – Waived street furniture permits of 24k during 2021-22.
- Additional costs – Additional \$92k of cleaning costs that were incurred resulting from the COVID-19 pandemic.

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 the lower of 10 percent or \$500,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 24 June 2021. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

2.1.1 Income and expenditure

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Income					
Rates and charges	32,773	33,000	227	1	
Statutory fees and charges	826	1,040	214	26	1
User fees and charges	6,548	6,144	(404)	(6)	
Grants - Operating	10,690	15,952	5,262	49	2
Grants - Capital	4,691	4,958	267	6	3
Contributions - monetary	420	204	(216)	(51)	4
Contributions - non-monetary	-	2,016	2,016	100	5
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	25	(617)	(642)	(2,568)	6
Share of net profits of associates and joint ventures	30	147	117	390	7
Other income	367	989	622	169	8
Total income	56,370	63,833	7,463		
Expenses					
Employee costs	21,683	21,989	(306)	(1)	
Materials and services	20,730	23,210	(2,480)	(12)	9
Bad and doubtful debts	20	(12)	32	160	10
Depreciation and amortisation	8,990	10,754	(1,764)	(20)	11
Amortisation - right of use assets	110	108	2	2	
Borrowing costs	39	39	0	0	
Finance costs - leases	139	40	99	71	12
Other expenses	1,389	1,958	(569)	(41)	13
Total expenses	53,101	58,086	(4,985)		
Surplus for the year	3,269	5,747	2,478	76	

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 2.1 Performance against budget

2.1.1 Income and expenditure (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and charges	A higher than expected amount of fees were recovered from increased infrastructure development relating to subdivision supervision.
2	Grants - Operating	\$5.26m increased operating grants includes \$2.27m City Deal project funding received and expended for Apollo Bay harbour redevelopment (\$1.39m), Great Ocean Walk Stage 1 Wild Dog to Skenes Creek (\$573k) and Infrastructure Improvements Kennett River (\$302k). Council also recognised grant income of \$194k for introduction of the fourth compulsory glass bin service and \$181k relating to Port of Apollo Bay works. There was a \$2.14m increase in the Financial Assistance Grant allocation due mainly to an increase from 50% to 75% of the allocation from the Commonwealth to Council in advance. Council was also successful in attracting new funding for the Forrest Mountain Bike Trail project, which included \$299k recognised during the year as works were delivered.
3	Grants - Capital	Council was successful in attracting new capital grant opportunities which were released after the budget was completed. This funding is recognised during the year as works were delivered, including Local Roads and Community Infrastructure (LRCI) Program Round 2 (\$1.05m) and Swan Marsh Stoneyford Road reconstruction (\$533k). Memorial Square Playspace funding of \$325k, which is included in 2021/22 grant income, was budgeted in 2020/21 and carried forward for completion of works in 2021/22. Additional funding was offset by Local Sports Infrastructure Stimulus Funding (\$1.71m) for Recreation Reserve lighting upgrades that was lower than anticipated by \$584k and excludes \$979k carried forward for completion of works in 2022/23.
4	Contributions - monetary	Funding received from the Victorian Planning Authority for the Deans Creek Precinct Structure Plan project of \$150,000 was budgeted as a contribution and reclassified as operating grant funding. Capital contributions received included \$50,000 relating to renewal works for King Track Bridge, and were lower than budgeted capital contributions by \$50,000 due to carry forward of the Community Sport Lighting Upgrades project to 2022-23.
5	Contributions - non-monetary	Developer contributed assets were received relating to new subdivision infrastructure roads, drainage and footpath assets, not budgeted due to the difficulty in estimating the quantity and value of contributed assets Council may receive during the year.
6	Net gain (or loss) on disposal of property, infrastructure, plant and equipment	The unfavourable variance mainly relates to the written down value of buildings that were removed from Council's register during the review of assets as part of the revaluation process.
7	Share of net profits of associates and joint ventures	Council transitioned to the Geelong Regional Library Corporation on 1 July 2021 with Council's share of the net profit resulting from the assets initial recognition.
8	Other income	Movement in the provision relating to future landfill rehabilitation and aftercare. The reduction in the provision is shown as income in the Comprehensive Income Statement. The value of this movement is \$1.077m and mainly relates to increased discounted rates applied to future works.

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Colac Otway Shire Council
2021/2022 Financial Report

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

Note 2.1 Performance against budget

2.1.1 Income and expenditure (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
9	Materials and services	The unfavourable variance mainly relates to fully funded City Deals project expenditure not budgeted, including the Apollo Bay Harbour Redevelopment \$1.53m, Great Ocean Walk Stage 1 Wild Dog to Skenes Creek \$614k and Kennett River Infrastructure Improvements \$396k.
10	Bad and doubtful debts	These are related to the impacts of COVID-19 across the shire plus a set of building fees removed.
11	Depreciation and Amortisation	Actual depreciation for buildings was \$1.35m, plant and equipment was \$1.72m, while infrastructure assets depreciation totalled \$7.68m, which accounted for the majority of the variation to the budget.
12	Finance costs - leases	Two way radio leases were paid out during 2021-22.
13	Other expenses	Council paid COVID-19 support packages of \$162k during the year.

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 2.1 Performance against budget

2.1.2 Capital works

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Property					
Land	-	123	123	100	1
Buildings	702	541	(161)	(23)	2
Total property	702	664	(38)	(5)	
Plant and equipment					
Plant, machinery and equipment	2,100	1,440	(660)	(31)	3
Fixtures, fittings and furniture	8	3	(5)	(60)	4
Computers and telecommunications	80	29	(51)	(64)	5
Total plant and equipment	2,188	1,472	(716)	(33)	
Infrastructure					
Roads	5,713	6,646	933	16	6
Bridges	1,440	858	(582)	(40)	7
Footpaths and cycleways	372	885	513	138	8
Drainage	350	642	292	83	9
Other infrastructure	2,927	1,710	(1,217)	(42)	10
Total infrastructure	10,802	10,741	(61)		
Total capital works expenditure	13,692	12,877	(815)		
Represented by:					
New asset expenditure	118	1,556	1,439		
Asset renewal expenditure	8,570	10,266	1,696		
Asset upgrade expenditure	5,004	1,055	(3,949)		
Total capital works expenditure	13,692	12,877	(815)		

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Preliminary costs have been incurred in preparation for the sale of a parcel of Council land, which is to be settled in the 2022-2023 financial year.
2	Buildings	Various building works were programmed, the majority of which will be completed in the 2022-2023 financial year due to stakeholder expectations and delays in the commencement of works.
3	Plant, machinery and equipment	Due to supply issues, there are a number of items which are on order and due for delivery in the 2022-2023 financial year.
4	Fixtures, fittings and furniture	This relates to the supply of solar compaction bins that are due to be delivered in the 2022-2023 financial year.
5	Computers and telecommunications	Delayed delivery due to staff resourcing. These relate to works in conjunction with one of Council's corporate software applications.
6	Roads	The majority of programmed works have been completed in the 2021-2022 year. There were also additional projects delivered due to additional funding being secured by Council.
7	Bridges	Majority of programmed works practically completed. Council is waiting on final invoices from a contractor for the King Track bridge renewal works, which are expected in the 2022-2023 year.
8	Footpaths and cycleways	The original footpath programme was completed as scheduled. There was additional unbudgeted funding received under the Federal Government LRCI programme relating to additional works undertaken.
9	Drainage	The planned drainage program was disrupted by a major failure of a pit in Armstrong St Colac that required urgent redirection of substantial drainage budget. Planned works will be rescheduled over future financial years. Additional funding was received for the Elliminyt Wetlands development late in the 2021-2022 financial year and it is planned that these works will be delivered in the 2022-2023 year.
10	Other Infrastructure	There are a number of projects that were not completed within the 2021-2022 year which have been carried forward. There are also items which have been budgeted within other infrastructure areas but were allocated to other infrastructure.

Note 2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.2.1 Chief Executive

Chief Executive provides efficient, effective and proactive support services to include the Mayor and Councillors. Chief Executive provides effective governance oversight of the organisation. Service areas include governance, enterprise risk and legal services.

Corporate Services

Corporate Services Management provides efficient, effective and proactive support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes finance services, digital information and technology, property and procurement, strategy and program delivery and program integration and development. Human resource management provides support to the organisation and ensures councils customer focus includes communication and community engagement processes.

Development and Community Services

Development and Community Services Management provides high quality community focused programs, service delivery and communication to residents. Development and Community Services Management is comprised of community care, connected communities, family services, health communities and is responsible for arts and culture. The planning services area includes the assessment of town development, health, planning strategy and urban growth. Economic Development supports local festivals and events and advocates on behalf of the community for major events, tourism, cultural opportunities, leisure management and arts and culture.

Environment and Infrastructure Services

Environment and Infrastructure Services Management is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, waste, parks and gardens, emergency management and municipal resources. Environment and Infrastructure Services Management is responsible for Port of Apollo Bay, local laws and services and operations of council assets.

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					
Chief Executive	13	1,819	(1,806)	-	1,903
Corporate Services Management	47,434	19,548	27,886	9,222	7,170
Development and Community Services Management	8,905	15,564	(6,660)	3,076	17,603
Environment and Infrastructure Services Management	7,481	21,154	(13,673)	8,612	446,211
	63,833	58,086	5,747	20,910	472,886
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Chief Executive	11	1,768	(1,757)	-	1,492
Corporate Services Management	45,781	20,203	25,579	8,454	5,623
Development and Community Services Management	8,843	14,357	(5,515)	3,093	13,906
Infrastructure and Leisure Services Management	6,510	18,413	(11,904)	4,974	378,715
	61,143	54,742	6,403	16,521	399,736

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

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

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

The valuation base used to calculate general rates for 2021/22 was \$7,964 million (2020/21 \$7,096 million).

General rates residential	17,253	16,779
General rates farm / rural	6,061	5,754
General rates commercial / industrial	3,092	3,204
Municipal charge	2,898	2,843
Garbage charge	3,219	3,089
Interest on rates and charges	226	-
Special rates and charges	22	22
Revenue in lieu of rates	229	223
Total rates and charges	33,000	31,914

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

Town planning fees	453	417
Health regulations	249	72
Building permits	124	118
Infringements and costs	69	88
Engineering fees	101	8
Land information certificates	43	36
Freedom of information	1	1
Total statutory fees and fines	1,040	740

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

3.3 User fees

Aged services fees	3,201	3,957
Leisure centre fees	897	598
Colac livestock selling centre fees	511	432
Parking, animal control and local laws fees	258	217
Visitor information centre fees	132	105
Colac Otway performing arts & cultural centre fees	39	77
Waste disposal fees	289	238
Council properties fees and rental	237	175
Other fees and charges	231	147
Apollo bay harbour fees	275	112
Childrens programs	67	59
Town planning and building services fees	7	3
Total user fees	6,144	6,120

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.

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 3 Funding for the delivery of our services	2022	2021
3.4 Funding from other levels of government	\$'000	\$'000
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	15,531	11,258
State funded grants	5,379	5,263
Total grants received	20,910	16,521
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial assistance grant - untied base grant	5,451	4,648
Financial assistance grant - local roads	3,683	2,689
Family and community services	289	288
Diesel rebate scheme	89	-
Aged and disability services	62	93
Public health	1	2
Recurrent - State Government		
Aged and disability services	1,236	1,089
Port management	878	878
Maternal and child health	455	398
School crossing supervisors	56	41
Public health	19	40
Recreation and culture	14	114
Family and community services	-	147
Environment and protection services	-	32
Total recurrent operating grants	12,233	10,459
Non-recurrent - Commonwealth Government		
City Deal	2,269	1,041
Economic development	46	-
Family and community services	9	93
Recreation and culture	2	300
Non-recurrent - State Government		
Economic development	673	201
Waste management	229	-
Port management	184	-
Family and community services	122	199
Strategic planning	71	94
Recreation and culture	52	35
Environment	42	269
Emergency management	20	-
Corporate services*	-	983
Project delivery	-	34
Roads	-	24
Total non-recurrent operating grants	3,719	3,273
Total operating grants	15,952	13,732

*Relates to the Working for Victoria program funding for resources to respond to the COVID-19 pandemic.

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 3 Funding for the delivery of our services	2022	2021
3.4 Funding from other levels of government (cont'd)	\$'000	\$'000

(b) Capital Grants

Recurrent - Commonwealth Government		
Roads to recovery	1,836	1,624
Total recurrent capital grants	1,836	1,624
Non-recurrent - Commonwealth Government		
Roads	1,081	97
Bridges	360	-
Recreation and culture	342	383
Aerodromes	11	-
Non-recurrent - State Government		
Recreation and culture	770	249
Roads	534	312
Family and community services	24	-
Total non-recurrent capital grants	3,122	1,041
Total capital grants	4,958	2,665

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

Balance at start of year	5,470	1,690
Received during the financial year and remained unspent at balance date	10,258	5,470
Received in prior years and spent during the financial year	(5,470)	(1,690)
Balance at year end	10,258	5,470

(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
 - recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.
- Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies AASB 1058 *Income for Not-for-Profit Entities*.

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

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

General purpose	10,970	8,961
Specific purpose grants to acquire non-financial assets	3,122	1,041
Other specific purpose grants	3,099	3,122

Revenue recognised under AASB 15 *Revenue from Contracts with Customers*

Specific purpose grants	3,719	3,397
	20,910	16,521

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 3 Funding for the delivery of our services	2022	2021
3.5 Contributions	\$'000	\$'000
Monetary	204	254
Non-monetary	2,016	617
Total contributions	2,220	871
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Drainage	642	41
Roads	1,108	495
Footpath	266	81
Total non-monetary contributions	2,016	617

Contributions of non monetary assets represent assets constructed by developers that have been transferred to Council ownership.

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 (or loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	377	347
Written down value of assets disposed	(994)	(164)
Total net gain (or loss) on disposal of property, infrastructure, plant and equipment	(617)	183

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

3.7 Other income

Other income	(81)	545
Reimbursements	96	881
Interest	48	27
Rates legal costs recovered	3	2
Scheme interest received	2	2
Landfill rehabilitaion provision movement (Note 5.5)	921	3,382
Total other income	989	4,839

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.

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 4 The cost of delivering services	2022	2021
4.1 (a) Employee costs	\$'000	\$'000
Wages and salaries	16,256	16,401
Employee leave	1,598	2,297
Superannuation	1,958	1,900
Casual staff	745	674
Sick leave	645	602
WorkCover	490	330
Fringe benefits tax	180	97
Other employee benefits	116	109
Total employee costs	21,988	22,410

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)

107	86
107	86

Employer contributions payable at reporting date.

6	-
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Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)

887	1,063
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Employer contributions - other funds

Australian Super	198	154
REST Industry Super	77	63
HOSTPLUS Superannuation Fund - Industry	67	57
Aware Super	58	45
Cbus	54	35
HESTA	52	33
VicSuper FutureSaver	49	55
UniSuper	33	37
Other	376	272
	1,851	1,814

Employer contributions payable at reporting date.

268	237
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Refer to note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

Contract Payments	8,861	8,288
Materials	4,566	4,280
Subscriptions and memberships	2,090	1,894
Consultants	2,727	1,577
Utilities	1,080	941
Agency staff	2,343	1,643
Plant and equipment maintenance	365	286
Insurances	742	610
Legal costs	177	153
Training costs	256	252
Other	7	10
Hire costs	(9)	1
Permits	5	1
Total materials and services	23,210	19,936

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 4 The cost of delivering services	2022	2021
4.3 Depreciation and amortisation	\$'000	\$'000
Property	1,354	1,574
Plant and equipment	1,720	1,525
Infrastructure	7,682	6,768
Total depreciation and amortisation	10,755	9,868

Refer to note 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - Right of use assets

Land and Buildings	75	-
Plant and Equipment	33	119
Total Amortisation - Right of use assets	108	119

Refer to note 5.8 for further information relating to amortisation - right of use assets.

4.5 Bad and doubtful debts

Other debtors	(12)	34
Total bad and doubtful debts	(12)	34

Movement in provisions for doubtful debts

Balance at the beginning of the year	83	57
New provisions recognised during the year	65	76
Amounts already provided for and written off as uncollectible	(77)	(50)
Balance at end of year	71	83

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

4.6 Borrowing costs

Interest - Borrowings	39	53
Total borrowing costs	39	53

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.

4.7 Finance Costs - Leases

Interest - Lease Liabilities	40	35
Total finance costs	40	35

Refer to note 5.8 for further information relating to finance costs - leases.

4.8 Other expenses

Community grants and donations	653	696
Councillors' allowances	277	258
Other	859	593
Rates and charges written off	49	32
Fire services levy	62	59
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	31	46
Animal registration levy	23	20
Royalties and commissions	4	2
Total other expenses	1,958	1,706

4.9 Impairment - Right to use assets

Impairment - right of use assets	-	580
Total finance costs	-	580

Refer to note 5.8 for further information relating to impairment - right of use assets.

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 5 Our financial position	2022	2021
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	5	5
Cash at bank	10,344	6,995
At Call Deposit	3,458	8,957
Total cash and cash equivalents	13,807	15,958
(b) Other financial assets		
Term deposits - current	12,000	6,000
Total other financial assets	12,000	6,000
Total financial assets	25,807	21,958

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

- Trust funds and deposits	1,131	741
- Statutory reserves	1,218	1,086
- Conditional grants unspent (excludes Port of Apollo Bay)	6,359	5,360
- Port of Apollo Bay reserve cash held	4,137	555
- Disaster recovery reserve	6	6
Total restricted funds	12,851	7,748
Total unrestricted cash and cash equivalents	12,957	14,210

Intended allocations

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

- Other reserve funds allocated for specific future purposes.	15,442	14,536
- Carried forward works committed	5,270	6,717
Total funds subject to intended allocations	20,712	21,253

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

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

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

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 5 Our financial position	2022	2021
5.1 Financial assets (cont'd)	\$'000	\$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates Debtor	2,154	2,233
Government operating grants	349	463
Net GST receivable	(295)	119
Special rate assessment	43	42
Parking infringement debtor	78	69
Other infringements	139	129
Provision for doubtful debts - infringements	(16)	(14)
<i>Non-statutory receivables</i>		
Other debtors	737	1,037
Provision for doubtful debts - other debtors	(55)	(69)
Total current trade and other receivables	3,134	4,009
Total trade and other receivables	3,134	4,009

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

(d) Ageing of Receivables

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

Current (not yet due)	704	521
Past due by up to 30 days	20	2
Past due between 31 and 180 days	66	10
Past due between 181 and 365 days	15	7
Past due by more than 1 year	41	163
Total trade and other receivables	846	703

(e) Ageing of individually impaired Receivables

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	55	69
Total trade & other receivables	55	69

Colac Otway Shire Council
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Notes to the Financial Report
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Note 5 Our financial position

5.2 Non-financial assets	2022	2021
(a) Inventories	\$'000	\$'000
Inventories held for distribution	10	22
Inventories held for sale	146	132
Total inventories	156	155

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

(b) Other assets

Prepayments	143	496
Accrued income	266	-
Total other assets	409	496

5.3 Payables, trust funds and deposits and unearned income/revenue

(a) Trade and other payables

Non-statutory payables

Trade payables	(12)	2,419
Accrued expenses	570	542
Total trade and other payables	558	2,961

(b) Trust funds and deposits

Refundable deposits	533	453
Fire services levy	397	113
Retention amounts	201	175
Total trust funds and deposits	1,131	741

(c) Unearned income

Grants received in advance - operating	5,675	1,516
Grants received in advance - capital	4,583	3,953
Other	-	8
Total unearned income/revenue	10,258	5,477

Unearned income represents contract liabilities and reflect consideration received in advance from customers in respect of specific purpose government grants and user fees received in advance. Unearned income are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.4.

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

Purpose and nature of items

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

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a 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.

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Notes to the Financial Report
For the Year Ended 30 June 2022

Note 5 Our financial position

5.4 Interest-bearing liabilities

	2022	2021
	\$'000	\$'000
Current		
Borrowings - secured	596	142
	596	142
Non-current		
Borrowings - secured	-	596
	-	596
Total	596	738

Borrowings are secured by council rates and charges

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

Not later than one year	596	142
Later than one year and not later than five years	-	596
	596	738

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. At present, Council's borrowings are classified at amortised cost.

5.5 Provisions

	Employee	Landfill	Total
	\$ '000	restoration \$ '000	\$ '000
2022			
Balance at beginning of the financial year	5,129	5,638	10,767
Change in provisions	1,659	(123)	1,536
Amounts used	(1,699)	(156)	(1,855)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(542)	(798)	(1,340)
Balance at the end of the financial year	4,546	4,561	9,107
2021			
Balance at beginning of the financial year	4,459	8,903	13,362
Change in provisions	1,703	(3,270)	(1,567)
Amounts used	(1,276)	(112)	(1,388)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	243	117	360
Balance at the end of the financial year	5,129	5,638	10,767

	2022	2021
	\$'000	\$'000
Summary of provisions		
Total current provisions	4,226	4,975
Total non-current provisions	4,881	5,792
Total provisions	9,107	10,767

Note 5 Our financial position

5.5 Provisions (cont'd)

	2022 \$'000	2021 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,259	1,242
Long service leave	206	280
Time in lieu	91	110
	1,556	1,632
Current provisions expected to be wholly settled after 12 months		
Annual leave	452	536
Long service leave	2,117	2,556
	2,569	3,092
Total current employee provisions	4,125	4,724
Non-current		
Long service leave	420	405
Total non-current employee provisions	420	405
Aggregate carrying amount of employee provisions:		
Current	4,125	4,724
Non-current	420	405
Total aggregate carrying amount of employee provisions	4,545	5,129

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%	0.24%
- index rate	2.75%	1.75%

	2022 \$'000	2021 \$'000
(b) Landfill restoration		
Current	100	251
Non-current	4,461	5,387
	4,561	5,638

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

Key assumptions:

- discount rate	3.61%	0.18%
- index rate	2.50%	2.00%

Note 5 Our financial position**5.6 Financing arrangements**

	2022 \$'000	2021 \$'000
The Council has the following funding arrangements in place as at 30 June 2022.		
Business Card Facility (balance cleared monthly)	50	50
Total facilities	50	50
Used facilities	-	-
Unused facilities	50	50

5.7 Commitments

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

(a) Commitments for expenditure

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
2022	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Garbage collection	4,457	4,733	6,154	-	15,345
Civil Works	150	-	-	-	150
Consultancies	809	-	-	-	809
Information Technology	106	-	-	-	106
Total	5,522	4,733	6,154	-	16,409
Capital					
Civil Works	1,588	-	-	-	1,588
Total	1,588	-	-	-	1,588
2021	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Garbage collection	3,000	3,150	6,330	-	12,480
Consultancies	195	216	-	-	411
Information Technology	84	77	108	-	269
Total	3,279	3,443	6,438	-	13,160
Capital					
Civil Works	2,788	2,248	-	-	5,036
Total	2,788	2,248	-	-	5,036

5.8 Leases

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

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

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

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

- any lease payments made at or before the commencement date less any lease incentives received; plus
 - any initial direct costs incurred; and
 - an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.
- The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

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

Note 5 Our financial position**5.8 Leases (cont'd)**

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

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

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

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

Right-of-Use Assets	Land and Buildings	Plant and Equipment	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2020	-	863	863
Additions	-	-	-
Fair value adjustments	-	(580)	(580)
Amortisation charge	-	(118)	(118)
Balance at 30 June 2021	-	165	165
Balance at 1 July 2021	-	165	165
Additions	3,076	45	3,121
Amortisation charge	(75)	(33)	(108)
Transfer to property, plant and equipment	-	(94)	(94)
Balance at 30 June 2022	3,001	83	3,084

The Colac Regional Library facility was reclassified at 1 July 2021 from land and buildings to a right-of-use asset and amortised following a review of the joint user agreement between Council and the Minister for Education.

Lease Liabilities	2022	2021
	\$'000	\$'000
Maturity analysis - contractual undiscounted cash		
Less than one year	26	140
One to five years	18	490
More than five years	-	264
Total undiscounted lease liabilities as at 30 June:	44	894

Lease liabilities included in the Balance Sheet at 30 June:

Current	24	110
Non-current	18	663
Total lease liabilities	42	773

Short-term and low value leases

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

	2022	2021
	\$'000	\$'000
Expenses relating to:		
Short-term leases	40	35
Total	40	35

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Notes to the Financial Report
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Note 6 Assets we manage	2022	2021
6.1 Non-current assets classified as held for sale	\$'000	\$'000
Land acquisition	1,920	439
Library book stock from wind up of Corangamite Regional Library Corporation	-	276
Total Non-current assets classified as held for sale	1,920	715

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

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Notes to the Financial Report
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Note 6 Assets we manage

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2021 \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	Carrying amount 30 June 2022 \$'000
Property	69,698	225	-	29,372	(1,353)	(788)	-	(4,241)	92,912
Plant and equipment	7,207	1,713	-	-	(1,720)	(189)	-	94	7,104
Infrastructure	292,659	5,621	2,016	37,158	(7,682)	(17)	-	-	329,755
Work in progress	2,674	5,318	-	-	-	-	-	(173)	7,819
	372,238	12,877	2,016	66,530	(10,755)	(994)	-	(4,320)	437,591

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Property	78	438	-	-	516
Plant and equipment	258	-	-	(173)	85
Infrastructure	2,338	4,880	-	-	7,218
Total	2,674	5,318	-	(173)	7,819

(a) Property

	Land - specialised \$'000	Land - non- specialised \$'000	Land under roads \$'000	Total Land & Land Improvements \$'000	Buildings - specialised \$'000	Buildings - non- specialised \$'000	Total Buildings \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2021	3,756	23,674	224	27,653	73,412	16,554	89,966	78	117,697
Accumulated depreciation at 1 July 2021	-	-	-	-	(40,645)	(7,276)	(47,921)	-	(47,921)
	3,756	23,674	224	27,653	32,767	9,278	42,045	78	69,777
Movements in fair value									
Additions	-	-	-	-	182	43	225	438	663
Revaluation	2,354	22,014	199	24,566	1,853	2,952	4,806	-	29,372
Disposal	-	(17)	-	(17)	(610)	(161)	(771)	-	(788)
Transfers	-	(1,481)	-	(1,481)	(2,760)	-	(2,760)	-	(4,241)
	2,354	20,516	199	23,068	-	1,335	1,499	438	25,006
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(1,137)	(215)	(1,353)	-	(1,353)
	-	-	-	-	(1,137)	(215)	(1,353)	-	(1,353)
At fair value 30 June 2022	6,109	44,189	423	50,721	72,077	19,389	91,465	516	142,703
Accumulated depreciation at 30 June 2022	-	-	-	-	(41,782)	(7,492)	(49,274)	-	(49,274)
Carrying amount	6,109	44,189	423	50,721	30,295	11,897	42,192	516	93,429

(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecomms \$'000	Work in Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2021	11,692	10,570	1,657	258	24,177
Accumulated depreciation at 1 July 2021	(6,825)	(8,551)	(1,336)	-	(16,713)
	4,867	2,018	321	258	7,465
Movements in fair value					
Additions	1,363	197	153	-	1,713
Disposal	(189)	-	-	-	(189)
Transfers	94	-	-	(173)	(79)
	1,268	197	153	(173)	1,445
Movements in accumulated depreciation					
Depreciation and amortisation	(1,237)	(348)	(135)	-	(1,720)
Accumulated depreciation of disposals	-	-	-	-	-
	(1,237)	(348)	(135)	-	(1,720)
At fair value 30 June 2022	12,961	10,766	1,810	85	25,622
Accumulated depreciation at 30 June 2022	(8,062)	(8,900)	(1,471)	-	(18,433)
Carrying amount	4,899	1,867	339	85	7,189

(c) Infrastructure

	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Other Infrastructure \$'000	Work In Progress \$'000	Total Infrastructure \$'000
At fair value 1 July 2021	272,963	55,504	28,987	43,417	10,267	2,338	413,476
Accumulated depreciation at 1 July 2021	(68,972)	(26,862)	(9,545)	(9,438)	(3,663)	-	(118,480)
	203,991	28,642	19,442	33,979	6,604	2,338	294,996
Movements in fair value							
Additions	3,785	57	946	518	316	4,880	10,501
Contributions	1,108	-	266	642	-	-	2,016
Revaluation	20,005	-	1,808	26,747	783	-	49,343
Disposal	(17)	-	-	-	-	-	(17)
Transfers	-	-	-	-	-	-	-
	24,881	57	3,020	27,907	1,099	4,880	61,843
Movements in accumulated depreciation							
Depreciation and amortisation	(4,572)	(1,229)	(530)	(483)	(868)	-	(7,682)
Revaluation	(5,295)	-	(602)	(5,953)	(335)	-	(12,185)
Accumulated depreciation of disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
	(9,867)	(1,229)	(1,132)	(6,436)	(1,203)	-	(19,867)
At fair value 30 June 2022	297,844	55,561	32,007	71,324	11,366	7,218	475,319
Accumulated depreciation at 30 June 2022	(78,839)	(28,091)	(10,677)	(15,874)	(4,866)	-	(138,347)
Carrying amount	219,005	27,470	21,330	55,450	6,500	7,218	336,972

Note 6 Assets we manage**6.2 Property, infrastructure, plant and equipment (cont'd)***Acquisition*

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

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

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land		
land	-	-
land under roads	-	-
land improvements	-	5
Buildings		
heritage buildings	90 - 180 years	5
buildings	10 - 120 years	5
shelters	10 - 90 years	5
building improvements	10 - 180 years	5
leasehold improvements	10 - 180 years	5
Plant and Equipment		
Furniture		
art work	0 - 100 years	4
indoor furniture	5 - 30 years	4
playground equipment	10 - 40 years	4
Plant		
heritage plant and equipment	-	10
fixed plant, machinery and equipment	3 - 50 years	10
fleet (vehicles)	3 - 30 years	10
major plant	3 - 50 years	10
minor plant	3 - 10 years	4
Equipment		
appliances	3 - 60 years	4
fixed equipment / fixtures and fittings	5 - 55 years	4
computers and telecommunications	3 - 21 years	4
leased plant and equipment	-	4
Infrastructure		
Roads		
road and tarmac formation and earthworks	-	10
road and tarmac pavements	10 - 100 years	10
road and tarmac seals	10 - 80 years	10
road and tarmac kerb, channel and minor culverts	45 - 80 years	2.5
footpaths and cycleways	15 - 50 years	2.5
Bridges		
bridges deck	10 - 90 years	10
bridges substructure	10 - 90 years	10
bridges major culverts	50 - 90 years	10
Drainage		
open drainage network	10 - 100 years	10
pit and pipe network	40 - 100 years	10
water retention structures	80 - 100 years	10
Other Infrastructure		
gardens and landscaping	5 - 25 years	10
playing surfaces	10 - 70 years	10
retaining structures	10 - 45 years	10
off street car parks	25 - 100 years	10
aerodromes	25 - 100 years	10
Intangible assets		
software	5 years	4

Note 6 Assets we manage**6.2 Property, infrastructure, plant and equipment (cont'd)****Land under roads**

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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

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

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

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

Repairs and maintenance

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

Valuation of land and buildings

Valuation of land and buildings were undertaken 2021-2022 by a qualified independent valuer Mr Callum Mann – Certified Practising Valuer – API Member No. 107462 of Preston Paterson Rowe. 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.

The value of land under roads had not been considered since its initial recognition. It was agreed that in the absence of mature asset data, that an average indexation in line with the land asset class be applied from this revaluation process as a reasonable basis for its fair value.

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

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

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

	Level 1	Level 2	Level 3	Revaluation Date
Land	-	44,189	-	30/06/2022
Specialised land / land under roads	-	-	6,532	30/06/2022
Buildings	-	11,897	30,295	30/06/2022
Total	-	56,086	36,827	

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Note 6 Assets we manage**6.2 Property, infrastructure, plant and equipment (cont'd)****Valuation of infrastructure**

Valuation of infrastructure assets has been determined in accordance with an internal indexation undertaken by Brendan Walsh (B.Eng (Civil)).

The valuation is at fair value based on 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	Revaluation Date
Roads	-	-	219,005	30/06/2022
Bridges	-	-	27,470	30/06/2021
Footpaths and cycleways	-	-	21,330	30/06/2022
Drainage	-	-	55,450	30/06/2022
Other infrastructure	-	-	6,500	30/06/2022
Total	-	-	329,755	

Description of significant unobservable inputs into level 3 valuations

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

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$200 to \$2,650 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 180 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 have not been determined during this indexation process. 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
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	423	224
Parks and reserves	6,109	3,756
Total specialised land	6,532	3,980

Note 6 Assets we manage	2022	2021
6.3. Investments in associates, joint arrangements and subsidiaries	\$'000	\$'000

(a) Investments in associates

Investments in associates accounted for by the equity method are:

- Geelong Regional Library Corporation

Geelong Regional Library Corporation*Background*

At the 30 June 2021 the Corangamite Regional Library Corporation was wound up and disbanded on agreement of the four member councils: Colac Otway Shire, Corangamite Shire, Moyne Shire and Warrnambool City.

At the 1 July 2021 the Council transitioned to the Geelong Regional Library Corporation by agreement with five (5) member councils, the results of this are shown below.

The Geelong Regional Library Corporation is a corporation owned by five (5) councils: Borough of Queenscliff, City of Greater Geelong, Colac Otway Shire, Golden Plains Shire and Surf Coast Shire. Colac Otway Shire has a 1.42% equity interest.

Fair value of Council's investment in Geelong Regional Library Corporation	-	-
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	-	-
Reported surplus/(deficit) for year	(1)	-
Transfers (to) from reserves	-	-
Council's share of accumulated surplus/(deficit) at end of year	(1)	-
Council's share of reserves		
Council's share of reserves at start of year	-	-
Transfers (to) from reserves	-	-
Council's share of reserves at end of year (based on population)	-	-
Movement in carrying value of specific investment		
Carrying value of investment at start of year	-	-
Share of surplus/(deficit) for year	(1)	-
Share of asset adjustment	148	-
Carrying value of investment at end of year	147	-

Significant restrictions

The associate is not required to repay dividends, loans or advances to Council.

(b) Investments in joint ventures**Colac Community Library and Learning Centre***Background*

The Colac Community Library and Learning Centre is a joint venture between the Colac Otway Shire and Victorian Department of Education and Early Childhood Development and the Colac Secondary College, which results in Colac Otway Shire legally contributing 50% of the assets.

The venture's purpose is to construct and operate a joint use library facility.

Council's commitment to the venture is limited to providing a contribution to the construction and fitout costs. Council's share is 50% of costs.

Council accounts for its interests in the joint venture by applying the proportionate consolidation method and by combining Council's share of each of the assets, liabilities, incomes and expenses of the jointly controlled entity with similar items line by line in council's financial statements.

Council's share of accumulated surplus/(deficit)

Council is not entitled to a share of any accumulated surplus or deficit.

Council's share of reserves

Council is not entitled to a share of any reserves

Movement in carrying value of specific investment

Carrying value of investment at start of year	2,760	2,800
Depreciation/Amortisation	(75)	(40)
Carrying value of investment at end of year	2,685	2,760

Council's share of expenditure commitments

Council is not exposed to any further expenditure commitments.

Council's share of contingent liabilities and contingent assets

There are no known contingencies outstanding as at 30 June 2022.

Significant restrictions

The joint venture is not required to repay dividends, loans or advances to Council.

	2022 No.	2021 No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
Colac Otway Shire Council is the parent entity.		
<i>Associates</i>		
Interests in associates are detailed in Note 6.3.		
(b) Key Management Personnel		
Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Colac Otway Shire Council. The Councillors, Chief Executive Officer and General Managers are deemed KMP.		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors		
Councillor Kate Hanson		
Councillor Chris Potter		
Councillor Stephen Hart		
Councillor Joe McCracken		
Councillor Graham Costin		
Councillor Margaret White		
Councillor Jamie Bell		
Chief Executive Officer and other Key Management Personnel		
Chief Executive Officer		
General Manager Corporate Services		
General Manager Environment and Infrastructure Services		
General Manager Development & Community Services		
Total Number of Councillors	7	10
Total of Chief Executive Officer and other Key Management Personnel	4	4
Total Number of Key Management Personnel	11	14
(c) Remuneration of Key Management Personnel	2022	2021
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,077	1,047
Long-term benefits	(10)	19
Post employment benefits	110	111
Total	1,177	1,177
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$10,000 - \$19,999	-	4
\$20,000 - \$29,999	4	3
\$30,000 - \$39,999	1	2
\$40,000 - \$49,999	1	-
\$60,000 - \$69,999	-	1
\$80,000 - \$89,999	1	-
\$180,000 - \$189,999	1	-
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	2	2
\$230,000 - \$239,999	-	-
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	1	-
	11	14
(d) Senior Officer Remuneration		
A Senior Officer is an officer of Council, other than Key Management Personnel, who:		
a) has management responsibilities and reports directly to the Chief Executive; or		
b) whose total annual remuneration exceeds \$151,000		
The number of Senior Officers are shown below in their relevant income bands:		
Income Range:	2022	2021
	No.	No.
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	-	1
\$150,000 - \$159,999	1	4
\$160,000 - \$169,999	4	2
\$170,000 - \$179,999	4	1
\$180,000 - \$189,999	-	1
\$190,000 - \$199,999	1	1
	10	11
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	1,721	1,702

Colac Otway Shire Council
2021/2022 Financial Report

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

Note 7 People and relationships	2022	2021
7.2 Related party disclosure	\$'000	\$'000

(a) Transactions with related parties

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

Employee benefit	-	52
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The following is the aggregate amount of transactions with **Investments in associates**.

Payments made to Geelong Regional Library Corporation	842	
Payments received from Geelong Regional Library Corporation	-	
Payments made to Corangamite Regional Library Corporation		846
Payments received from Corangamite Regional Library Corporation		11

All transactions Council enter into with related parties are undertaken on commercial terms, within Council Policy.

(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.

Accounts Receivable	-	-
Accounts Payable	-	-

(c) Loans to/from related parties

There are no loans in existence at balance date that have been made, guaranteed or secured by the council to any related parties.

(d) Commitments to/from related parties

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

Note 8 Managing uncertainties**8.1 Contingent assets and liabilities****(a) Contingent liabilities****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 in Note 9.3. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Landfill

Council is obligated under Section 194 (2A) and 21 of the Environment Protection Act 1970 to provide financial assurance for any remedial action, rehabilitation and site aftercare costs in relation to the Alvie tip site. The purpose of this provision is to ensure that Council does not impose any undue burden on Council's ratepayers to address any of these costs during the operation or after the closure of its operating landfill sites. The amount of the financial assurance provided to the Environment Protection Authority (EPA) is \$322,500.

(b) Guarantees for loans to other entities

Council has no guarantees in place for loans to other entities.

8.2 Change in accounting standards

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

Note 8 Managing uncertainties**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 does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

(c) Credit risk

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

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

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

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

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

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

Note 8 Managing uncertainties**8.3 Financial instruments (cont'd)****(d) Liquidity risk**

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

To help reduce these risks Council:

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

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 2.5% and -2.50% in market interest rates (AUD) from year-end rates of 0.81%.

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.

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

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

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

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

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

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

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

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.

Note 8 Managing uncertainties**8.4 Fair value measurement (cont'd)***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 3 to 5 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.

8.5 Events occurring after balance date

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

Note 9 Other matters**9.1 Reserves**

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves			
2022			
Property			
Land	19,247	24,566	43,813
Buildings	8,570	4,806	13,375
	27,817	29,372	57,188
Plant and Equipment			
Fixed plant, furniture and equipment	293	-	293
	293	-	293
Infrastructure			
Roads	140,676	14,710	155,386
Bridges	21,649	-	21,649
Footpaths and cycleways	7,697	1,206	8,903
Kerb and channelling	11,619	-	11,619
Other Infrastructure	-	448	448
Drainage	14,833	20,794	35,627
	196,474	37,158	233,633
Total asset revaluation reserves	224,585	66,530	291,114
2021			
Property			
Land	16,529	2,718	19,247
Buildings	8,570	-	8,570
	25,099	2,718	27,817
Plant and Equipment			
Fixed plant, furniture and equipment	293	-	293
	293	-	293
Infrastructure			
Roads	140,676	-	140,676
Bridges	7,914	13,735	21,649
Footpaths and cycleways	7,697	-	7,697
Kerb and channelling	11,619	-	11,619
Drainage	14,833	-	14,833
	182,739	13,735	196,474
Total asset revaluation reserves	208,131	16,453	224,585

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

Colac Otway Shire Council
2021/2022 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2022

Note 9 Other matters

9.1 Reserves (cont'd)

(b) Other reserves

2022

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
Carried Forward Projects	6,717	3,376	(4,823)	5,270
Port of Apollo Bay	555	4,820	(1,238)	4,137
Waste Management	2,532	3,246	(3,030)	2,748
Long Service Leave	2,941	2,983	(2,941)	2,983
Landfill rehabilitation (Alvie)	1,037	57	-	1,094
Recreational lands	1,042	118	-	1,160
Colac livestock selling centre	(122)	121	-	(1)
Rehabilitation	1,040	143	(71)	1,112
Plant replacement	2,435	1,040	(2,206)	1,269
Tirrengower Drainage Scheme	23	45	(13)	55
Unallocated Surplus	163	-	(163)	-
Water Saving Urban Design	44	14	-	58
Strategic Projects	682	-	(35)	647
Financial Assistance Grants received in advance	3,805	5,535	(3,805)	5,535
Disaster Recovery	6	-	-	6
Total Other reserves	22,900	21,498	(18,325)	26,073

2021

Carried Forward Projects	2,465	4,252	-	6,717
Port of Apollo Bay	565	1,339	(1,349)	555
Waste Management	2,307	3,089	(2,864)	2,532
Long Service Leave	2,652	3,175	(2,886)	2,941
Landfill rehabilitation (Alvie)	980	57	-	1,037
Recreational lands	892	150	-	1,042
Colac livestock selling centre	-	432	(554)	(122)
Rehabilitation	932	143	(35)	1,040
Plant replacement	1,856	1,766	(1,187)	2,435
Tirrengower Drainage Scheme	24	22	(23)	23
Unallocated Surplus	-	163	-	163
Water Saving Urban Design	44	-	-	44
Strategic Projects	602	80	-	682
Financial Assistance Grants received in advance	3,438	3,805	(3,438)	3,805
Disaster Recovery	6	-	-	6
Total Other reserves	16,763	18,473	(12,336)	22,900

Note 9 Other matters**9.1 Reserves (cont'd)****Purposes for Reserves****Carried forward projects reserve**

This reserve is to recognise the funds allocated and received in prior financial periods that are committed to unfinished projects. This includes grants received in advance for specific projects and funds allocated from prior financial years for projects that are still incomplete at the end of the current financial year.

Port of Apollo Bay reserve

These funds are bound by an agreement with the Department of Transport concerning the operations of the Port of Apollo Bay and are the value of cash assets owed.

Waste Management reserve

This reserve was set up as a source of funding the replacement of kerbside bins. All funds in this reserve are collected from the waste collection service charge and are to be used only in connection with the waste collection service.

Long service leave reserve

The purpose of this reserve is to ensure that the nominal long service leave balances owing to employees are maintained.

Landfill rehabilitation (Alvie) reserve

This reserve relates to the funds required to restore the Alvie Tip. The rehabilitation reserve will continue to grow until the Tip closes, at which time, the funds will be utilised to meet this obligation.

Recreational lands reserve

Statutory reserve to be used for the development of recreational reserves and public open space.

Colac livestock selling centre reserve

This reserve is for the purpose of funding works at the Colac Livestock Selling Centre and all funds are derived from any surplus made from the operations of the Colac Livestock Selling Centre.

Rehabilitation reserve

This reserve is to fund the rehabilitation of the various waste disposal sites across the Colac Otway Shire.

Plant replacement reserve

This reserve is to fund the replacement of council's plant at the end of their useful lives. Inflows to the reserve accrue out of any plant operating surplus with the funds then being used for the changeover of plant.

Tirrengower Drainage Scheme reserve

These funds are collected via a special rate and must be expended against the purpose of the drainage scheme at Tirrengower.

Unallocated Surplus reserve

The purpose of this reserve is to set aside funds to match any unforeseen grant opportunities that arise post the setting of the budget.

Water Saving Urban Design reserve

Statutory reserve to be used for the construction of Future Water Quality Infrastructure.

Strategic Projects Reserve

The purpose of this reserve is for strategic projects and acquisitions of new or expanded assets that are of an intergenerational nature.

Financial Assistance Grants received in advance

The purpose of this reserve is to set aside any Commonwealth Financial Assistance Grant funding received in advance of its intended allocation.

Disaster Recovery reserve

The purpose of this reserve is to set aside funds received in advance for use in the recovery of Disaster events. The reserve may only be used in accordance with the terms of the disaster relief funding agreements.

Note 9 Other matters	2022	2021
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	\$'000	\$'000
Surplus for the year	5,747	6,403
Landfill rehabilitation present value movement	(921)	(3,382)
Fair value adjustments for right of use assets	-	580
Depreciation/amortisation	10,862	9,987
Finance costs	79	88
Share of net profits of associate	(147)	44
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	617	(183)
Wind up of Corangamite Regional Library Corporation	-	119
Contributions - non monetary assets	(2,016)	(617)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	875	(649)
(Increase)/decrease in prepayments	353	(362)
(Increase)/decrease in accrued income	(266)	352
(Decrease)/increase in trade and other payables	(2,559)	(71)
(Decrease)/increase in unearned income/revenue	4,781	3,004
(Increase)/decrease in inventories	(1)	60
(Increase)/decrease in trust funds & deposits	390	(244)
(Decrease)/increase in provisions	(584)	670
Net cash provided by operating activities	17,210	15,799

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 Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2020/21: 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 Colac Otway Shire 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 held as the Fund provides lifetime pensions in the Defined Benefit category.

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

Net investment returns	4.75% pa
Salary inflation	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 (2020/21: August 2021). The financial assumptions used to calculate this VBI were:

Net investment returns	5.5% pa
Salary inflation	2.5% pa to 30 June
	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.

Note 9 Other matters

9.3 Superannuation (cont'd)

Employer Contributions**Regular Contributions**

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

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. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Note 10 Change in accounting policy

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

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

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