

Minutes

Audit and Risk Committee Meeting held at 9.00 AM on Thursday 16 September 2021, online via Microsoft Teams.

1 Present

Present

Mr Peter Knights (Chair)
Mr Tony Roberts
Ms Lynn Jensz
Cr Murray Emerson
Cr Kevin Erwin

Ms Liana Thompson, Chief Executive Officer
Mr Vaughan Williams, Director Corporate and Community Services
Mr Malcolm Lewis, Acting Manager Financial Services
Ms Rohma Rauf, Coordinator Financial Sustainability
Mr Phil Delahunty, RSD Auditor (item 7)
Ms Blessing Mendoza, RSD Auditor (item 7)

2 Apologies

Nil

3 Disclosures of a Conflict of Interest at a Council Auspiced Meeting

Nil

4 Confirmation of Minutes from the Previous Meeting

Confirmation of draft minutes from the Northern Grampians Shire Council Audit and Risk Committee meeting held, Wednesday, 21 July 2021.

Moved: Lynn Jenz

Seconded: Cr Kevin Erwin

Carried

5 Matters Arising from the Minutes

Mr Vaughan Williams to provide an update on the Internal Audit Framework Review.

Outcome

Mr Vaughan Williams presented an update regarding the work to date in order to develop an Internal Audit Framework.

Resolution

That the presentation on the Internal Audit Framework be noted.

Moved: Cr Kevin Erwin

Seconded: Cr Murray Emerson

Carried

Attachments

Nil

6 General Business

6.1 Risk Committee Update

Mr Vaughan Williams to provide a Risk Committee meeting update.

Outcome

Mr Vaughan Williams provided an update regarding the activities of the Risk Committee including the need for officers to complete the outstanding actions within the CAMMS risk module.

The Audit and Risk Committee also noted the need for management to track actions from other audits with actions and recommendations to be referred to the Risk Committee.

Resolution

That the Risk Committee update be received and noted.

Moved: Ms Lynn Jensz

Seconded: Mr Tony Roberts

Carried

Attachments

Nil

6.2 Performance Against Audit and Risk Committee Charter

Mr Vaughan Williams will discuss the survey of the Audit and Risk Committee members.

Outcome

Mr Vaughan Williams provided an update regarding the results of the survey of the Audit and Risk Committee.

Resolution

That the update regarding performance against the Audit and Risk Committee Charter be noted.

Moved: Ms Lynn Jensz

Seconded: Mr Tony Roberts

Carried

Attachments

Nil

6.3 Vision Super VBI Index

Mr Malcolm Lewis will provide an update on the Vision Super Defined Benefits Index.

Outcome

Mr Malcolm Lewis provided an update on the VBI results finalised by the Fund Actuary.

The key result is positive with the VBI index remaining above 100%. No further action required.

Attachments

1. Vision Super - VBI [6.3.1 - 1 page]

Vested Benefit Index (VBI)

Defined Benefit plans are required by law to have an actuarial investigation at least once every three years. Because LASF DB provides lifetime pensions, a mini review is held every in-between year. The vested benefit position of the sub-plan is reviewed on a quarterly basis. Details of the VBIs are as follows.

VESTED BENEFIT INDEX (VBI)				
Year	QTR 1 - September (estimated)	QTR 2 - December (estimated)	QTR 3 - March (estimated)	QTR 4 - June (actual)
2012/13	96.6%	97.9%	99.4%	100.7%
2013/14	103.1%	105.1%	104.6%	103.4%
2014/15	102.6%	103.1%	108.5%	105.8%
2015/16	104.0%	104.4%	102.4%	102.0%
2016/17	103.7%	105.4%	106.6%	103.1%
2017/18	103.8%	106.4%	106.2%	106.0%
2018/19	106.9%	101.9%	105.4%	107.1%
2019/20	107.3%	107.7%	102.1%	104.6%
2020/21	104.5%	109.6%	111.5%	109.7%

7 Financial Reporting and VAGO Audit

7.1 Annual Financial Report 2020-21 and Annual Performance Statement 2020-21

Mr Phil Delahunty and Mr Malcolm Lewis to present the draft Annual Financial Report for the year ended 30 June 2021 and the draft Performance Statement 2020-21.

Outcome

Mr Malcolm Lewis provided a summary of the key highlights from the Annual Financial Report as well as a comparison of key areas against budget.

Mr Phil Delahunty and Ms Blessing Mendoza, RSD Auditors, attended the meeting to discuss the findings from the VAGO audit for the 2020-21 financial year.

The ARC committee agreed that the Financial Report and the Performance Report to proceed to Council for in principle adoption subject to final amendment by VAGO.

Resolution

1. That the draft Financial Report and Performance Report be endorsed subject to final adjustment by VAGO.

2. Request that management prepare an external review into Council's risk management framework as a basis for developing the internal audit function.

Moved: Ms Lynn Jenz

Seconded: Mr Tony Roberts

Carried

Attachments

1. Draft Annual Financial Report 2020-21 v 2 [7.1.1 - 53 pages]
2. Draft Performance Statement 2020-21 [7.1.2 - 8 pages]

**Northern Grampians Shire Council
DRAFT ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2021

Northern Grampians Shire Council
Financial Report
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**Northern Grampians 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 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

Malcolm Lewis, FCPA
Principal Accounting Officer

Date :
Stawell

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

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

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

Cr Murray Emerson
Mayor

Date :
Stawell

Cr Kevin Erwin
Councillor

Date :
Stawell

Ms Liana Thompson
Chief Executive Officer

Date :
Stawell

VAGO Opinion

Comprehensive Income Statement For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Income			
Rates and charges	3.1	18,260	17,857
Statutory fees and fines	3.2	455	370
User fees	3.3	1,434	1,582
Grants - operating	3.4	12,573	11,036
Grants - capital	3.4	6,810	8,029
Contributions - monetary	3.5	193	668
Assets recognised for the first time	3.6	99	-
Reversal of restoration provisions	5.5	(5)	45
Share of net profits/(loss) of associates	6.3	218	7
Other income	3.7	836	426
Total income		40,873	40,020
Expenses			
Employee costs	4.1	(16,952)	(13,218)
Materials and services	4.2	(9,997)	(9,710)
Depreciation	4.3	(13,750)	(12,066)
Amortisation - Right of use assets	4.4	(114)	(105)
Bad and doubtful debts	4.5	2	(76)
Borrowing costs	4.6	(93)	(111)
Finance Costs - Leases	4.7	-	(3)
Net loss on disposal of property, infrastructure, plant and equipment	4.8	(3,124)	(1,553)
Other expenses	4.9	(1,127)	(1,701)
Total expenses		(45,156)	(38,543)
Surplus/(deficit) for the year		(4,283)	1,477
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.2	-	12,373
Share of other comprehensive income of associates	6.3	-	(63)
Total comprehensive result		(4,283)	13,787

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

Balance Sheet
As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1 (a)	30,232	27,208
Trade and other receivables	5.1 (c)	1,948	1,979
Inventories	5.2 (a)	138	58
Non current assets classified as held for sale	6.1	-	66
Other assets	5.2 (b)	30	212
Total current assets		32,348	29,523
Non-current assets			
Trade and other receivables	5.1 (c)	9	9
Investment in associates	6.3	416	197
Property, infrastructure, plant and equipment	6.2	431,959	435,226
Right-of-use assets	5.8	95	209
Total non-current assets		432,480	435,641
Total assets		464,828	465,164
Liabilities			
Current liabilities			
Trade and other payables	5.3 (a)	3,622	2,373
Trust funds and deposits	5.3 (b)	6	123
Unearned Income	5.3 (c)	4,601	1,752
Provisions	5.5	3,305	2,874
Interest-bearing loans and borrowings	5.4	1,092	218
Lease liabilities	5.8	87	114
Total current liabilities		12,713	7,454
Non-current liabilities			
Provisions	5.5	380	313
Interest-bearing loans and borrowings	5.4	1,097	2,189
Unearned Income	5.3 (c)	600	800
Lease Liabilities	5.8	-	87
Total non-current liabilities		2,077	3,389
Total liabilities		14,790	10,843
Net assets		450,038	454,321
Equity			
Accumulated surplus		129,101	134,212
Reserves	9.1	320,937	320,109
Total Equity		450,038	454,321

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

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

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2021		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		454,321	134,212	314,487	5,622
Surplus for the year		(4,283)	(4,283)	-	-
Net asset revaluation increment	9.1	-	-	-	-
Net asset revaluation in associates	6.3	-	-	-	-
Transfers to other reserves		-	-	-	-
Transfers from other reserves	9.1	-	(828)	-	828
Balance at end of the financial year		450,038	129,101	314,487	6,450

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2020		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		440,534	133,929	302,114	4,491
Surplus for the year		1,477	1,477	-	-
Net asset revaluation increment	9.1	12,373	-	12,373	-
Net asset revaluation in associates	6.3	(63)	(63)	-	-
Transfers from other reserves	9.1	-	(1,131)	-	1,131
Balance at end of the financial year		454,321	134,212	314,487	5,622

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

Statement of Cash Flows For the Year Ended 30 June 2021

	Note	2021 Inflows/ (Outflows) \$'000	2020 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		18,246	17,751
Statutory fees and fines		455	370
User fees		1,461	1,296
Grants - operating		12,573	11,036
Grants - capital		6,810	8,029
Contributions - monetary		193	668
Trust funds and deposits taken/(paid)		(117)	15
Other receipts		1,009	492
Net GST refund / (payment)		(10)	386
Employee costs		(16,458)	(13,457)
Materials and services		(6,173)	(7,467)
Other payments		(1,127)	(1,547)
Net cash provided by operating activities	9.2	16,861	17,572
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(13,612)	(10,903)
Proceeds from sale of property, infrastructure, plant and equipment		171	101
Loans and advances made		29	21
Net cash used in investing activities		(13,412)	(10,781)
Cash flows from financing activities			
Finance costs		(93)	(111)
Repayment of borrowings		(218)	(211)
Interest paid - lease liability		-	(3)
Repayment of lease liabilities		(114)	(113)
Net cash used in financing activities		(425)	(438)
Net increase in cash and cash equivalents		3,024	6,353
Cash and cash equivalents at the beginning of the financial year		27,208	20,855
Cash and cash equivalents at the end of the financial year	5.1 (a)	30,232	27,208
Financing arrangements	5.6		
Restrictions on cash assets	5.1 (b)		

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

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

	2021 \$'000	2020 \$'000
Property		
Land improvements	600	-
Total land	<u>600</u>	<u>-</u>
Buildings	3,805	1,443
Total property	<u>4,405</u>	<u>1,443</u>
Plant and equipment		
Plant, machinery and equipment	257	1,030
Library resources	-	400
Computers and telecommunications	26	17
Total plant and equipment	<u>283</u>	<u>1,447</u>
Infrastructure		
Roads	6,872	5,387
Bridges	604	1,425
Footpaths and cycleways	772	657
Drainage	311	190
Parks, open spaces and streetscapes	365	755
Total infrastructure	<u>8,924</u>	<u>8,414</u>
Total capital works expenditure	<u>13,612</u>	<u>11,304</u>
Represented by:		
New asset expenditure	6,212	2,245
Asset renewal expenditure	5,250	6,319
Asset upgrade expenditure	2,150	2,740
Total capital works expenditure	<u>13,612</u>	<u>11,304</u>

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

OVERVIEW

Introduction

The Northern Grampians Shire Council was established by an Order of the Governor in Council on 20 January, 1995 and is a body corporate.

The Council's main office is located at 59-69 Main Street, Stawell.

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 Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Significant accounting policies

(a) Basis of accounting

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

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS'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)
- other areas requiring judgments

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 (except where transitional requirements of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

OVERVIEW (cont)

(b) Impact of COVID-19 crisis on council operations and 2020-21 financial report

On 11 March 2020, COVID-19 was declared as a global pandemic by the World Health Organisation. Since then, various measures were taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted council operations in the following areas for the financial year ended 30 June

During the 2020/21 financial year Council's sports and aquatic centre experienced a reduction in attendance resulting in an estimated loss of revenue in the order of \$0.36m compared to budget. This loss of income was offset by savings in the areas of tourism and events that was partly due to the ongoing impact of COVID-19 lockdowns and restrictions.

Council provided waiver of some user fees and rental income pursuant to the COVID-19 Financial Support and Hardship Policy. The impact of this policy resulted in the waiver of user charges plus penalty rates interest that totalled in the order of \$0.16m.

There was minimal impact on staffing costs as the majority of impacted staff were able to be redeployed.

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

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of \$250,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 22 June 2020. The Budget was based on assumptions that were relevant at the time of adoption. Council sets guidelines and parameters for income and expense targets in the 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*.

1.1 Income and expenditure

	Budget 2021 \$'000	Actual 2021 \$'000	Variance 2021 \$'000	Variance 2021 %	Ref
Income					
Rates and charges	18,262	18,260	(2)	0%	
Statutory fees and fines	318	455	136	43%	
User fees	1,258	1,434	176	14%	
Grants - operating	6,822	12,573	5,751	84%	1
Grants - capital	5,617	6,810	1,193	21%	2
Contributions - monetary	98	193	95	97%	
Reversal of restoration provisions	-	(5)	(5)	100%	
Assets recognised for the first time	-	99	99	0%	
Share of net profits/(loss) of associates	-	218	218	100%	
Other income	703	836	133	19%	
Total income	33,078	40,873	7,794	24%	
Expenses					
Employee costs	(16,169)	(16,952)	(783)	5%	3
Materials and services	(10,065)	(9,998)	68	-1%	
Depreciation	(11,378)	(13,750)	(2,372)	21%	4
Amortisation - Right of use assets	(99)	(114)	(15)	100%	
Bad and doubtful debts	-	2	2	100%	
Borrowing costs	(102)	(93)	9	-9%	
Finance Costs - Leases	(3)	-	3	100%	
Net loss on disposal of property, infrastructure, plant and equipment	-	(3,124)	(3,124)	100%	5
Other expenses	(1,455)	(1,127)	328	-23%	6
Total expenses	(39,272)	(45,156)	(5,884)	15%	
Surplus for the year	(6,193)	(4,283)	1,910	-31%	

Performance against budget (cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Grants - Operating	Financial assistant grants of \$4.3m due 2021-22 received during the 2020-21 financial year. A further \$0.3m was received for the Early Learning Centre grants mainly due to the impact from COVID-19. Allocation of \$0.2m for major events not included to the adopted budget. Additional \$0.4m grant income to fund fire prevention and bushfire management.
2	Grants - Capital	The additional Income mainly relates to the Federal Government allocation for the Local Roads and Community Infrastructure Fund not known at the time of budget adoption.
3	Employee Costs	Variance mainly due to increased provision for Long Service Leave \$0.4m and increased provision for Annual Leave \$0.2m not anticipated at the time of budget adoption.
4	Depreciation	Higher depreciation expenses is mainly due to the impact of the 2019-20 prior year road asset revaluation not known at the time of budget adoption.
5	Net loss on Disposal of Property, Infrastructure, Plant & Equipment	Net loss is due to the need to write off the un-depreciated book value of assets that were replaced during the course of the financial year.
6	Other Expenses	Lower than expected expenditure in the areas of tourism and major events that was partly due to the impact of COVID-19.

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

Note 1 Performance against budget (cont'd)

1.2 Capital Works

	Budget adopted 2021 \$'000	* Budget reclassified 2021 \$'000	Actual 2021 \$'000	Variance 2021 \$'000	Variance 2021 %	Ref
Property						
Land	-	-	-	-	0%	
Land improvements	-	900	600	(300)	-33%	1
Total Land	-	900	600	(300)	-33%	
Buildings	1,750	4,395	3,805	(590)	-13%	2
Total Buildings	1,750	4,395	3,805	(590)	-13%	
Total Property	1,750	5,295	4,405	(890)	-17%	
Plant and Equipment						
Plant, machinery and equipment	685	685	257	(428)	-62%	3
Fixtures, fittings and furniture	-	-	-	-	0%	
Library resources	-	-	-	-	0%	
Computers and telecommunications	-	-	26	26	0%	
Total Plant and Equipment	685	685	283	(402)	-59%	
Infrastructure						
Roads	4,636	4,597	6,872	2,275	49%	4 & 5
Bridges	1,125	1,125	604	(521)	-46%	6
Footpaths and cycleways	130	199	772	573	288%	4 & 7
Drainage	65	88	311	223	253%	4 & 8
Parks, open spaces and streetscapes	5,001	1,403	365	(1,038)	-74%	4 & 9
Total Infrastructure	10,957	7,412	8,924	1,512	20%	
Total Capital Works Expenditure	13,392	13,392	13,612	220	2%	
Represented by:						
New asset expenditure	1,901	1,901	6,212	4,311	227%	
Asset renewal expenditure	7,886	7,886	5,250	(2,636)	-33%	
Asset upgrade expenditure	3,605	3,605	2,150	(1,455)	-40%	
Total Capital Works Expenditure	13,392	13,392	13,612	220	2%	

* Budget reclassified - Council reclassified projects between asset classes to align the Budget with the disclosure of Note 6.2 Property, Infrastructure, Plant and Equipment.

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	\$0.3m of land budget variance relates to the Open Spaces SMART Waste Technology project that commenced during 2020-21 but is still in early stages and will carry forward to 2021-22.
2	Buildings	The \$0.6m variance is due to \$1.4m unspent budget for Lord Nelson Park Multipurpose Sporting Facility Redevelopment that will be carried forward to 2021-22. This is partially offset by \$0.7m higher spend that budgeted on the North Park Multipurpose Facility.
3	Plant, Machinery & Equipment	Major plant acquisition of a Hino truck replacement has not yet been delivered. Commitment of \$0.4m at 30 June 2021.
4	Roads, footpath, drainage and streetscapes	Two unbudgeted projects have significantly contributed to variances across a range of Infrastructure classes. We spent \$0.7m on St Arnaud Napier Street and \$0.3M on Grampians Heath Street streetscapes projects.
5	Roads	The allocation of budget for roads includes bridges, footpaths and drainage. The variance is primarily due to \$0.7m spent on Campbells Bridge Road and \$0.6m on Dunolly Road under the Major Rural Roads Program without budget. A further \$0.6m relates to the commentary at Item 4.
6	Bridges	\$0.6m of unspent budget relates to Landsborough Road Bridge strengthening projects that did not commence during 2020-21.
7	Footpath & Cycleways	\$0.2m variance relates to Item 4. \$0.3m worth of costs from the streetscapes and open spaces programs were actually footpath assets and therefore these figures are not a direct comparison.
8	Drainage	Substantial drainage works that were completed and capitalised in 2020-21 contribute to \$0.1m of the variance, some of these works were also budgeted under other asset classes. A further \$0.1m relates to Item 4.
9	Parks, Open Spaces and streetscapes	The variance is primarily due to a number of budgeted projects that did not commence in 2020-21 including \$0.5m Aerodrome Program, \$0.35m Waites Robson Site Redevelopment, and \$0.3m Great Western Trail.

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.1 (a) Your Lifestyle

Community life provides high quality community focused programs, service delivery and communication to residents. Community life is comprised of community care, connected communities, family services, health communities, leisure and recreational services which includes parks and sporting ovals together with social planning and investment.

Growing Our Economy

Growing our economy supports local festivals and events and advocates on behalf of the community for major events, tourism and cultural opportunities. Growing our economy is responsible for economic development and events and tourism. It further encompasses the planning services area that includes the assessment of town development, planning strategy and urban growth.

Maintaining Assets

Maintaining assets 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 roads, bridges, footpaths and drainage together with community buildings.

Community Safety

Community safety provides efficient and effective services to meet the growing needs of the community. The service area is dedicated to the health, safety and amenity of the community. The service includes environment and waste, building safety, community protection, emergency management and municipal resources.

Governance

Governance provides effective governance oversight of the organisation. Human resource management provides support to the organisation and ensures councils customer focus includes communication and community engagement processes. Service areas include governance, enterprise risk and legal services.

Finance and strategy 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.

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

Note 2.1 Analysis of Council results by program

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

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
2021	\$'000	\$'000	\$'000	\$'000	\$'000
Your Lifestyle	12,180	7,273	4,907	7,202	5,815
Growing Our Economy	4,163	4,491	(328)	1,716	-
Maintaining Assets	16,368	22,689	(6,321)	7,071	426,570
Community Safety	2,949	3,414	(465)	1,084	-
Governance	5,213	7,289	(2,076)	2,310	32,442
	40,873	45,156	(4,283)	19,383	464,828

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets *
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Your Lifestyle	8,485	6,015	2,470	4,383	5,587
Growing Our Economy	3,315	2,892	423	1,655	-
Maintaining Assets	16,561	19,342	(2,781)	9,776	429,794
Community Safety	3,149	3,147	2	1,433	-
Governance	8,510	7,147	1,363	1,818	29,783
	40,020	38,543	1,477	19,065	465,164

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

Note 3 Funding for the delivery of our services
3.1 Rates and charges

2021 \$'000	2020 \$'000
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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 estimated realisable value if offered for sale at the time of the valuation.

The valuation base used to calculate general rates for 2020-21 was \$3,200 million (2019-20, \$2,800 million). The 2020-21 rate in the capital improved value dollar was 0.6129 cents (2019-20 0.6697 cents).

General rates

Residential rates	8,025	8,004
Commercial rates	783	919
Industrial rates	291	310
Farm rates	4,993	4,504
Total general rates	14,092	13,737

Other rates and charges

Municipal charge	1,313	1,283
Waste management charge	2,820	2,800
Rates in lieu	24	23
Cultural and recreational	11	14
Total other rates and charges	4,169	4,120
Total rates and charges	18,260	17,857

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

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

3.2 Statutory fees and fines

Infringements and costs	8	10
Town planning fees	178	139
Land information certificates	18	15
Permits	253	206
Total statutory fees and fines	455	370

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 and health services	458	442
* Leisure centre and recreation	319	370
Child care/children's programs	276	225
* Registration and other permits	139	203
Waste management services	44	34
Tourism and event fees	-	-
Hire income	-	6
Rental fees	68	103
Infrastructure fees	102	181
Shared services	-	-
Other fees and charges	28	18
Total user fees	1,434	1,582

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.

* The impact of COVID-19 has resulted in a \$0.52m loss of user fees, compared to budget, mainly from leisure centres \$0.36m, in addition to waiver of health registrations \$0.08m, rates interest \$0.06m and facility rental income \$0.02m.

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

3.4 Funding from other levels of government	2021 \$'000	2020 \$'000
Grants were received in respect of the following		
Summary of grants		
Commonwealth funded grants	13,431	12,274
State funded grants	5,952	6,791
Total	19,383	19,065
(a) Operating grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	7,860	7,848
Aged care	655	654
Libraries	11	-
Other	27	24
<i>Recurrent - State Government</i>		
Aged care	104	121
Libraries	152	-
Maternal and child health	302	269
Recreation	220	200
Community safety	266	120
Pre school	464	334
Youth	50	50
Other	75	75
Total recurrent operating grants	10,187	9,695
<i>Non-recurrent - Commonwealth Government</i>		
Economic development	27	222
Family and children	28	-
Other	21	-
<i>Non-recurrent - State Government</i>		
Aged care	107	34
Family and children	189	62
Youth	-	1
Economic development	402	115
Working for Victoria	724	383
COVID business and hospitality support	310	-
Recreation	-	11
Other	580	513
Total non-recurrent operating grants	2,387	1,341
Total operating grants	12,573	11,036
(b) Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,858	1,858
Total recurrent capital grants	1,858	1,858
<i>Non-recurrent - Commonwealth Government</i>		
Aerodromes	4	-
Parks, open spaces & streetscapes	2,441	19
Infrastructure	50	255
Natural disaster reconstruction	449	1,394
<i>Non-recurrent - State Government</i>		
Buildings	-	202
Parks, open spaces & streetscapes	774	2,155
Land & land improvements	100	-
Infrastructure	1,133	1,946
Natural disaster reconstruction	-	200
Total non-recurrent capital grants	4,952	6,171
Total capital grants	6,810	8,029

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

3.4 Funding from other levels of government (cont.)	2021 \$'000	2020 \$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	2,120	1,072
Received during the financial year and remained unspent at balance date	-	1,181
Received in prior years and spent during the financial year	(1,057)	(133)
Balance at year end	1,063	2,120
Capital		
Balance at start of year	1,793	409
Received during the financial year and remained unspent at balance date	4,841	2,523
Received in prior years and spent during the financial year	(1,093)	(1,139)
Balance at year end	5,541	1,793

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

3.5 Contributions		
Monetary	193	668
Total contributions	193	668

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

3.6 Assets recognised for the first time		
Net increment on revalued assets (found assets)	173	-
Net decrement on revalued assets (lost assets)	(74)	-
Total net increment on revalued assets	99	-

Assets recognised for the first time are recognised as revenue when Council obtains control over the asset. The found assets include road and footpath segments that were identified by geographic information system (GIS) mapping undertaking during 2020/21. Likewise, lost assets are assets previously recognised, that could not be identified by the GIS and removed from the asset register.

3.7 Other income		
Interest Income	19	216
Other Income	816	210
Total other income	836	426

Interest is recognised as it is earned.

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

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

**Note 4 The cost of delivering services
4.1 (a) Employee costs**

Salary & wages
less capitalised wages and salaries

2021 \$'000	2020 \$'000
15,766	13,314
(940)	(1,376)
14,826	11,938

Wages and salaries
Workcover
LSL provision movement
Superannuation
Fringe Benefit Tax

14,826	11,938
291	265
400	(207)
1,427	1,177
7	45

Total employee costs

16,952 **13,218**

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund
(Vision Super)

63	60
63	60

Employer contributions payable at reporting date.

1	43
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Accumulation funds

Employer contributions to Local Authorities Superannuation Fund
(Vision Super)

792	685
-----	-----

Employer contributions - other funds

571	433
-----	-----

Employer contributions payable at reporting date.

1,363	1,118
(62)	(210)

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 is \$70,000. Refer to Note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials & Services

Advertising and communications
Building maintenance
Consultants
Consumables
Contract employees
Contractors
Contributions
Fuel
General maintenance
Information technology
Insurance
Legal expenses
Materials and services
Memberships and subscriptions
Minor equipment
Office administration
Security costs
Training
Uniforms and protective clothing
Utilities
Waste management
Total materials and services

203	185
197	136
193	205
109	113
391	548
3,279	3,396
472	211
463	566
638	729
870	793
319	683
224	77
962	588
171	219
267	80
349	130
43	33
-	103
63	92
356	404
428	419
9,997	9,710

* The impacts of COVID-19 resulted in a small savings to the operation of the leisure facilities due to closures and limited opening hours.

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

	2021 \$'000	2020 \$'000
4.3 Depreciation		
Buildings	1,767	1,790
Plant and equipment	915	872
Infrastructure	11,068	9,404
Total depreciation	13,750	12,066

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

4.4 Amortisation - Right of use assets

Vehicles	114	105
Total Amortisation - Right of use assets	114	105

Refer to note 5.8 for a more detailed breakdown of amortisation charges and accounting policy.

4.5 Bad & Doubtful Debts

Other debtors	(2)	76
Total bad and doubtful debts	(2)	76

Movement in provisions for doubtful debts

Balance at the beginning of the year	78	2
New provisions recognised during the year		76
Balance at the end of year	78	78

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.

* Council has reviewed the disclosure of bad and doubtful debts in the context of COVID-19 and assessed that no further provision is required.

4.6 Borrowing costs

Interest on loans	93	111
Total borrowing costs	93	111

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	-	3
Total finance costs	-	3

4.8 Net loss on disposal of property, infrastructure, plant and equipment

Proceeds from sale of assets	171	101
Written down value of assets disposed	(3,228)	(1,654)
Written down value of disposed asset held for sale	(66)	-
Total net loss on disposal of property, infrastructure, plant and equipment	(3,124)	(1,553)

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

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

4.9 Other expenses	2021 \$'000	2020 \$'000
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	34	29
Auditors' remuneration - Internal	3	2
Councillors' allowances	213	208
Regional library contribution	-	472
Tourism contribution	-	318
Community contributions	287	395
Operating lease rentals	344	251
Other	245	26
Total other expenses	1,127	1,701

* The impacts of COVID-19 partly contributed to a \$0.32m expense reduction in the areas of tourism and events.

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

Note 5 Our financial position	2021 \$'000	2020 \$'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	2	2
Cash at bank	30,230	27,206
	30,232	27,208

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

- Trust funds and deposits (Note 5.3 (b))	6	123
- Unspent grants (Note 3.4)	6,604	3,913
(b) Total restricted funds	6,610	4,036
Total unrestricted cash and cash equivalents	23,623	23,172

Intended allocations

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

- Cash held to fund carried forward capital works	8,514	2,459
- Cash held to fund carried forward projects	366	70
- Reserve funds (Note 9.1)	6,450	5,622
Total funds subject to intended allocations	15,330	8,151

(c) Trade and other receivables

Current

Statutory receivables

Rates debtors	1,038	1,025
Net GST receivable	211	201

Non statutory receivables

Loans and advances to community organisations	70	99
Other debtors	707	732
Provision for doubtful debts - other debtors	(78)	(78)
Total current trade and other receivables	1,948	1,979

Non-current

Non statutory receivables

Loans and advances to community organisations	9	9
Total non-current trade and other receivables	9	9
Total trade and other receivables	1,957	1,988

Short term receivables are carried at invoice amount. 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 & other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	507	415
Past due by up to 30 days	183	229
Past due between 31 and 90 days	1	8
Past due between 91 and 365 days	27	105
Past due by more than 1 year	68	83
Total trade & other receivables	786	840

* Council has reviewed the ageing of receivables in the context of COVID-19 and assessed that no further impairments are required.

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

5.1 Financial assets (cont)

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$27,000 (2020: \$105,000) were impaired. The amount of the provision raised against these debtors was \$77,895 (2020: \$78,000). They individually have been impaired as a result of their doubtful collection.

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

	2021	2020
	\$'000	\$'000
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 90 days	-	-
Past due between 91 and 365 days	16	9
Past due by more than 1 year	62	69
Total trade & other receivables	78	78

5.2 Non-financial assets

(a) Inventories

Inventory held for distribution
Inventories held for sale

	138	56
	-	2
Total inventories	138	58

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

(b) Other assets

Prepayments
Accrued income
Clearing accounts
Total other assets

	50	39
	-	173
	(20)	-
Total other assets	30	212

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

	2021 \$'000	2020 \$'000
5.3 Payables		
(a) Trade and other payables		
Trade payables	2,289	1,813
Accrued wages and salaries	214	111
Accrued expenses	1,119	449
Total trade and other payables	3,622	2,373
(b) Trust funds and deposits		
Refundable deposits	6	6
Fire service levy	-	115
Retention amounts	-	2
Total trust funds and deposits	6	123
Deposits & Trusts		
(c) Unearned Income		
Grants received in advance - operating	600	220
Grants received in advance - capital	4,601	2,332
Total unearned income	5,201	2,552

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

Unearned Income

This represents grants received in advance for capital and operating projects to be recognised when the specific obligations for the grant agreement have been fulfilled; other income in advance comprised of fees and contributions with specific obligations to be recognised when they have been fulfilled.

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works and 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 an agreement to administer a community grant program on behalf of a local organisation that wishes to contribute to the community. These monies are not Council monies and will be drawn down as the grant program is awarded.

	2021 \$'000	2020 \$'000
5.4 Interest-bearing loans		
Current		
Borrowings - secured (1)	1,092	218
	1,092	218
Non-current		
Borrowings - secured (1)	1,097	2,189
	1,097	2,189
Total	2,189	2,407
(1) Borrowings are secured by the general rates of the Council		
a) The maturity profile for Council's borrowings is:		
Not later than one year	1,092	218
Later than one year and not later than five years	97	1,189
Later than five years	1,000	1,000
	2,189	2,407

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

5.4 Interest-bearing loans (cont)

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

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

5.5 Provisions

	Employee Provisions \$ '000	Landfill restoration \$ '000	Gravel pit restoration \$ '000	Total \$ '000
2021				
Balance at beginning of the financial year	3,068	62	57	3,187
Additional provisions	495	-	8	503
Provision reversed	-	(5)	-	(5)
Balance at the end of the financial year	3,563	58	65	3,685

2020				
Balance at beginning of the financial year	3,307	67	97	3,471
Additional provisions	(457)	-	-	(457)
Amounts used	(1,188)	-	-	(1,188)
Provision reversed	-	(5)	(40)	(45)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	1,406	-	-	1,406
Balance at the end of the financial year	3,068	62	57	3,187

	2021 \$'000	2020 \$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	977	850
Rostered days off	15	12
Long service leave	24	21
	1,016	883
Current provisions expected to be wholly settled after 12 months		
Annual leave	639	556
Long service leave	1,650	1,435
	2,289	1,991
Total current provisions	3,305	2,874
Non-current		
Long service leave	257	194
Total non-current provisions	257	194
Aggregate carrying amount of employee provisions:		
Current	3,305	2,874
Non-current	257	194
Total aggregate carrying amount of employee	3,563	3,068

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

5.5 Provisions (cont)

Annual leave

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

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

Long service leave

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

Key assumptions:

- inflation rate

2021	2020
3.00%	3.00%

Discount rates depend on the years of service and are based upon the rates released by the Department of Treasury and Finance.

(b) Land fill restoration

Non-current

2021 \$'000	2020 \$'000
58	62
58	62

Council is obligated to restore the St Arnaud landfill site to a particular standard. 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 the EPA self assessment tool and the 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.

c) Gravel pit restoration

Non-current

65	57
65	57

Council is obligated to restore the Kara Kara gravel pit site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of gravel use. The provision for gravel pit 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 the required revegetation required and the infill of the site 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.

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2021

Bank overdraft
Credit card facilities
Total facilities

200	200
250	250
450	450

Unused facilities
Unused facilities

450	450
450	450

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

5.7 Commitments

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

2021	Not later	Later than 1	Later than 2	Total
	than 1 year	year and not	years and not	
	\$'000	later than 2	later than 5	\$'000
		years	years	
		\$'000	\$'000	
Operating				
Waste management	1,561	-	-	1,561
Provision for Meals on Wheels	166	-	-	166
Cleaning services	431	328	335	1,094
Provision of transfer stations	71	73	37	181
Infrastructure & environment	132	132	-	264
Financial services	56	56	-	112
Software licence agreement	222	226	192	640
Total	2,639	815	564	4,018
Capital				
Roads	2,258	1,680	5,110	9,048
Recreation facilities	3,042	-	-	3,042
Total	5,300	1,680	5,110	12,090

2020	Not later	Later than 1	Later than 2	Total
	than 1 year	year and not	years and not	
	\$'000	later than 2	later than 5	\$'000
		years	years	
		\$'000	\$'000	
Operating				
Waste management	1,040	-	-	1,040
Provision for Meals on Wheels	162	166	-	328
Cleaning services	493	503	973	1,969
Provision of transfer stations	70	71	109	250
Infrastructure & environment	274	278	282	834
Financial services	56	56	56	168
Software licence agreement	218	222	418	858
Tourism	42	-	-	42
Architect services	168	-	-	168
Total	2,523	1,296	1,838	5,657
Capital				
Bridges	230	-	-	230
Roads	2,008	2,048	4,945	9,001
Recreation facilities	3,089	-	-	3,089
Total	5,327	2,048	4,945	12,320

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.

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
- 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.

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

	2021 \$'000	2020 \$'000
Right-of-Use Assets		
Balance at 1 July 2020	209	314
Amortisation charge	(114)	(105)
Balance at 30 June 2021	95	209
Lease Liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	87	116
One to five years	-	88
Total undiscounted lease liabilities as at 30 June:	87	204
Lease liabilities included in the Balance Sheet at 30 June:		
Lease Liability	87	114
Non current lease liability	-	87
Total lease liabilities	87	201
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.		
Expenses relating to:		
Short-term leases	122	122
Total	122	122

Note 6 Assets we manage

	2021	2020
	\$'000	\$'000
6.1 Non current assets classified as held for sale		
Cost of acquisition	-	66
Total non current assets classified as held for sale	-	66

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.

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

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2020	Acquisitions	Transfers	Found & Relinquished Assets	Revaluation	Depreciation	Disposal	At Fair Value 30 June 2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	11,650	-	-	-	-	-	-	11,650
Buildings	53,570	3,579	1,163	-	-	(1,767)	(102)	56,443
Plant and Equipment	6,118	283	-	-	-	(915)	(81)	5,405
Infrastructure	360,010	6,196	2,130	99	-	(11,068)	(3,045)	354,322
Work in progress	3,878	3,554	(3,293)	-	-	-	-	4,139
	435,226	13,612	-	99	-	(13,750)	(3,228)	431,959

Summary of Work in Progress

	Opening \$'000	Additions \$'000	Transfers \$'000	Write Offs \$'000	Closing WIP \$'000
Buildings	1,167	826	(1,163)	-	830
Infrastructure	2,711	2,728	(2,130)	-	3,309
Total	3,878	3,554	(3,293)	-	4,139

(a) Land and Buildings

	Land - specialised \$'000	Land - non specialised \$'000	Land improvements \$'000	Total Land \$'000	Buildings - specialised \$'000	Total Buildings \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2020	11,332	318	132	11,782	73,438	73,438	1,167	86,387
Accumulated depreciation at 1 July 2020	-	-	(132)	(132)	(19,868)	(19,868)	-	(20,000)
	11,332	318	-	11,650	53,570	53,570	1,167	66,387
Movements in fair value								
Acquisition of assets at fair value	-	-	-	-	3,579	3,579	826	4,405
Fair value of assets disposed	-	-	-	-	(171)	(171)	-	(1,334)
Transfers	-	-	-	-	1,163	1,163	(1,163)	-
	-	-	-	-	4,571	4,571	(337)	4,234
Movements in accumulated depreciation								
Depreciation	-	-	-	-	(1,767)	(1,767)	-	(1,767)
Accumulated depreciation of disposals	-	-	-	-	69	69	-	69
	-	-	-	-	(1,698)	(1,698)	-	(1,698)
At fair value 30 June 2021	11,332	318	132	11,782	78,009	78,009	830	90,621
Accumulated depreciation at 30 June 2021	-	-	(132)	(132)	(21,566)	(21,566)	-	(21,698)
	11,332	318	-	11,650	56,443	56,443	830	68,923

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

6.2 Property, infrastructure, plant and equipment (cont.)

(b) Plant and Equipment	Plant machinery and equipment	Fixtures fittings and furniture	Library Resources	Computers and telecoms	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2020	11,812	440	400	1,320	13,972
Accumulated depreciation at 1 July 2020	(6,257)	(362)	-	(1,235)	(7,854)
	5,555	78	400	85	6,118
Movements in fair value					
Acquisition of assets at fair value	257	-	-	26	283
Fair value of assets disposed	(258)	-	-	-	(258)
Transfers	-	15	(15)	-	-
	(1)	15	(15)	26	25
Movements in accumulated depreciation					
Depreciation	(796)	(25)	(39)	(55)	(915)
Accumulated depreciation of disposals	177	-	-	-	177
	(619)	(25)	(39)	(55)	(738)
At fair value 30 June 2021	11,811	455	385	1,346	13,997
Accumulated depreciation at 30 June 2021	(6,876)	(387)	(39)	(1,290)	(8,592)
	4,935	67	347	56	5,405

(c) Infrastructure	Roads	Bridges	Footpaths and cycleways	Drainage	Parks open spaces and streetscapes	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2020	303,354	94,015	19,449	22,040	6,852	209	2,711	448,630
Accumulated depreciation at 1 July 2020	(56,014)	(10,146)	(7,886)	(9,678)	(2,142)	(43)	-	(85,909)
	247,340	83,869	11,563	12,362	4,710	166	2,711	362,721
Movements in fair value								
Acquisition of assets at fair value	5,453	177	500	-	66	-	2,728	8,924
Found & relinquished assets at fair value	(7)	-	111	-	-	-	-	104
Fair value of assets disposed	(3,060)	(841)	(9)	-	-	-	-	(3,910)
Transfers	1,150	756	134	(109)	199	-	(2,130)	-
	3,536	92	736	(109)	265	-	598	5,118
Movements in accumulated depreciation								
Depreciation	(9,210)	(916)	(444)	(233)	(263)	(2)	-	(11,068)
Accumulated depreciation of disposals	759	103	4	-	-	-	-	866
Accumulated depreciation of found & relinquished	1	-	(6)	-	-	-	-	(5)
Transfers	-	-	-	35	(35)	-	-	-
	(8,451)	(813)	(446)	(198)	(298)	(2)	-	(10,203)
At fair value 30 June 2021	306,890	94,107	20,185	21,931	7,117	209	3,309	453,748
Accumulated depreciation at 30 June 2021	(64,465)	(10,959)	(8,332)	(9,876)	(2,440)	(45)	-	(96,117)
	242,425	83,148	11,853	12,055	4,677	164	3,309	357,631

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

6.2 Property, infrastructure, plant and equipment (cont)

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 amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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 been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Land under roads

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

Depreciation

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 formations 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.

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$'000
Property		
land		- All assets
land improvements	5 years	5
land under roads		- All assets
Buildings		
buildings	15-100 years	5
Plant and Equipment		
plant, machinery and equipment	1-20 years	2
fixtures, fittings and furniture	2-10 years	2
computers and telecommunications	3-10 years	2
Infrastructure		
road pavements and seals	5-80 years	5
road formation and earthworks	-	5
road kerb and channel	15-100 years	5
bridges superstructure	120 years	15
bridges substructure	120 years	15
bridges rails	40 years	15
major culverts	20-80 years	15
footpaths and cycleways	15-80 years	5
drainage	20-120 years	5
parks, open spaces and streetscapes	15-100	5
heritage assets	15-100 years	10

Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. 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.

6.2 Property, infrastructure, plant and equipment (cont.)

Valuation of land and buildings

Valuation of land was undertaken by qualified independent valuers Grant Kerambrun AAPI Certified Practising Valuer VRC Property Pty Ltd as at 30/06/2018. A revaluation and condition assessment of buildings was undertaken by Ashay Prabhu of Assetic Pty Ltd, MIE (Aust) CPEng, NPER: Membership 1102199 in the 2019/20 financial year. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

The date of the current valuation (DoV) is detailed in the table below together with details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 which are as follows:

	\$'000	\$'000	\$'000	
	Level 1	Level 2	Level 3	DoV
Non-specialised land	-	318	-	06/18
Specialised land	-	-	11,332	06/18
Land improvements	-	-	-	06/18
Buildings	-	-	56,443	06/19
Total	-	318	67,775	

Valuation of infrastructure

The valuation method used for Council Infrastructure assets depends on the asset class. Roads, bridges, footpaths and drainage are all valued using the Fair Value method. Parks & open spaces and other infrastructure are valued using the cost method. All assets are reviewed for fair value on an annual basis.

Valuation of road and footpath assets has been determined in accordance with an internal valuation undertaken by Mr Kande Balasingham B.Engineering (Civil) MIE Aust as at 31/03/2020. This valuation was reviewed at 30 June 2021 with no material changes to valuations.

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

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 2021 are as follows:

	\$'000	\$'000	\$'000	
	Level 1	Level 2	Level 3	DoV
Roads	-	-	242,426	03/20
Bridges	-	-	83,148	07/19
Footpaths and cycleways	-	-	11,854	03/20
Drainage	-	-	12,054	07/19
Parks (etc)	-	-	4,678	N/A
Other infrastructure	-	-	164	N/A
Total	-	-	354,324	

6.2 Property, infrastructure, plant and equipment (cont.)

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.05 and \$202.61 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated by individual building components and the remaining useful lives are determined on the basis of the current condition of each of the various components. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset. 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. Parks and other infrastructure are valued using the cost method.

	2021 \$'000	2020 \$'000
Reconciliation of specialised land		
Land under roads	2	2
Parks and reserves	5,023	5,023
Vacant land	716	716
Water management	242	242
Waste management	286	286
Gravel reserve	263	263
Aerodromes	269	269
Carpark	619	619
Recreation	511	511
Zoning restrictions	726	726
Council controlled	2,062	2,062
Other	613	613
Total specialised land	11,332	11,332

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

	2021 \$'000	2020 \$'000
6.3 Investment in associates		
Investments in associates		
Investments in associates accounted for by the equity method are:		
- Wimmera Development Association	416	197
	416	197
Change in equity share apportionment	-	(63)
Share of (deficit)/surplus for year	218	7
(a) Wimmera Regional Library Corporation		
Background		
Council's investment in the Wimmera Regional Library Corporation is based on the equity method of accounting		
Council's interest in equity	0.00%	27.20%
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	-	332
Change in equity share apportionment	-	(723)
Transfers (to)/from reserves	-	391
Council's share of accumulated surplus at end of year	-	-
Council's share of reserves		
Council's share of reserves at start of year	-	454
Change in equity share apportionment	-	(63)
Transfers (to)/from reserves	-	(391)
Council's share of reserves at end of year	-	-
Movement in carrying value of specific investment		
Carrying value of investment at start of year	-	787
Withdrawal from WRLC	-	(787)
Carrying value of investment at end of year	-	-

Council withdrew from the Wimmera Regional Library Corporation effective from 30 June 2020 in accordance with the terms of the agreement signed with the library corporation. This decision was made on 01 April 2019.

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

	2021 \$'000	2020 \$'000
6.3 Investment in associates (cont.)		
(b) Wimmera Development Association		
<i>Background</i>		
Council's investment in the Wimmera Development Association is based on the equity method of accounting.		
Fair value of Council's investment in Wimmera Development Association	416	197
Council's interest in equity	20.17%	20.17%
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	93	100
Reported surplus for year	218	7
Transfers (to)/from reserves	(0)	(14)
Council's share of accumulated surplus at end of year	312	93
Council's share of reserves		
Council's share of reserves at start of year	136	122
Change in equity share apportionment	-	-
Transfers (to)/from reserves	-	14
Council's share of reserves at end of year	136	136
Movement in carrying value of specific investment		
Carrying value of investment at start of year	197	190
Share of surplus for year	218	7
Carrying value of investment at end of year	415	197

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Northern Grampians Shire Council is the parent entity.

Associates

Interests in associates are detailed in note 6.3.

(b) Key Management Personnel

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

Councillors

Councillor Brian Emerson (Mayor)
Councillor Kevin Erwin
Councillor Anthony Driscoll
Councillor Rob Haswell
Councillor Lauren Dempsey (Oct 20 to Present)
Councillor Trevor Gready (Dec 20 to Present)
Councillor Eddy Ostarcevic (Mar 21 to Present)
Councillor Merrilee Reid (Resigned Oct 20)
Councillor Jason Hosemans (Resigned Oct 20)
Councillor Karen Hyslop (Resigned Nov 20)

Key Management

Chief Executive Officer - Liana Thompson (Nov 19 to present)
Director Corporate Services - Vaughan Williams
Director Infrastructure - Trenton Fithall
Director Communities - Naomi Goode

Total Number of Councillors

10

7

Chief Executive Officer and other Key Management Personnel

4

5

Total Key Management Personnel

14

12

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

Short-term benefits

1,039

948

Long-term benefits

23

21

Post-employment benefits

93

86

Total

1,155

1,055

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

\$0,000 - \$9,999

3

-

\$10,000 - \$19,999

3

-

\$20,000 - \$29,999

3

5

\$30,000 - \$39,999

-

1

\$50,000 - \$59,999

-

1

\$60,000 - \$69,999

1

-

\$110,000 - \$119,999

-

1

\$130,000 - \$139,999

-

1

\$210,000 - \$299,999

1

3

\$220,000 - \$229,999

2

-

\$270,000 - \$279,999

1

-

14

12

7.1 Council and key management (cont)

(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:	2021 No.	2020 No.
\$70,000 - \$79,999	-	-
\$100,000 - \$109,999	-	-
\$130,000 - \$139,999	-	1
\$150,000 - \$159,999	-	-
\$160,000 - \$169,999	5	-
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	1	-
\$190,000 - \$199,999	-	-
\$200,000 - \$209,999	-	-
	7	1
Total Remuneration for the reporting year for Senior Officers included above, amounted to	1,180	130

7.2 Related party disclosures

(a) Transactions with related parties

Nil

(b) Loans to/from related parties

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

Council provided a community loan to Exclusive Space Pty Ltd in November 2015 in line with its Community Loan Policy. As at 1 July 2020, total loan repayable to Council totalled \$1,145. This has now been repaid in full as per schedule. This is a related party entity of Councillor Robert Haswell.

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent liabilities

Council is not presently involved in any matters which are expected to result in a liability.

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

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

MAV WorkCare

In November 2017, the Victorian WorkCover Authority (the Authority) granted the Municipal Association of Victoria (MAV) a three-year self-insurance licence allowing it to provide workers' compensation insurance to Victorian councils. When the MAV WorkCare Scheme commenced, there were 31 inaugural members, including the MAV.

In accordance with the Authority's decision not to renew the MAV's self-insurance licence, the MAV WorkCare Scheme ceased operation on 30 June 2021. The MAV is continuing to support the orderly transition of claims management responsibilities to the Authority. Council was a participant of the MAV WorkCare Scheme.

The MAV WorkCare Scheme participation agreement stated that each participant would remain liable to make further contributions to the Scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability would continue whether or not the participant remained a participant in future insurance years.

The net financial impact on Council as a result of the cessation of the MAV WorkCare Scheme for the 2020-21 financial year is yet to be determined. Any obligation is dependent upon the Authority's initial actuarial assessment of the tail claims liabilities of the MAV WorkCare Scheme.

In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, there is a six year liability period following the cessation of the MAV WorkCare Scheme. During the liability period, adjustment payments may be required (or received) by Council. The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by the Authority.

(b) Contingent Assets

There are no known contingent assets as at balance date.

(c) Guarantees for loans to other entities

The Council has provided bank guarantees in favour of the Commonwealth Bank to secure debts or obligations. The liability is contingent upon the satisfactory completion of contracts involving the following

	2021 \$'000	2020 \$'000
Minister for Resources	-	50
Minister for Energy and Resources	93	110
Minister for Agriculture and Resources	6	6
Department of Sustainability and Environment	50	-
	148	166

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

8.2 Change in accounting standards

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

8.3 Financial Instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in notes to 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 our financial instruments will fluctuate because of changes in market prices. The Council's exposures 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. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us 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 rate.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. We manage interest rate risk by adopting an investment policy that ensures:

- diversification of investment product,
- monitoring of return on investment,
- 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 us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in our 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 we provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1.

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.

8.3 Financial Instruments (cont)

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements, or we will not have sufficient funds to settle a transaction when required, we 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 long term financial plan which forecasts the cash and cash equivalent requirements over a long term period to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have an investment policy 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 in the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1, 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.

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 1.5%.

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

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

In addition, Council undertakes an indexation revaluation on an annual basis of Building and Infrastructure assets where there has not been a revaluation in that year. The indexations are calculated using generally accepted industry methods and analysis of Council's most frequently used materials.

Council subsequently undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 5 to 10 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.

8.4 Fair value measurement (cont)

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 to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

During the 2020-21 financial year there were ongoing impacts as a result of COVID-19 in Victoria. This impact has continued in the period since 30 June 2021. The Victorian Government continues to implement measures to contain the spread of the virus, including travel restrictions, quarantines, curfews, social distancing, and closures of non-essential services. This has triggered significant disruptions to businesses throughout regional and rural Victoria, resulting in ongoing economic slowdown. Several of Council services have now been or continue to be impacted including Council's indoor/outdoor sporting facilities. Essential services continue to be provided.

The COVID-19 impact has resulted in a loss of income, in the order of \$0.5 million for the 2020-21 year, mainly as a result of the closure or restricted usage of the leisure centre as well as the waiver of user fee income pursuant to the implementation of the Financial Support and Hardship Policy. Council has determined that these events are non-adjusting subsequent events. The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of the consequences, as well as their impact on the financial position and results of Northern Grampians Shire Council for future periods.

Council is not aware of any other after reporting date events.

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

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period	Share of increment/ (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
2021			
Property			
Land	6,619	-	6,619
Buildings	52,966	-	52,966
	<u>59,585</u>	<u>-</u>	<u>59,585</u>
Infrastructure			
Roads	181,735	-	181,735
Bridges	65,715	-	65,715
Footpaths and cycleways	6,863	-	6,863
Drainage	570	-	570
	<u>254,883</u>	<u>-</u>	<u>254,883</u>
	<u>314,468</u>	<u>-</u>	<u>314,468</u>
Other			
Investment in associates	19	-	19
	<u>19</u>	<u>-</u>	<u>19</u>
Total asset revaluation reserves	<u>314,487</u>	<u>-</u>	<u>314,487</u>
2020			
Property			
Land	6,619	-	6,619
Buildings	52,966	-	52,966
	<u>59,585</u>	<u>-</u>	<u>59,585</u>
Infrastructure			
Roads	169,919	11,816	181,735
Bridges	65,715	-	65,715
Footpaths and cycleways	6,306	557	6,863
Drainage	570	-	570
	<u>242,510</u>	<u>12,373</u>	<u>254,883</u>
	<u>302,095</u>	<u>12,373</u>	<u>314,468</u>
Other			
Investment in associates	19	-	19
	<u>19</u>	<u>-</u>	<u>19</u>
Total asset revaluation reserves	<u>302,114</u>	<u>12,373</u>	<u>314,487</u>

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

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

Note 9 Other matters (cont.)

	Balance at beginning of reporting period	Transfer to / (from) accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000
(b) Other reserves			
2021			
Economic development	247	81	328
Gravel pits restoration	57	(57)	-
Community loans	40	2	42
Waste management	3,189	716	3,905
General		250	250
Long service leave	289	(289)	-
Defined benefits	300	-	300
Loan repayments	1,500	125	1,625
Total other reserves	5,622	828	6,450
2020			
Economic development	247	-	247
Gravel pits restoration	97	(40)	57
Community loans	(2)	42	40
Waste management	2,320	869	3,189
Long service leave	304	(15)	289
Defined benefits	300	-	300
Loan repayments	1,225	275	1,500
Total other reserves	4,491	1,131	5,622

Economic Development Reserve - Funds held for use in enhancing the economic development of our towns.

Gravel Pits Restoration - Provision of the established rehabilitation of gravel pits. No further provision will be added to this in the future.

Community Loans Reserve - Funds held for the restoration of shop front verandahs and other community benefits.

Waste Management - Funds held for the restoration of waste sites and bin replacement.

General - Funds generated from operational savings to be reinvested in future efficiency gains and service reviews.

Long Service Leave Reserve - Funds held for employee long service leave.

Defined Benefits Reserve - Funds held for future calls on defined benefits superannuation.

Loan Repayments Reserve - Funds are being held for the future repayment of interest only loans.

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

	2021 \$'000	2020 \$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	(4,283)	1,477
Depreciation	13,750	12,066
Amortisation - Right of Use Assets	114	105
Net loss on disposal of property, infrastructure, plant and equipment	3,124	1,553
Assets recognised for the first time	(99)	-
Reversal of Provision	5	(45)
Share of (profit)/loss of associates	(218)	(7)
Finance costs (included in financing activities)	93	111
Finance Costs - Leases (included in financing activities)	-	3
Withdrawal from Investment in Associates	-	323
Other - WIP movements	-	24
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1	70
(Increase)/decrease in other assets	162	418
Increase/(decrease) in trade and other payables	3,915	1,715
(Decrease)/increase in other liabilities	(117)	15
(Increase) in inventories	(80)	(17)
Increase/(Decrease) in provisions	494	(239)
Net cash provided by operating activities	16,861	17,572

9.3 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, 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 2021, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

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

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

Funding Arrangements

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

A triennial actuarial review for the Defined Benefit category as at June 2020 was conducted and completed by the due date of 31 December 2020.

The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

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

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

Vision Super has advised that the estimated VBI at 30 June 2021 was 109.7%. The financial assumptions used to calculate this VBI were:

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

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

9.3 Superannuation (cont)

Employer Contributions

Regular Contributions

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries (9.5% in 2019/20). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding Calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including 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

The 2020 triennial actuarial investigation surplus amounts

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2020. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2020. The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2020. Council was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

2021 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefits category. It is anticipated that this actuarial investigation will be completed by October 2021. Council was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020).

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

Superannuation contributions

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

Scheme	Type of scheme	Rate	2021 \$000	2020 \$000
Vision Super	Defined benefits	9.5%	63	60
Vision Super	Accumulation	9.5%	792	685
Other Funds	Accumulation	9.5%	571	433

There were no contributions outstanding as at 30 June 2021.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 is \$70,000.

REPORT OF OPERATIONS

Service Performance Indicators	Results 2018	Results 2019	Results 2020	Results 2021	Comments
Aquatic Facilities					
Service standard					
<i>Health inspections of aquatic facilities</i> [Number of authorised officer inspections of Council aquatic facilities / Number of Council aquatic facilities]	1.00	0.50	0.50	0.50	Consistent result to prior year.
Utilisation					
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	3.90	4.07	4.43	2.32	Visitation was significantly reduced due to COVID - both industry closure as well as restrictions on the number of attendees.
Service cost					
<i>Cost of aquatic facilities</i> [Direct cost of aquatic facilities less income received / Number of visits to aquatic facilities]	New in 2020	New in 2020	\$6.52	\$12.62	Cost increase due significant reduction in attendance as a result of COVID enforced closure. <i>Note</i> : From 2020, this measure replaced two previous measures: 'Cost of indoor aquatic facilities' and 'Cost of outdoor aquatic facilities', see retired measures.
Animal Management					
Timeliness					
<i>Time taken to action animal management requests</i> [Number of days between receipt and first response action for all animal management requests / Number of animal management requests]	3.17	10.72	4.52	3.64	Lower cost due to process changes and improvements.
Service standard					
<i>Animals reclaimed</i> [Number of animals reclaimed / Number of animals collected] x100	23.96%	23.03%	45.75%	51.49%	Higher percentage reclaimed due to lifestyle changes during COVID-19.
<i>Animals rehomed</i> [Number of animals rehomed / Number of animals collected] x100	New in 2020	New in 2020	25.51%	29.10%	Increase in the rate of adoption due to isolation and impact of COVID-19. <i>Note</i> : New measure for 2019-20 financial year.
Service cost					
<i>Cost of animal management service per population</i> [Direct cost of the animal management service / Population]	New in 2020	New in 2020	\$19.48	\$14.33	Lower costs due to lower number of animal registrations with a corresponding decrease in salaried staff hours. <i>Note</i> : This measure is replacing previous 'Cost of animal management service' which was based on cost per number of registered animals, see retired measures.
Health and safety					
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	New in 2020	New in 2020	0.00%	0.00%	<i>Note</i> : This measure is replacing previous 'Animal management prosecutions' which was a measure of number, not proportion, see retired measures.

REPORT OF OPERATIONS

Service Performance Indicators Service / indicator / measure	Results 2018	Results 2019	Results 2020	Results 2021	Comments
Food Safety					
Timeliness					
<i>Time taken to action food complaints</i>	1.00	1.50	0.40	2.00	Complaints actioned between 1 and 2 days with the exception of one complaint that related to a neighbouring municipality actioned within 3 days.
[Number of days between receipt and first response action for all food complaints / Number of food complaints]					
Service standard					
<i>Food safety assessments</i>	94.89%	93.75%	92.03%	105.52%	Greater than 100% result is due to inspection schedule that occurs over a calendar year compared to the number of premises that is recorded within a financial year.
[Number of registered class 1 food premises and class 2 food premises that receive an annual food safety assessment in accordance with the Food Act 1984 / Number of registered class 1 food premises and class 2 food premises that require an annual food safety assessment in accordance with the Food Act 1984] x100					
Service cost					
<i>Cost of food safety service</i>	\$277.99	\$222.28	\$235.25	\$183.80	Increase to the number of food premises has resulted in a decrease to the unit cost to administer.
[Direct cost of the food safety service / Number of food premises registered or notified in accordance with the Food Act 1984]					
Health and safety					
<i>Critical and major non-compliance outcome notifications</i>	100.00%	114.29%	100.00%	83.33%	One premises non-compliant and one premises not operating due to owner stranded overseas due to COVID.
[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					
Transparency					
<i>Council decisions made at meetings closed to the public</i>	15.65%	24.77%	26.92%	24.78%	Result marginally lower with increase in both number of confidential meetings plus increase in total number of meetings.
[Number of Council resolutions made at ordinary or special meetings of Council, or at meetings of a special committee consisting only of Councillors, closed to the public / Number of Council resolutions made at ordinary or special meetings of Council or at meetings of a special committee consisting only of Councillors] x100					
Consultation and engagement					
<i>Satisfaction with community consultation and engagement</i>	48.00	53.00	50.00	50.00	Consistent result to prior year.
Community satisfaction rating out of 100 with how Council has performed on community consultation and engagement					
Attendance					
<i>Councillor attendance at council meetings</i>	94.64%	86.55%	90.82%	94.38%	Improved result compared to prior years.
[The sum of the number of Councillors who attended each ordinary and special Council meeting / (Number of ordinary and special Council meetings) x (Number of Councillors elected at the last Council general election)] x100					
Service cost					
<i>Cost of elected representation</i>	\$33,478.29	\$34,624.57	\$34,729.00	\$37,159.86	Marginal increase due to equipment and training costs following Council election.
[Direct cost of the governance service / Number of Councillors elected at the last Council general election]					
Satisfaction					
<i>Satisfaction with council decisions</i>	47.00	51.00	50.00	50.00	Consistent result to prior year.
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					

REPORT OF OPERATIONS					
Service Performance Indicators	Results 2018	Results 2019	Results 2020	Results 2021	Comments
Libraries					
Utilisation					
<i>Physical library collection usage</i> [Number of physical library collection item loans / Number of physical library collection items]	2.15	1.90	1.44	1.61	Increase in library loans following staff providing engagement and programs with the community. <i>Note: From 2019-20, this indicator measures the performance of physical library items as a subset of the wider library collection.</i>
Resource standard					
<i>Recently purchased library collection</i> [Number of library collection items purchased in the last 5 years / Number of library collection items] x100	43.32%	41.17%	42.36%	52.59%	Increased usage due to additions to book stock and support from the Central Highlands Library Cooperation.
Participation					
<i>Active library borrowers in municipality</i> [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	15.22%	13.98%	12.92%	10.63%	Reduction due to COVID enforced closure of library branches.
Service cost					
<i>Cost of library service per population</i> [Direct cost of the library service / Population]	New in 2020	New in 2020	\$37.89	\$30.91	Lower unit cost mainly as a result of COVID due to closure of the libraries and reduced staff costs with some operational savings. <i>Note: This measure is replacing the previous 'Cost of library service' indicator which measured based on number of visits, see retired measures.</i>
Maternal and Child Health (MCH)					
Service standard					
<i>Infant enrolments in the MCH service</i> [Number of infants enrolled in the MCH service (from birth notifications received) / Number of birth notifications received] x100	100.98%	101.92%	100.00%	106.03%	Improved result compared to prior year.
Service cost					
<i>Cost of the MCH service</i> [Cost of the MCH service / Hours worked by MCH nurses]	\$65.95	\$72.05	\$72.83	\$71.60	Consistent result to prior year.
Participation					
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	90.73%	85.92%	84.02%	87.28%	High rate of participation is consistent with prior years.
Participation					
<i>Participation in the MCH service by Aboriginal children</i> [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	83.33%	93.33%	89.47%	89.19%	High rate of participation is consistent with prior years.
Satisfaction					
<i>Participation in 4-week Key Age and Stage visit</i> [Number of 4-week key age and stage visits / Number of birth notifications received] x100	New in 2020	New in 2020	95.45%	106.03%	Improved result that is comparable to other municipalities.
Roads					
Satisfaction of use					
<i>Sealed local road requests</i> [Number of sealed local road requests / Kilometres of sealed local roads] x100	7.84	5.59	5.34	11.93	Increase in the number of requests to seal local roads. Result is a reflection of insufficient funding available to small rural Councils for the maintenance of local roads.
Condition					
<i>Sealed local roads maintained to condition standards</i> [Number of kilometres of sealed local roads below the renewal intervention level set by Council / Kilometres of sealed local roads] x100	77.69%	90.31%	90.31%	90.20%	Consistent result to prior years but below the preferred result of benchmark Councils.
Service cost					
<i>Cost of sealed local road reconstruction</i> [Direct cost of sealed local road reconstruction / Square metres of sealed local roads reconstructed]	\$0.00	\$95.97	\$22.41	\$30.29	Result is an increase on prior year however is generally a favourable unit cost when compared to similar Councils.
Service Cost					
<i>Cost of sealed local road resealing</i> [Direct cost of sealed local road resealing / Square metres of sealed local roads resealed]	\$4.54	\$5.81	\$5.68	\$4.94	Marginal improvement in the unit cost due to an increase in the number of square metres of local sealed roads.
Satisfaction					
<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	48.00	53.00	50.00	54.00	Marginal improvement to the satisfaction rating notwithstanding the funding restrictions for the renewal and maintenance to infrastructure assets.
Statutory Planning					
Timeliness					
<i>Time taken to decide planning applications</i> [The median number of days between receipt of a planning application and a decision on the application]	77.00	79.00	66.00	89.00	Unfavourable result due to an increase in planning applications that was compounded by loss of key staff during the year.
Service standard					
<i>Planning applications decided within required time frames</i>	54.44%	66.32%	73.00%	62.04%	Increase in applications which required more staff resources that resulted in a reduction in applications completed within the 60 day timeframe.

REPORT OF OPERATIONS

Service Performance Indicators	Results 2018	Results 2019	Results 2020	Results 2021	Comments
Service / indicator / measure [(Number of regular planning application decisions made within 60 days) + (Number of VicSmart planning application decisions made within 10 days) / Number of planning application decisions made] x100 Service cost <i>Cost of statutory planning service</i> [Direct cost of the statutory planning service / Number of planning applications received]	\$4,296.11	\$6,503.68	\$4,543.24	\$3,606.51	Reduction to unit cost due to increased number of applications with slight expense reduction due to availability of staff resources.
Decision making <i>Council planning decisions upheld at VCAT</i> [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	0.00%	0.00%	0.00%	0.00%	There were no matters referred to VCAT.

REPORT OF OPERATIONS

Service Performance Indicators	Results 2018	Results 2019	Results 2020	Results 2021	Comments
Waste Collection					
Satisfaction					
<i>Kerbside bin collection requests</i>	36.90	76.51	65.17	111.37	Increase of 70% on last year's results possibly due to COVID pandemic such as overuse of bins. A greater increase of additional bin requests may be due to residents spending more time at home.
[Number of kerbside garbage and recycling bin collection requests / Number of kerbside bin collection households] x1000					
Service standard					
<i>Kerbside collection bins missed</i>	4.14	6.27	4.34	8.51	Increase in missed bins in the months of February and March compared to the monthly average.
[Number of kerbside garbage and recycling collection bins missed / Number of scheduled kerbside garbage and recycling collection bin lifts] x10,000					
Service cost					
<i>Cost of kerbside garbage bin collection service</i>	\$142.57	\$144.61	\$138.75	\$140.37	Consistent with prior years.
[Direct cost of the kerbside garbage bin collection service / Number of kerbside garbage collection bins]					
<i>Cost of kerbside recyclables collection service</i>	\$39.69	\$34.82	\$40.85	\$55.94	Increase due to the impact of recycling gate fees.
[Direct cost of the kerbside recyclables bin collection service / Number of kerbside recyclables collection bins]					
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i>	33.64%	33.60%	31.69%	32.02%	Diversion rate is consistent with the last two financial years.
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

PERFORMANCE STATEMENT

Sustainable Capacity Indicators

Indicator / measure (Formula)	Results	Results	Results	Results	Comments
	2018	2019	2020	2021	
Population					
Expenses per head of municipal population [Total expenses / Municipal population]	\$3,465.39	\$3,310.86	\$3,380.37	\$3,969.92	2021 increase mainly due to the write off of projects previously identified as capital works.
Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$35,120.28	\$39,633.71	\$37,149.27	\$36,859.60	Minimal change as no 2021 revaluation impact.
Population density per length of road [Municipal population / Kilometres of local roads]	3.36	3.39	3.37	3.37	No change.
Own-source revenue					
Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,803.53	\$1,769.35	\$1,779.25	\$1,867.67	Higher own source revenue due to increased cash required to fund the carry forward capital works program from 20/21 year to 21/22 year.
Recurrent grants					
Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$980.69	\$914.54	\$1,013.16	\$1,056.21	Consistent to prior year.
Disadvantage					
Relative Socio-Economic Disadvantage [Index of Relative Socio-Economic Disadvantage by decile]	1.00	1.00	1.00	1.00	No change.
Workforce turnover					
Percentage of staff turnover [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	20.1%	22.9%	15.0%	33.0%	Significant increase reflective of movement in LG sector.

PERFORMANCE STATEMENT

Service Performance Indicators

Service/indicator /measure	Results 2018	Results 2019	Results 2020	Results 2021	Comments
Aquatic Facilities Utilisation Utilisation of aquatic facilities [Number of visits to aquatic facilities / Municipal population]	3.90	4.07	4.43	2.32	Visitation was significantly reduced due to COVID - both industry closure as well as restrictions on the number of attendees.
Animal Management Health and safety Animal management prosecutions [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	New in 2020	New in 2020	0%	0%	
Food Safety Health and safety Critical and major non-compliance outcome notifications [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	100.00%	114.29%	100.00%	83.33%	One premises non-compliant and one premises not operating due to owner stranded overseas due to COVID.
Governance Satisfaction Satisfaction with council decisions [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	47	51	50	50	Consistent result to prior year.
Libraries Participation 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	15.22%	13.98%	12.92%	10.63%	Reduction due to COVID enforced closure of library branches.
Maternal and Child Health (MCH) 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	90.73%	85.92%	84.02%	87.28%	High rate of participation is consistent with prior years.
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	83.33%	93.33%	89.47%	89.19%	High rate of participation is consistent with prior years.
Roads Satisfaction Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	48	53	50	54	Marginal improvement to the satisfaction rating notwithstanding the funding restrictions for the renewal and maintenance to infrastructure assets.
Statutory Planning Decision making Council planning decisions upheld at VCAT [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	0.00%	0.00%	0.00%	0.00%	There were no matters referred to VCAT.
Waste Collection Waste diversion Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	33.64%	33.60%	31.69%	32.02%	Diversion rate is consistent with the last two financial years.

PERFORMANCE STATEMENT

Financial Performance Indicators									
Dimension/Indicator/Measure	Results 2018	Results 2019	Results 2020	Results 2021	Forecasts				Material Variations and Comments
					2022	2023	2024	2025	
Efficiency									
Expenditure level									
Expenses per property assessment [Total expenses / Number of property assessments]	\$4,280.73	\$4,047.31	\$4,125.78	\$4,799.13	\$4,396.19	\$4,435.53	\$4,397.84	\$4,419.22	2021 higher result due to asset write off that is not forecasted for future years.
Revenue level									
Average rate per property assessment [Total rate revenue (general rates and municipal charges) / Number of property assessments]	New in 2020	New in 2020	\$1,607.79	\$1,637.26	\$1,630.17	\$1,630.27	\$1,630.27	\$1,630.27	Marginal increased from 2021 due to rates in lieu from wind farms.
Liquidity									
Working capital									
Current assets compared to current liabilities [Current assets / Current liabilities] x100	362.15%	367.97%	396.07%	254.47%	192.22%	168.55%	159.72%	135.55%	Gradual reduction in this ratio due to the expected deployment of available cash to the capital works program.
Unrestricted cash									
Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100	268.04%	190.98%	235.06%	131.74%	158.54%	134.77%	126.17%	106.23%	Gradual reduction in this ratio due to the expected deployment of available cash to the capital works program.
Obligations									
Loans and borrowings									
Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	17.51%	15.02%	13.48%	11.99%	5.83%	5.21%	5.11%	7.26%	Reduction due to the repayment of outstanding loans.
Loans and borrowings repayments compared to rates [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	2.66%	2.56%	1.80%	1.70%	6.20%	0.73%	0.20%	0.20%	Higher percentage in some months due to the repayment of interest only loans.
Indebtedness									
Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100	15.10%	13.85%	16.71%	9.75%	9.65%	9.41%	9.22%	6.69%	Reduction due to the repayment of outstanding loans.
Asset renewal and upgrade									
Asset renewal and upgrade compared to depreciation [Asset renewal and asset upgrade expense / Asset depreciation] x100	New in 2020	New in 2020	75.08%	53.82%	99.75%	76.84%	44.35%	120.16%	Reduction in some further years reflects sustainability issue of small rural Councils with limited capacity to fund ageing infrastructure.
Operating position									
Adjusted underlying result									
Adjusted underlying surplus (or deficit) [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	-20.59%	-19.60%	-16.16%	-26.39%	-22.98%	-23.74%	-22.72%	-23.34%	Consistent negative result reinforces sustainability issue of small rural Councils to fully fund increasing depreciation charge for infrastructure assets.
Stability									
Rates concentration									
Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	50.83%	55.13%	53.82%	51.11%	54.83%	54.68%	54.70%	54.71%	Consistent reliance on rate revenue to fund Council services.
Rates effort									
Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.80%	0.66%	0.64%	0.51%	0.52%	0.52%	0.52%	0.52%	Consistent result due to impact of rate capping.

7.2 Final Audit Management Letter and the Closing Report for 30 June 2021

Mr Phil Delahunty to lead a discussion regarding the Final Audit Management Letter and the Closing Report for the financial year ended 30 June 2021.

Outcome

Mr Phil Delahunty, RSD Auditors, attended the meeting to discuss the findings from the draft Final Audit Management Letter and the draft Closing Report for the 2020-21 financial year.

The Final Audit Management Letter and Closing Report is to be circulated to members when completed.

7.3 VAGO Sector Update

Mr Malcolm Lewis to present the VAGO Sector Update – July 2021.

Outcome

Mr Malcolm Lewis provided an information on changes and updates from VAGO.

Attachments

Nil

8 Internal Audits

Nil

9 Compliance

9.1 Financial Plan Update

Mr Malcolm Lewis to provide and update on the Financial Plan engagement program.

Outcome

Mr Malcolm Lewis provided an update on the Financial Plan engagement program and highlighted key changes. Then Plan is to be circulated for review.

Resolution

That the presentation on the Financial Plan be received and noted.

Moved: Ms Lynn Jenz

Seconded: Cr Kevin Erwin

Carried

10 Next Meeting

The next meeting is scheduled to be held in week one of December 2021.

11 Close

The meeting closed at 11.00am.

Liana Thompson
Chief Executive Officer