

# **Yarra Ranges Shire Council**

## **Annual Financial Report**

**2019-20**

# Financial Report

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# Guide to our Financial Report

## Introduction

The Financial Statements are prepared in accordance with the requirements of the Local Government Act 1989, the Local Government (Planning and Reporting) Regulations 2014, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. In addition, the Department of Environment, Land, Water and Planning's model accounts are used to assist with standardised financial reporting for local government organisations in Victoria.

Yarra Ranges Shire Council is committed to accountability and transparency. This guide has been prepared to assist readers understand and analyse the Financial Report.

## What is included in the Financial Report?

Council's Financial Report contains two sets of statements:

- Financial Statements and accompanying explanatory notes (page 7) and
- Performance Statement (page 58)

Each of these statements are prepared by Council officers, reviewed by Council's Audit and Risk Management Committee who make a recommendation to Council for certification, and audited by the Victorian Auditor-General.

## Financial Statements

The Financial Statements report on how Council performed financially during the 2019-20 year and the overall financial position at the end of the financial year (30 June 2020).

The Financial Statements include:

- Comprehensive Income Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Statement of Cash Flows;
- Statement of Capital Works;
- Notes to the Financial Statements.

## Comprehensive Income Statement

The Comprehensive Income Statement itemises income earned and expenditure incurred in delivering Council's services during the year as well as other comprehensive income (including revaluation of assets and impairment losses on assets) to give the total comprehensive result for the year.

The operating expenses do not include capital purchases for the renewal or upgrade of Council assets. However, the operating result includes depreciation and amortisation which is a provision for the value of assets 'used up' during the year.

The statement is prepared on an accruals basis and includes both cash and non-cash items. All income and expenses for the year are reflected in the statement even though some revenue may not yet be received (such as interest on investments) and some expenses may not yet be paid (such as supplier invoices not yet paid for goods and services already received).

The key figure to assess Council's financial performance for the year is the operating surplus or deficit which is calculated by deducting the total expenditure for the year from the total income. It is important to note however, that the surplus result is not a "cash" surplus due to the recognition of non-cash items as explained above.

While Council is a not-for-profit organisation, it should on average generate a surplus in order to ensure future financial sustainability so as to provide ongoing services and infrastructure to its ratepayers.

## Balance Sheet

The Balance Sheet is a snapshot of Council's financial position as at 30 June. It outlines what Council controls as assets (such as cash and investments), what it owes as liabilities (such as amounts owed to creditors) and the equity or net worth at the end of the year.

The assets and liabilities are separated into current and non-current sections. Current generally means those assets which will be received, or liabilities which will be paid, within the next 12 months. Non-current are all those assets and liabilities which are held for a longer term.

The net current assets or working capital is an important measure of Council's ability to meet its debts as and when they fall due.

The equity section of the Balance Sheet shows the reserves of the Council and the total of all the profits that have accumulated over the years. The total of the equity section represents the net financial worth of the Council.

## Statement of Changes in Equity

The Statement of Changes in Equity summarises the change in Council's net financial worth during the financial year. Council's net worth can change as a result of a surplus or deficit as recorded in the Comprehensive Income Statement or a change in the net value of non-current assets resulting from a revaluation or an impairment of those assets.

## Statement of Cash Flows

The Statement of Cash Flows shows all cash amounts received and all cash payments made during the year as well as the change in Council's bank balance during the year and the bank balance at the end of the year.

The cash flows are separated into three different types of activities:

- operating activities are those cash receipts and payments arising from delivering the various services of Council. The net cash provided by operating activities is an important result in the statement, as it shows the ability of the Council to generate a cash surplus which can then be used to fund the purchase, construction or renewal of long term assets such as property and infrastructure and also repay borrowings. This on average should be a positive amount.
- investing activities are those cash receipts and payments arising from the purchase, renewal, upgrade, expansion and sale of Council's non-current assets.
- financing activities are those cash receipts and payments arising from the raising and repayment of borrowings.

## Statement of Capital Works

The Statement of Capital Works details all amounts expended by Council on capital works. The statement does not include any maintenance costs or other non capital items and the value of assets contributed to Council.

The asset classes on the statement are classified based on the guide: *Local Government: Accounting for non-current physical assets under AASB 116*.

The statement also categorises the amount of capital works expenditure Council spends to renew, upgrade, expand or create new assets. This classification is important as each of these categories has a different impact on Council's future costs:

- **Renewal:** Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It periodically requires expenditure, relatively large (i.e. material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.
- **Upgrade:** Expenditure which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in Council's asset base.
- **Expansion:** Expenditure which extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases Council's asset base, but may be associated with additional revenue from the new user group.
- **New assets expenditure:** Expenditure which creates a new asset that provides a new service that did not previously exist. New asset expenditure does not have any element of renewal, expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for Council and will result in an additional burden for future operation, maintenance and capital renewal.

## Notes to the Financial Report

The notes to the Financial Report give greater detail to support the figures used in the five main statements and should be read in conjunction with the statements to get a clearer picture of Council's finances. The notes give the details behind the summary line items contained in the statements, showing what makes up each of the accumulated amounts. The disclosures relevant to the notes and explanations have been included under each note to provide greater context to the reader.

The notes also provide information on the rules and assumptions used to prepare the financial statements, advise the reader about any changes to the Australian Accounting Standards, policy, or legislation, which may affect the way the statements are prepared and disclose other information which cannot be incorporated into the statements and provide analysis if there has been a significant change from the previous year's comparative figures.

## Performance Statement

The Performance Statement contains information about the performance of the Council for the financial year in relation to key strategic activities in the Council Plan and is a key section of the annual report whereby Council makes itself accountable to the community.

The Victorian Government has introduced a mandatory system of performance reporting for Councils which prescribes performance information to be included in Council's annual reports. This information is a mix of service and financial indicators.

## Certification of Statements

The Certification of the financial statements is made by the person responsible for the financial management of Council, and is made separately in respect of each statement. The person must state whether in their opinion, the statements have met all the statutory and professional reporting requirements.

Two Councillors and the Chief Executive Officer also make a certification separately in respect of each statement. The Councillors and the Chief Executive Officer must state that in their opinion, the statements are fair and not misleading or inaccurate.

## Independent Audit Reports

The Independent Audit Reports are the external and independent opinion of the Victorian Auditor-General and provide the reader with a totally independent view about Council's compliance with the statutory and professional requirements, as well as the fairness aspects of the statements. The Victorian Auditor-General issues two Audit Reports – a report on the Financial Statements and a separate report on the Performance Statement. Each of the Audit Reports are addressed to the Councillors of Yarra Ranges Shire Council.

# Yarra Ranges Shire Council

## Financial Statements

for the year ended 30 June 2020

### 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.

*Vishantri Perera*

25 August 2020 | 8:37 PM AEST

**Vishantri Perera**

Principal Accounting Officer

BSc (Bus Admin), CPA

25 August 2020

Lilydale

In our opinion the accompanying financial statements present fairly the financial transactions of Yarra Ranges Shire Council for the year ended 30 June 2020 and the financial position of 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 Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

*Richard Higgins*

26 August 2020 | 12:13 PM AEST

**Richard Higgins**

Mayor

25 August 2020

Lilydale

*Al Stevenson*

26 August 2020 | 9:52 AM AEST

**Tony Stevenson**

Councillor

25 August 2020

Lilydale

*Tammi Rose*

24 August 2020 | 2:59 PM AEST

**Tammi Rose**

Chief Executive Officer

25 August 2020

Lilydale

Independent  
Auditor's  
report

# Independent Auditor's report



## Yarra Ranges Shire Council

## Comprehensive Income Statement

for the year ended 30 June 2020

		2020	2019
	Note	\$'000	\$'000
<b>Income</b>			
Rates and charges	3.1	145,930	141,137
Statutory fees and fines	3.2	2,618	3,147
User fees	3.3	6,685	6,728
Grants – operating	3.4	30,624	29,369
Grants – capital	3.4	13,193	14,487
Contributions – monetary	3.5	2,801	3,087
Contributions – non-monetary	3.5	1,297	1,158
Other income	3.6	2,154	3,261
Share of net surplus of associates accounted for by the equity method	6.3	240	193
<b>Total income</b>		<b>205,542</b>	<b>202,567</b>
<b>Expenses</b>			
Employee costs	4.1	(63,173)	(58,683)
Materials and services	4.2	(82,196)	(78,599)
Depreciation	4.3	(29,650)	(27,119)
Amortisation - intangible assets	4.4	(452)	(548)
Amortisation - right of use assets	4.5	(503)	-
Bad and doubtful debts	4.6	(116)	(440)
Borrowing costs	4.7	(773)	(937)
Finance costs - leases	4.8	(108)	-
Other expenses	4.9	(7,600)	(8,368)
Net loss on disposal of property, plant and equipment and infrastructure	4.10	(7,846)	(2,792)
<b>Total expenses</b>		<b>(192,417)</b>	<b>(177,486)</b>
<b>Surplus for the year</b>		<b>13,125</b>	<b>25,081</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit:</b>			
Net asset revaluation increment	6.2	2,144	12,020
<b>Total comprehensive result</b>		<b>15,269</b>	<b>37,101</b>

The above Comprehensive Income Statement should be read with the accompanying notes.

# Yarra Ranges Shire Council

## Balance Sheet

as at 30 June 2020

		2020	2019
	Note	\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	50,660	67,876
Trade and other receivables	5.1	30,562	29,381
Non-current assets classified as held for sale	6.1	-	14
Other assets	5.2	6,250	2,659
<b>Total current assets</b>		<b>87,472</b>	<b>99,930</b>
<b>Non-current assets</b>			
Trade and other receivables	5.1	1,476	1,956
Investments in associates, joint arrangements and subsidiaries	6.3	5,139	4,899
Property, infrastructure and plant and equipment	6.2	1,085,197	1,062,460
Right-of-use assets	5.8	1,594	-
Intangible assets	5.2	306	703
<b>Total non-current assets</b>		<b>1,093,712</b>	<b>1,070,018</b>
<b>Total assets</b>		<b>1,181,184</b>	<b>1,169,948</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	13,227	17,035
Trust funds and deposits	5.3	2,736	2,165
Unearned income	5.3	14,918	-
Provisions	5.5	17,432	16,465
Interest-bearing loans and borrowings	5.4	3,653	3,475
Lease Liabilities	5.8	470	-
<b>Total current liabilities</b>		<b>52,436</b>	<b>39,140</b>
<b>Non-current liabilities</b>			
Provisions	5.5	4,676	4,515
Interest-bearing loans and borrowings	5.4	10,133	13,787
Lease Liabilities	5.8	1,177	-
<b>Total non-current liabilities</b>		<b>15,986</b>	<b>18,302</b>
<b>Total liabilities</b>		<b>68,422</b>	<b>57,442</b>
<b>Net assets</b>		<b>1,112,762</b>	<b>1,112,506</b>
<b>EQUITY</b>			
Accumulated surplus		546,621	546,425
Reserves	9.1	566,141	566,081
<b>Total equity</b>		<b>1,112,762</b>	<b>1,112,506</b>

The above Balance Sheet should be read with the accompanying notes.

# Yarra Ranges Shire Council

## Statement of Changes in Equity

for the year ended 30 June 2020

	Note	Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000
<b>2020</b>					
Balance at beginning of the financial year		1,112,506	546,425	555,111	10,970
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers	10	(2,900)	(2,900)		
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities	10	(12,113)	(12,113)		
Adjusted Opening balance		1,097,493	531,412	555,111	10,970
Surplus for the year		13,125	13,125	-	-
Net asset revaluation increment	6.2	2,144	-	2,144	-
Transfers to other reserves	9.1	-	(1,750)	-	1,750
Transfers from other reserves	9.1	-	3,834	-	(3,834)
<b>Balance at end of the financial year</b>		<b>1,112,762</b>	<b>546,621</b>	<b>557,255</b>	<b>8,886</b>
		Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	Other Reserves \$'000
<b>2019</b>					
Balance at beginning of the financial year		1,075,405	521,331	543,091	10,983
Surplus for the year		25,081	25,081	-	-
Net asset revaluation increment	6.2	12,020	-	12,020	-
Transfers to other reserves	9.1	-	(1,806)	-	1,806
Transfers from other reserves	9.1	-	1,819	-	(1,819)
<b>Balance at end of the financial year</b>		<b>1,112,506</b>	<b>546,425</b>	<b>555,111</b>	<b>10,970</b>

The above Statement of Changes in Equity should be read with the accompanying notes.

# Yarra Ranges Shire Council

## Statement of Cash Flows

for the year ended 30 June 2020

		2020	2019
		Inflows	Inflows
	Note	(Outflows)	(Outflows)
		\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Rates and charges		142,704	139,253
Statutory fees and fines		2,420	3,034
User fees (inclusive of GST)		7,005	6,823
Grants - operating (inclusive of GST)		32,508	29,528
Grants - capital (inclusive of GST)		9,159	15,716
Contributions (inclusive of GST)		2,606	4,872
Interest received		727	1,518
Trust funds and deposits taken		1,591	1,555
Other receipts (inclusive of GST)		1,599	1,898
Net GST refund		14,627	11,094
Materials and Services (inclusive of GST)		(95,079)	(92,393)
Employee costs		(61,527)	(57,468)
Short-term, low value and variable lease payments		(309)	-
Trust funds and deposits repaid		(1,056)	(1,469)
Other payments (inclusive of GST)		(8,025)	(8,662)
<b>Net cash provided by operating activities</b>	9.2	<b>48,950</b>	<b>55,299</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, infrastructure, plant and equipment		(62,211)	(52,120)
Proceeds from / (payments) for other financial assets - investments		-	13,500
Proceeds from sale of property, infrastructure, plant and equipment		858	716
<b>Net cash used in investing activities</b>		<b>(61,353)</b>	<b>(37,904)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance costs		(780)	(943)
Repayment of borrowings		(3,475)	(3,312)
Interest paid - lease liability		(108)	-
Repayment of lease liabilities		(450)	-
<b>Net cash used in financing activities</b>		<b>(4,813)</b>	<b>(4,255)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(17,216)</b>	<b>13,140</b>
Cash and cash equivalents at beginning of the financial year		67,876	54,736
<b>Cash and cash equivalents at the end of the financial year</b>		<b>50,660</b>	<b>67,876</b>
Financing arrangements	5.6	1,900	1,900
Restrictions on cash assets	5.1	2,758	2,187

The above Statement of Cash Flows should be read with the accompanying notes.

# Yarra Ranges Shire Council

## Statement of Capital Works

for the year ended 30 June 2020

	2020	2019
	\$'000	\$'000
<b>Property</b>		
Buildings	16,763	11,108
Building improvements	1,939	1,779
<b>Total buildings</b>	<b>18,702</b>	<b>12,887</b>
<b>Total property</b>	<b>18,702</b>	<b>12,887</b>
<b>Plant and equipment</b>		
Plant, machinery and equipment	3,005	1,940
Fixtures, fittings and furniture	20	52
Computers and telecommunications	1,298	244
<b>Total plant and equipment</b>	<b>4,323</b>	<b>2,236</b>
<b>Infrastructure</b>		
Roads	10,463	15,872
Bridges	154	364
Footpaths and cycle ways	3,005	3,694
Drainage	1,411	2,056
Recreational, leisure and community facilities	6,418	5,268
Parks, open space and streetscape	9,826	5,612
Off street car parks	1,043	617
Other infrastructure	5,070	4,141
<b>Total infrastructure</b>	<b>37,390</b>	<b>37,624</b>
<b>Total capital works expenditure</b>	<b>60,415</b>	<b>52,747</b>
<b>Represented by:</b>		
New asset expenditure	12,698	9,034
Asset renewal expenditure	27,974	29,420
Asset expansion expenditure	4,569	4,543
Asset upgrade expenditure	15,174	9,750
<b>Total capital works expenditure</b>	<b>60,415</b>	<b>52,747</b>

The above Statement of Capital Works should be read with the accompanying notes.

## Yarra Ranges Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2020

## Introduction

Yarra Ranges Shire Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. Council's main office is located at 15 Anderson Street, Lilydale.

## Statement of compliance

These financial statements are general purpose financial statements that consist 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

### 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 Australian Accounting Standards 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); and
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (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.

Unless otherwise stated, all amounts have been rounded to the nearest thousand dollars.

# Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### 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 ten per cent or a variance of \$500,000. 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 was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

#### 1.1 Income and Expenditure

	Budget	Actual	Favourable / (Unfavourable) Variance	Favourable / (Unfavourable) Variance	
	2019-20	2019-20			
	\$'000	\$'000	\$'000	%	Ref
<b>Income</b>					
Rates and charges	145,104	145,930	826	0.6%	1
Statutory fees and fines	3,157	2,618	(539)	(17.1%)	2
User fees	6,753	6,685	(68)	(1.0%)	
Grants operating – recurrent	26,129	25,965	(164)	(0.6%)	
Grants operating – non-recurrent	1,213	4,659	3,446	284.1%	3
Grants capital – recurrent	1,700	4,387	2,687	158.1%	4
Grants capital – non-recurrent	2,055	8,806	6,751	328.5%	5
Contributions – monetary	2,244	2,801	557	24.8%	6
Contributions – non-monetary	2,201	1,297	(904)	(41.1%)	7
Other income	2,239	2,154	(85)	(3.8%)	
Share of surplus of associates accounted for by the equity method	299	240	(59)	(19.7%)	8
<b>Total income</b>	<b>193,094</b>	<b>205,542</b>	<b>12,448</b>	<b>6.4%</b>	
<b>Expenses</b>					
Employee costs	66,982	63,173	3,809	5.7%	9
Materials and services	72,672	82,196	(9,524)	(13.1%)	10
Bad and doubtful debts	314	116	198	63.1%	11
Depreciation	26,873	29,650	(2,777)	(10.3%)	12
Amortisation - Intangible assets	615	452	163	26.5%	13
Amortisation - Right of use assets	-	503	(503)	(100.0%)	14
Finance costs	1,056	773	283	26.8%	15
Finance costs - Leases	-	108	(108)	(100.0%)	16
Net loss on disposal of property, plant and equipment and infrastructure	1,535	7,846	(6,311)	(411.1%)	17
Other expenses	7,993	7,600	393	4.9%	
<b>Total expenses</b>	<b>178,040</b>	<b>192,417</b>	<b>(14,377)</b>	<b>(8.1%)</b>	
<b>Surplus for the year</b>	<b>15,054</b>	<b>13,125</b>	<b>(1,929)</b>	<b>(12.8%)</b>	

The budget figures above have been reclassified from the line item categories of the 2019-20 adopted budget to align with current year actuals that are in a prescribed format.

Yarra Ranges Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Performance against budget (continued)

### (a) Explanation of material variances - Income and Expenditure

On 30 January 2020, COVID-19 was declared as a global pandemic by the world health organisation. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate the risks from the pandemic have impacted council in several areas of operations.

Ref	Commentary
<b>1</b>	<b>Rates and charges</b>
	Income of \$403k for Rue de Gare and Prospect Road, Wandin North special charges scheme was budgeted to be recognised in 2020-21. However, this income was recognised in 2019-20 in accordance with AASB 1058 as the work on the project was completed at balance date. Contributing to this variance is better than anticipated income received for general rates and waste management charges of \$360k due to higher than anticipated new assessments through supplementary valuations.
<b>2</b>	<b>Statutory fees and fines</b>
	Council's income from statutory fees and fines were significantly lower than anticipated due to restrictions in place for Covid-19. This negatively impacted on revenue received from parking infringements of \$134k and planning applications and scheme amendments of \$357k due to reduced level of activity. In addition, due to the devastating economic impact that Covid-19 had on the community, Council extended the due date for outstanding rates and expanded the provision of hardship assessment to include businesses. As a result, legal prosecution activity on outstanding rates were reduced in 2019-20. This resulted in a reduction of \$394k in income received from rates legal cost recovery (offset by saving on legal fees in materials and services). In 2019-20 the State Government introduced a requirement for all pool owners to register their pools with Council. The additional income of \$146k from registering pools was not anticipated when the budget was set.
<b>3</b>	<b>Grants operating – non-recurrent</b>
	Unbudgeted grants of \$2.5m for natural disaster financial assistance received for asset restoration expenditure incurred in the previous years and unbudgeted funding received from the Working for Victoria program of \$950k.
<b>4</b>	<b>Grants capital – recurrent</b>
	Increased allocation of Roads to Recovery (\$446k) and unbudgeted grant funding for Roads for the Community Initiative (\$2.2m).
<b>5</b>	<b>Grants capital – non-recurrent</b>
	Unbudgeted grant funding of \$7.1m for projects including Yarra Valley trail (\$1.8m), Esther Park Synthetic Soccer Pitches (\$1.3m), Burrinja Cultural Centre, Upwey Redevelopment (\$1.1m), Warburton Community Recreation Precinct (\$751k), Community Sports Pavilion, Wandin North (\$394k), Ridge Walk (\$267k), Elizabeth Bridge Reserve Ground Upgrade (\$546k), Macclesfield Rd, Yellingbo - Black Spot (\$154k), Community Sports Pavilion, Monbulk (\$150k) and others (\$649k). This has been offset by grant funding not received of \$360k for Warburton Mountain Bike Destination.
<b>6</b>	<b>Contributions – monetary</b>
	Higher than anticipated contributions received for public open space (unspent portion transferred to reserves to be spent on open space capital projects in later years) of \$654k and developer contributions for Chirnside Park of \$103k, centralised annual valuation and water authority contributions of \$97k that was not anticipated when the budget was set, contribution as finance costs for special charge schemes of \$120k, unbudgeted contribution of \$63k received from Uniting Victoria Tasmania for the extension of "Early Initiative - Schools as Hubs" program offset by a reduction in funding for Community Sports Pavilion Monbulk \$130k, Kilsyth Centre of Excellence \$90k, Mountain Bike Destination Warburton \$300k.
<b>7</b>	<b>Contributions – non-monetary</b>
	Assets contributed to Council include recreation and community facilities of \$191k, roads of \$831k, drains of \$222k, land of \$12k and other assets of \$42k including footpaths kerb and channel from sub-divisions completed across Council.
<b>8</b>	<b>Share of surplus of associates accounted for by the equity method</b>
	Lower than anticipated surplus from investment in Eastern Regional Library.
<b>9</b>	<b>Employee costs</b>
	In light of the social restrictions in place due to Covid-19 and increased work load for some areas of Council, a decision was made to pause all recruitment of vacant positions and redirect resources to essential services. This and a delay in recruiting vacant positions prior to the pandemic and staff temporary work arrangements, resulted in a saving in salaries and wages and oncosts of \$3.5m (offset by increased costs for agency staff of \$1.6m in materials and services incurred in order to continue service delivery). Contributing to this, is a saving of expenditure incurred on conferences and staff training of \$583k as a result of staff working remotely due to Covid-19. Off setting this is over expenditure in uniforms and protective clothing of \$94k due to the purchase of personal protective equipment and clothing for front line staff due to Covid-19 and higher than anticipated costs for recruitment of executive officers of \$145k off set by savings through organisational efficiencies.



# Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Performance against budget (continued)

#### (a) Explanation of material variances - Income and Expenditure (continued)

<b>10</b>	<b>Materials and services</b>
	Maintenance expenditure of \$3.1m incurred on infrastructure projects budgeted as capital, write off of \$2.7m expenditure relating to capital work-in-progress, increased expenditure in agency staff of \$1.6m (partly offset by savings in employee costs), additional expenditure of \$892k incurred on software as a service payments for the Enterprise Systems project budgeted under capital, increase in maintenance of council and public halls of \$532k mainly due to additional cleaning carried out at Council venues due to Covid-19 and reactive maintenance operations for trees of \$1.1m due to unusually high number of low level storms that were not classified as natural disaster events which are generally reimbursed by the State Government. This has been offset by reduced legal cost recovery expenditure incurred for recovery of overdue rates payments of \$397k (offset by lower income for legal cost recovery in statutory fees and fines.)
<b>11</b>	<b>Bad and doubtful debts</b>
	Lower than anticipated bad debt predominantly across infringements debts of \$176k
<b>12</b>	<b>Depreciation</b>
	Result of an increase in the revaluation of Council's building and road assets in 2018-19 and accelerated depreciation of the Civic Centre building disposed in 2019-20.
<b>13</b>	<b>Amortisation - Intangible assets</b>
	Lower than anticipated additions for intangible assets due to the payments for the Enterprise Systems project relating to software as a service which is classified under operational expenditure and not capital.
<b>14</b>	<b>Amortisation - Right of use assets</b>
	Changes to AASB 16 Leases as of 1 July 2019, required Council to introduce a single lessee accounting model for operating leases, where a right of use asset and associated liability for leases longer than 12 months, except those considered to be of low value, needed to be recognised in the balance sheet. Amortisation is calculated on a straight line method over the life of the lease. The cost implication for the change in the standard was not factored when the budget was established for 2019-20
<b>15</b>	<b>Finance costs</b>
	The finance cost budget was based on an expectation of additional borrowing of \$7.5m. This was not required to be borrowed due to receipt of unbudgeted capital grant funding to deliver projects in 2020-21 and carry forward of \$10.2m worth of capital works to 2020-21.
<b>16</b>	<b>Finance costs - Leases</b>
	Changes to AASB 16 Leases as of 1 July 2019, required Council to introduce a single lessee accounting model for operating leases where a right of use asset and associated liability for leases longer than 12 months, except those considered to be of low value, needed to be recognised in the balance sheet. The finance cost for lease payments was not factored when the budget was established for 2019-20
<b>17</b>	<b>Net loss on disposal of property, plant and equipment and infrastructure</b>
	In 2019-20, Council undertook a condition assessment of its footpath and trails assets both in the road network (classified under footpaths and cycleways) and open space (classified as trails in parks and open space). As a result, the category of footpaths and cycleways were revalued. As only a portion of assets in open space were affected by the condition assessment, the change in value of the open space trail network (reduction of \$3.6m) was recognised through the income statement by charging to loss on disposal. \$3.9m worth of assets were disposed for other infrastructure assets when creating new assets as opposed to the budgeted \$1.4m.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Performance against budget (continued)

## 1.2 Capital Works

	Budget	Actual	Favourable / (Unfavourable) Variance	Favourable / (Unfavourable) Variance	Ref
	2019-20	2019-20			
	\$'000	\$'000	\$'000	%	
<b>Property</b>					
Buildings	24,114	16,763	7,351	30.5%	1
Building improvements	3,855	1,939	1,916	49.7%	2
<b>Total buildings</b>	<b>27,969</b>	<b>18,702</b>	<b>9,267</b>	<b>33.1%</b>	
<b>Total property</b>	<b>27,969</b>	<b>18,702</b>	<b>9,267</b>	<b>33.1%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	2,100	3,005	(905)	(43.1%)	3
Fixtures, fittings and furniture	17	20	(3)	(17.6%)	
Computers and telecommunications	1,400	1,298	102	7.3%	
<b>Total plant and equipment</b>	<b>3,517</b>	<b>4,323</b>	<b>(806)</b>	<b>(22.9%)</b>	
<b>Infrastructure</b>					
Roads	10,885	10,463	422	3.9%	
Bridges	448	154	294	65.6%	4
Footpaths and cycleways	3,690	3,005	685	18.6%	5
Drainage	2,256	1,411	845	37.5%	6
Recreational, leisure and community facilities	6,791	6,418	373	5.5%	
Parks, open space and streetscape	16,637	9,826	6,811	40.9%	7
Off street car parks	910	1,043	(133)	(14.6%)	8
Other infrastructure	5,070	5,070	-	0.0%	
<b>Total infrastructure</b>	<b>46,687</b>	<b>37,390</b>	<b>9,297</b>	<b>19.9%</b>	
<b>Total capital works expenditure</b>	<b>78,173</b>	<b>60,415</b>	<b>17,758</b>	<b>22.7%</b>	
Represented by:					
New asset expenditure	20,403	12,698	7,705	37.8%	
Asset renewal expenditure	33,083	27,974	5,109	15.4%	
Asset expansion expenditure	7,185	4,569	2,616	36.4%	
Asset upgrade expenditure	17,502	15,174	2,328	13.3%	
<b>Total capital works expenditure</b>	<b>78,173</b>	<b>60,415</b>	<b>17,758</b>	<b>22.7%</b>	

## Yarra Ranges Shire Council

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 1. Performance against budget (continued)****(i) Explanation of material variances - Capital works****Capital works overview**

The budget of \$78.2m for capital works adopted on 25 June 2019 was comprised of \$61.2m for new works and \$17.0m for carried forward works from 2018-19. The actual carried forward figure for capital works from 2018-19 to 2019-20 amounted to \$8.9m. Council carried forward a total of \$10.2m from 2019-20 to 2020-21.

<b>Ref</b>	<b>Commentary</b>
<b>1</b>	<b>Building</b>
	Due to carry forward of the budget to 2020-21 to deliver projects including the Civic Centre Redevelopment (\$6.5m); Healesville Belonging Place (\$0.4m); and Community Sports Pavilion, Wandin North (\$0.3m).
<b>2</b>	<b>Building improvements</b>
	Budget not expended for Aquatics Renewal works (\$1.5m) due to a delay in finalisation of the Aquatics Strategy. The Kilsyth Basketball Stadium Upgrade (\$306k) was delayed with works to be delivered with a larger package of Pinks Reserve Development works.
<b>3</b>	<b>Plant, machinery and equipment</b>
	Accelerated delivery of the 2020-21 program and replacement of a higher number of Council fleet vehicles off set by increase in proceeds from sale of vehicles and staff salary sacrificed income.
<b>4</b>	<b>Bridges</b>
	Works budgeted as capital but treated as maintenance as it did not meet asset recognition criteria.
<b>5</b>	<b>Footpaths and cycleways</b>
	Works budgeted as capital but treated as maintenance as it did not meet asset recognition criteria, carry forward of \$260k for the Green Spine Shared Path, Chirnside Park.
<b>6</b>	<b>Drainage</b>
	Works budgeted as capital but treated as maintenance as it did not meet asset recognition criteria.
<b>7</b>	<b>Parks, open space and streetscape</b>
	Variance relates to funding received in advance for Rivers and Ridges projects including Warburton Mountain Bike Destination, RidgeWalk and Yarra Valley Trail where the budget for 2019-20 reflected the entire value of the grant instead of the amount that was to be incurred in 2019-20. The balance unspent of the grant funding received in advance has been transferred to unearned income in current liabilities.
<b>8</b>	<b>Off street car parks</b>
	Additional funding required for Morrison Reserve Carpark upgrade.

## Yarra Ranges Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 2. Analysis of Council results by program

### Note 2.1 (a) Directorates / programs

Council delivers its services and carries out its activities through the following directorates and programs:

#### The Office of the CEO and Corporate Services

*The Chief Executive's Office* works closely with Council advocating on behalf of the municipality on issues of community importance and ensuring that the Council's business affairs are transparent and accessible. This office is responsible for Business Transformation, Digital, Corporate Strategy, Advocacy and Corporate Planning and Performance.

*The Corporate Services directorate* provides support and coordinates services primarily relating to the internal functions and activities of the organisation. This directorate is responsible for People and Culture (including Human Resources, Payroll, Organisational Development and Workplace Relations), Customer & Communications (including Customer Experience, Communication and Community Engagement), Financial Services (including Finance, Procurement, Risk, Governance and Rating Services) and Information Services (including Information Technology, Enterprise Systems and Information Management).

#### Environment and Infrastructure

The Environment and Engineering directorate is responsible for Infrastructure Services, Recreation, Projects and Parks, Sustainable Environment and Facilities, and Assets and Capital Programming. Key services include the management and maintenance of Council's facilities, infrastructure and parks, strategic asset management, waste management, protection and enhancement of natural assets within the municipality and management of Council's capital works program.

#### Communities

The Communities directorate has responsibility for providing Community Support Services (including early years services, family and children services, immunisation, youth services, aged and home care services), Community Wellbeing (including Community Safety, Emergency Management and Environment Health) and Creative Communities (including operation and management of Council's cultural facilities and cultural development).

#### Planning, Design and Development

The Planning, Design and Development directorate has responsibility for providing Planning and Building Services (including Council's Statutory Planning and Building and Development Compliance services), Design and Place (including Strategic Planning), Economic Development and Attraction and Strategic Projects.

#### Organisational Finance

The Organisational Finance area comprises items of revenue and expenditure that are attributable to Council as a whole rather than individual groups. The major components are income from rates and charges, general purpose grants, loan financing costs and depreciation.

#### Natural Disasters

The Natural Disasters includes storm, flood and fire events in Yarra Ranges. The focus of this function is to carry out the restoration works for Council assets affected by natural disasters. The major components are expenditure incurred for restoration works and reimbursement of such expenditure under State Government's Natural Disaster Financial Assistance scheme.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 2.1 Analysis of Council results by program (continued)

## Note 2.1 (b) Summary of income, expenses and assets by directorates / program

Income and expenses have been attributed to the directorates / programs as set out below:

	Income	Expenses	Surplus / (Deficit)	Grants (included in income)	Total Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>					
Office of the CEO and Corporate Services	1,633	25,629	(23,996)	1,008	106,078
Environment and Infrastructure	20,518	82,320	(61,802)	13,987	994,048
Communities	16,111	33,433	(17,322)	10,864	76,774
Planning, Design and Development	3,043	8,874	(5,831)	90	4,284
Organisational Finance	161,773	42,004	119,769	15,404	-
Natural Disasters	2,464	157	2,307	2,464	-
<b>Total</b>	<b>205,542</b>	<b>192,417</b>	<b>13,125</b>	<b>43,817</b>	<b>1,181,184</b>
	Income	Expenses	Surplus / (Deficit)	Grants (included in income)	Total Assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
Office of the CEO and Corporate Services	829	23,056	(22,227)	90	109,524
Environment and Infrastructure	19,099	77,910	(58,811)	15,466	980,444
Communities	17,973	33,813	(15,840)	12,422	79,261
Planning, Design and Development	3,243	8,802	(5,559)	135	719
Organisational Finance	159,292	33,662	125,630	13,612	-
Natural Disasters	2,131	243	1,888	2,131	-
<b>Total</b>	<b>202,567</b>	<b>177,486</b>	<b>25,081</b>	<b>43,856</b>	<b>1,169,948</b>

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services

	2020 \$'000	2019 \$'000
<b>3.1 Rates and charges</b>		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the total market value of the land, buildings and any other improvements.		
The valuation base used to calculate general rates for 2019-20 was \$42,622,600,000 (2018-19 \$41,914,814,000 ). The 2019-20 general rate in the CIV dollar was \$0.002894 (2018-19 \$0.002846)		
General rates	125,309	121,249
Waste management charge	18,341	17,948
Supplementary rates and rate adjustments	612	529
Interest on rates	1,265	1,171
Special rates and charges	403	240
<b>Total rates and charges</b>	<b>145,930</b>	<b>141,137</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020 and the valuation will be applied to 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.

<b>Note 3.2 Statutory fees and fines</b>		
Infringements and costs	505	531
Town planning fees	1,568	1,944
Court recoveries	396	668
Other	149	4
<b>Total statutory fees and fines</b>	<b>2,618</b>	<b>3,147</b>

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

Council's income from statutory fees and fines were significantly lower compared to 2018-19 due restrictions in place for Covid-19. This negatively impacted on revenue received from parking infringements and planning applications and scheme amendments due to reduced level of activity. In addition, due to the devastating economic impact that Covid-19 had on the community, Council extended the due date for outstanding rates and expanded the provision of hardship assessment to include businesses. As a result, legal prosecution activity on outstanding rates were reduced in 2019-20.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services (continued)

	2020	2019
	\$'000	\$'000
<b>Note 3.3 User fees</b>		
Registration and other permits	1,810	1,774
Child care / children's programs	1,092	1,361
Animal control	1,234	1,092
Aged and health services	807	864
Leisure centre and recreation	614	865
Other fees and charges	615	293
Building services	513	479
<b>Total user fees</b>	<b>6,685</b>	<b>6,728</b>

## User fees by timing of revenue recognition

User fees recognised over time	-	-
User fees recognised at a point in time	6,685	6728
<b>Total user fees</b>	<b>6,685</b>	<b>6,728</b>

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

Council's recreational, cultural and community facilities were closed temporarily during 2020, and many services reduced or modified due to Covid-19.

Due to social restrictions in place and the closure of schools as a result of Covid-19, the uptake of child care services were reduced in 2019-20.

## Note 3.4 Funding from other levels of government

Grants were received in respect of the following:

## Summary of grants

Commonwealth funded grants	26,587	23,222
State funded grants	17,230	20,634
<b>Total grants</b>	<b>43,817</b>	<b>43,856</b>

## (a) Operating grants

## Recurrent - Commonwealth Government

Financial assistance grants *	15,404	13,612
Aged care	3,127	4,392
Family and children	2,138	1,990

# Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Funding for the delivery of our services (continued)

#### Note 3.4 Funding from other levels of government (continued)

	2020 \$'000	2019 \$'000
<b>Recurrent - State Government</b>		
Aged care	1,189	1,684
Maternal and child health	1,904	1,685
School crossing supervisors	667	658
Family and children	692	663
Community safety	439	461
Environmental planning	258	170
Community health	27	25
Recreation	120	120
<b>Total recurrent operating grants</b>	<b>25,965</b>	<b>25,460</b>
* Council received 50% of its 2020-21 Victorian Grants Commission allocation in 2019-20 and 50% of its 2019-20 Victorian Grants Commission allocation in 2018-19.		
<b>Non-recurrent - Commonwealth Government</b>		
Family and children	9	48
Environmental planning	30	-
<b>Non-recurrent - State Government</b>		
Environmental planning	434	752
Community safety	53	296
Working for Victoria	950	-
Family and children	394	375
Natural disaster events	2,464	2,131
Community health	119	169
Recreation	88	-
Economic and community development	90	135
Aged care	28	3
<b>Total non-recurrent operating grants</b>	<b>4,659</b>	<b>3,909</b>
<b>Total operating grants</b>	<b>30,624</b>	<b>29,369</b>
<b>(b) Capital grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	2,146	1,671
Roads for the community initiative	2,241	-
<b>Total recurrent capital grants</b>	<b>4,387</b>	<b>1,671</b>



## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services (continued)

## Note 3.4 Funding from other levels of government (continued)

	2020	2019
	\$'000	\$'000
<b>Non-recurrent - Commonwealth Government</b>		
Buildings	535	720
Recreation, leisure and community	803	114
Roads	154	650
<b>Non-recurrent - State Government</b>		
Drainage	32	50
Roads	-	15
Off street carparks	72	88
Recreation, leisure and community	7,177	11,172
Parks, open space and streetscape	33	7
<b>Total non-recurrent capital grants</b>	<b>8,806</b>	<b>12,816</b>
<b>Total capital grants</b>	<b>13,193</b>	<b>14,487</b>
<b>Total grants</b>	<b>43,817</b>	<b>43,856</b>
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
<b>Operating</b>		
Balance at start of year	4,023	2,117
Transferred to liabilities under AASB 15	(2,900)	-
Received during the financial year and remained unspent at balance date	1,845	2,537
Received in prior years and spent during the financial year	(960)	(631)
<b>Balance at year end</b>	<b>2,008</b>	<b>4,023</b>
<b>Capital</b>		
Balance at start of year	12,113	5,263
Transferred to liabilities under AASB 1058	(12,113)	-
Received during the financial year and remained unspent at balance date	-	10,979
Received in prior years and spent during the financial year	-	(4,129)
<b>Balance at year end</b>	<b>-</b>	<b>12,113</b>

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

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services (continued)

	2020	2019
	\$'000	\$'000
<b>Note 3.5 Contributions</b>		
Monetary	2,801	3,087
Non-monetary	1,297	1,158
<b>Total contributions</b>	<b>4,098</b>	<b>4,245</b>
<b>Contributions - monetary</b>		
Contributions monetary - resort and recreation fees	1,750	1,803
Contributions monetary - operating	517	713
Contributions monetary - capital	534	571
<b>Total contributions - monetary</b>	<b>2,801</b>	<b>3,087</b>
<b>Contributions - non-monetary</b>		
Contributions of non monetary assets were received in relation to the following asset classes:		
Recreational and community facilities	191	997
Building	-	149
Drains	222	12
Roads	830	-
Footpaths	30	-
Land under roads	12	-
Kerb and Channel	12	-
<b>Total contributions - non-monetary</b>	<b>1,297</b>	<b>1,158</b>

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

**Note 3.6 Other income**

Interest	665	1,482
Rent	817	932
Cost recovery and reimbursements	672	718
Other	-	129
<b>Total other income</b>	<b>2,154</b>	<b>3,261</b>

Interest is recognised as it is earned.

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

Due to social restrictions that were in place due to Covid-19, income from hire of venues were significantly lower. In addition Council deferred / waived rent payments due from tenants facing financial loss as a result of Covid-19 social restrictions. To assist businesses recover from the economic impact of Covid-19, Council accelerated its payments to its suppliers and did not invest its surplus cash in short term deposits. In addition due to a historically low cash rate, the income received from investments were lower when compared to 2018-19.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. The cost of delivering services

	2020	2019
	\$'000	\$'000
<b>Note 4.1 Employee costs</b>		
Wages and salaries	54,957	50,960
Superannuation	5,513	4,943
Other employee costs	1,365	1,758
WorkCover	974	649
Fringe benefits tax	364	373
<b>Total employee costs</b>	<b>63,173</b>	<b>58,683</b>

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	266	276
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,979	2,760
Employer contributions - other funds	2,268	1,907
<b>Total accumulation funds</b>	<b>5,247</b>	<b>4,667</b>
Employer contributions payable at reporting date	177	123

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

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. The cost of delivering services (continued)

	2020 \$'000	2019 \$'000
<b>Note 4.2 Materials and services</b>		
Major contracts payments *	31,968	29,561
Other contract payments	26,802	25,853
Office administration	5,910	6,162
Consultants	4,355	4,501
Utilities	2,823	2,998
Building maintenance	3,637	3,108
Information technology	3,903	3,034
Community seminars and programs	699	1,159
General maintenance	1,708	1,886
Other materials and services	391	337
<b>Total materials and services</b>	<b>82,196</b>	<b>78,599</b>
<b>* Major contract payments</b>		
Garbage collection and disposal	8,733	8,462
Contracted services for programmed maintenance	7,033	7,132
General recycling service	3,144	3,088
Green waste collection and disposal	2,867	2,459
Hard waste service	1,933	1,932
Trees reactive maintenance	4,586	3,173
Aquatic facility management	1,621	1,493
Insurance	1,452	1,331
Building Maintenance – minor works	599	491
<b>Total major contract payments</b>	<b>31,968</b>	<b>29,561</b>
<b>Note 4.3 Depreciation</b>		
Infrastructure	18,081	16,896
Property	9,583	7,725
Plant and equipment	1,986	2,498
<b>Total depreciation</b>	<b>29,650</b>	<b>27,119</b>
Refer to note 6.2 for a more detailed breakdown of depreciation charges		
<b>Note 4.4 Amortisation - Intangible assets</b>		
Intangible assets	452	548
<b>Total Amortisation - Intangible assets</b>	<b>452</b>	<b>548</b>

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. The cost of delivering services (continued)

	2020 \$'000	2019 \$'000
<b>Note 4.5 Amortisation - Right of use assets</b>		
Property	366	-
Vehicles	73	-
Information technology	64	-
<b>Total Amortisation - Right of use assets</b>	<b>503</b>	<b>-</b>
<b>Note 4.6 Bad and doubtful debts</b>		
Other debtors	116	440
<b>Total bad and doubtful debts</b>	<b>116</b>	<b>440</b>
<b>Movement in provision for doubtful debts</b>		
Balance at the beginning of the year	414	265
New provisions recognised during the year	(90)	203
Amounts already provided for and written off as uncollectible	(38)	(40)
Amounts provided for but recovered during the year	0	(14)
<b>Balance at end of year (Refer Note 5.1 trade and other receivables)</b>	<b>286</b>	<b>414</b>
Provision for doubtful debts is recognised based on expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment. Bad debts are written off when identified.		
<b>Note 4.7 Borrowing costs</b>		
Interest – borrowings	773	937
<b>Total borrowing costs</b>	<b>773</b>	<b>937</b>
Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and interest on borrowings.		
<b>Note 4.8 Finance Costs - Leases</b>		
Interest - Lease Liabilities	108	-
<b>Total finance costs</b>	<b>108</b>	<b>-</b>
<b>Note 4.9 Other expenses</b>		
Council contributions and grants	6,677	6,879
Operating lease rentals	371	915
Councillors allowances	382	375
Councillors other expenses and reimbursements	67	74
Auditors remuneration - internal	46	56
Auditors remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	57	57
Auditors remuneration - internal acquittals	-	12
<b>Total other expenses</b>	<b>7,600</b>	<b>8,368</b>

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. The cost of delivering services (continued)

	2020 \$'000	2019 \$'000
<b>Note 4.10 Net gain / (loss) on disposal of property, infrastructure and plant and equipment</b>		
<b>(a) Assets held for sale</b>		
Proceeds from sale of assets held for sale	21	-
Written down value of assets held for sale	(14)	-
<b>Total net loss on disposal of assets held for sale</b>	<b>7</b>	<b>-</b>
Loss on sale of an asset is recognised when the control of the asset has passed to the buyer.		
<b>(b) Property, infrastructure and plant and equipment</b>		
Proceeds from sale of assets	836	716
Written down value of assets disposed	(8,689)	(3,508)
<b>Total net loss on disposal of property, plant and equipment and infrastructure</b>	<b>(7,853)</b>	<b>(2,792)</b>
Loss on sale of an asset is recognised when the control of the asset has passed to the buyer.		
<b>Total net loss on disposal of property, plant and equipment and infrastructure</b>	<b>(7,846)</b>	<b>(2,792)</b>

In 2019-20, Council undertook a condition assessment of its footpath and trails assets both in the road network (classified under footpaths and cycleways) and open space (classified as trails in parks and open space). As a result, the category of footpaths and cycleways were revalued. As only a portion of assets in open space were affected by the condition assessment, the change in value of the open space trail network (reduction of \$3.6m) was recognised through the income statement by charging to loss on disposal.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position

	Note	2020 \$'000	2019 \$'000
<b>Note 5.1 Financial assets</b>			
<b>Cash and cash equivalents</b>			
Deposits at call		31,000	51,000
Cash at bank		19,656	16,872
Cash on hand		4	4
<b>Total cash and cash equivalents</b>		<b>50,660</b>	<b>67,876</b>
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
Trust funds and deposits	5.3 (b)	2,736	2,165
Museum of Lilydale Gift Fund		22	22
<b>Total restricted funds</b>		<b>2,758</b>	<b>2,187</b>
<b>Total unrestricted cash and cash equivalents</b>		<b>47,902</b>	<b>65,689</b>
<b>Intended allocations</b>			
Although not externally restricted the following amounts have been allocated for specific purposes by Council:			
- Cash held to fund carried forward capital works		10,177	6,409
- Funding received in advance held to deliver capital projects		10,289	11,032
- Development of recreational land	9.1	8,886	10,970
- Government grants	3.4	2,008	16,136
- Capital grants received during the financial year and remained unspent at balance date	3.4	-	(10,979)
<b>Total funds subject to intended allocations</b>		<b>31,360</b>	<b>33,568</b>

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

Other financial assets include bank term-deposits with original maturity of over 90 days.

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

# Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5 Our financial position (continued)

#### Note 5.1 Financial assets (continued)

	Note	2020 \$'000	2019 \$'000
<b>(c) Trade and other receivables</b>			
<b>Current</b>			
<i>Statutory receivables</i>			
Rates debtors		24,192	21,254
Less: provision for doubtful debts - rates debtors		(111)	(111)
Special rate and charges		404	608
Environmental upgrade agreement receivables		807	325
Net GST receivables		2,017	3,318
Infringement debtors		1,326	1,336
Less: Provision for doubtful debts - infringements		(77)	(255)
<i>Non statutory receivables</i>			
Other debtors		2,102	2,954
Less: provision for doubtful debts - other debtors		(98)	(48)
<b>Total current trade and other receivables</b>		<b>30,562</b>	<b>29,381</b>
<b>Non-current</b>			
<i>Statutory receivables</i>			
Special rates and charges		1,476	1,956
<i>Non statutory receivables</i>			
Other debtors		-	-
<b>Total non-current trade and other receivables</b>		<b>1,476</b>	<b>1,956</b>
<b>Total trade and other receivables</b>		<b>32,038</b>	<b>31,337</b>
Short term and long term receivables are carried at invoice amount. Overdue Rate receivables incur interest at 10%. A provision for doubtful debts is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.			
<b>d) Ageing of other debtors</b>			
The ageing of Council's other debtors was:			
Current (not yet overdue)		224	1,107
Past due by up to 30 days		105	184
Past due between 31 and 180 days		221	96
Past due between 181 and 365 days		129	194
Past due by more than 1 year		1,423	1,373
<b>Total other trade and other receivables</b>		<b>2,102</b>	<b>2,954</b>
<b>e) Ageing of individually impaired trade and other receivables</b>			
At balance date, other debtors representing financial assets with a nominal value of \$98,251 (2019: \$47,825) were impaired. The amount of the provision raised against these debtors was \$98,251 (2019 \$47,825). The individually impaired debtors relate to other debtors and have been impaired based on expected credit loss model.			
The ageing of trade and other receivables that have been individually determined as impaired at reporting date was:			
Past due between 31 and 180 days		68	7
Past due between 181 and 365 days		-	-
Past due by more than 1 year		30	41
<b>Total impairment of trade and other receivables</b>		<b>98</b>	<b>48</b>



## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

	Note	2020 \$'000	2019 \$'000
<b>Note 5.2 Non-financial assets</b>			
<b>(a) Other assets</b>			
Accrued income		4,181	779
Prepayments		2,069	1,880
<b>Total other assets</b>		<b>6,250</b>	<b>2,659</b>
<b>(b) Intangible assets - software</b>			
<b>Gross carrying amount</b>			
Balance at 1 July		4,401	4,298
Additions		55	103
<b>Balance at 30 June</b>		<b>4,456</b>	<b>4,401</b>
<b>Accumulated amortisation and impairment</b>			
Balance at 1 July		(3,698)	(3,150)
Amortisation expense		(452)	(548)
<b>Balance at 30 June</b>		<b>(4,150)</b>	<b>(3,698)</b>
<b>Net book value at the end of the year</b>		<b>306</b>	<b>703</b>

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

	2020	2019
	\$'000	\$'000
<b>Note 5.3 Payables</b>		
<b>(a) Trade and other payables</b>		
Trade payables	8,708	11,332
Accrued expenses	3,227	4,301
Prepaid income	1,275	1,378
Loan interest accrued	17	24
<b>Total trade and other payables</b>	<b>13,227</b>	<b>17,035</b>
Trade creditors and other current liabilities are amounts due to external parties for the purchase of goods and services and are recognised as liabilities when the goods and services are received. Trade creditors are normally paid 30 days from date of invoice. However, these payment terms were relaxed due to Covid-19 in 2020, where invoices were paid for most suppliers as approved. Interest is not payable on these liabilities.		
<b>(b) Trust funds and deposits</b>		
Refundable deposits	1,473	1,548
Retention amounts	242	89
Fire services property levy	214	203
Environmental upgrade agreement payables	807	325
<b>Total trust funds and deposits</b>	<b>2,736</b>	<b>2,165</b>
<b>(c) Unearned income</b>		
Grants received in advance - operating	4,629	-
Grants received in advance - capital	10,289	-
<b>Total unearned income</b>	<b>14,918</b>	<b>-</b>

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

**Purpose and nature of items:**

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

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

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

**Unearned Income** - This reflects the possibility that revenue recognition for grants received in advance (where there are sufficiently specific performance obligations) may be deferred under *AASB 1058 Income of Not-for-Profit Entities*.

**Environmental Upgrade Agreements (EUA)** - EUA is an agreement between a property owner, a bank and local government that facilitates a building upgrade to improve energy efficiency. The Local Government Act 1989 allows Council to enter into an EUA with business or commercial property owners to finance environmental upgrades, such as solar power or water efficiency, and repay the loan through their council rates. Councils do not provide any funding but levy an environmental upgrade charge on the owner/occupier and administer the payment of the charge in line with the agreement. The funds collected by council are transferred to Sustainable Melbourne Fund, the lending body.

During 2019-20, Council entered into EUAs with three business organisations and \$807k were outstanding as receivable, as shown under Note 5.1(c), and payable as shown in the above Note 5.3 (b) as at 30 June 2020.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

During the quarter ending June 2020 the following EUAs were entered into:

EUA Reference	EUA Charge	EUA Paid	EUA Not Due	Address
EUA2019-04	433,683.64	0.00	433,683.64	1309B Melba Highway Yarra Glen VIC 3775 (Hotel Units)
EUA2020-02	36,097.01	0.00	36,097.01	65 Priors Road The Patch VIC 3792
<b>Total</b>	<b>469,780.65</b>	<b>0.00</b>	<b>469,780.65</b>	

At the end of June 2020, there were 6 EUA charges in operation and no outstanding EUAs had fallen due and not paid.

	2020 \$'000	2019 \$'000
<b>Note 5.4 Interest-bearing liabilities</b>		
<b>Current</b>		
Borrowings – secured	3,653	3,475
<b>Total current interest-bearing loans and borrowings</b>	<b>3,653</b>	<b>3,475</b>
<b>Non-current</b>		
Borrowings – secured	10,133	13,787
<b>Total non-current interest-bearing loans and borrowings</b>	<b>10,133</b>	<b>13,787</b>
<b>Total interest-bearing loans and borrowings</b>	<b>13,786</b>	<b>17,262</b>
Borrowings are secured against rate income.		
The maturity profile for Council's borrowings is:		
Not later than one year	3,653	3,475
Later than one year and not later than five years	10,133	13,147
Later than five years	-	640
<b>Total interest-bearing loans and borrowings</b>	<b>13,786</b>	<b>17,262</b>
Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	3,653	3,475
Non-current	10,133	13,787
<b>Total interest-bearing loans and borrowings</b>	<b>13,786</b>	<b>17,262</b>

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

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

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

	Employee \$'000	Landfill restoration \$'000	Special rates and charges \$'000	Other \$'000	Total \$'000
<b>Note 5.5 Provisions</b>					
<b>2020</b>					
Balance at the beginning of the financial year	16,355	4,049	570	6	20,980
Additional provisions	2,732	732	-	-	3,464
Amounts used	(1,474)	(900)	(140)	-	(2,514)
Increase / (decrease) in the discounted amount arising because of time and effect of any change in discount rate	111	67	-	-	178
<b>Balance at the end of the financial year</b>	<b>17,724</b>	<b>3,948</b>	<b>430</b>	<b>6</b>	<b>22,108</b>
<b>2019</b>					
Balance at the beginning of the financial year	15,517	4,171	678	5	20,371
Additional provisions	2,413	1,702	48	1	4,164
Amounts used	(1,777)	(1,934)	(156)	-	(3,867)
Increase in the discounted amount arising because of time and effect of any change in discount rate	202	110	-	-	312
<b>Balance at the end of the financial year</b>	<b>16,355</b>	<b>4,049</b>	<b>570</b>	<b>6</b>	<b>20,980</b>
				<b>2020</b>	<b>2019</b>
				<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee provisions</b>					
<b>Current provisions expected to be settled within 12 months</b>					
Annual leave				5,019	4,776
Long service leave				1,028	964
Other entitlements				164	158
<b>Total current employee provisions expected to be settled within 12 months</b>				<b>6,211</b>	<b>5,898</b>
<b>Current provisions expected to be settled after 12 months</b>					
Annual leave				509	49
Long service leave				9,255	8,679
<b>Total current employee provisions expected to be settled after 12 months</b>				<b>9,764</b>	<b>8,728</b>
<b>Total current employee provisions</b>				<b>15,975</b>	<b>14,626</b>
<b>Non-current</b>					
Long service leave				1,749	1,729
Other entitlements				-	-
<b>Total non-current employee provisions</b>				<b>1,749</b>	<b>1,729</b>
<b>Aggregate carrying amount of employee provisions</b>					
Current				15,975	14,626
Non-current				1,749	1,729
<b>Total employee provisions</b>				<b>17,724</b>	<b>16,355</b>

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

*Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and 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 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.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

## Note 5.5 Provisions (continued)

## Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability - unconditional LSL representing 7 years or more of service is disclosed as a current liability even when Council does not expect to settle the liability within 12 months as it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach 7 years, is disclosed as a non-current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

The following assumptions were adopted in measuring the present value of employee provisions:

	2020	2019
	\$'000	\$'000
Weighted average increase in employee costs	2.00%	2.25%
Weighted average discount rates	0.87%	1.32%

## (b) Landfill restoration

Coldstream landfill has been closed to the receipt of refuse since May 2004, and Healesville landfill has been closed since 1998.

Rehabilitation plans and specifications have been approved by the EPA. Restoration work has commenced and is expected to be completed in the next few years.

The costs are expected to be in the order of \$3.95m, however this will be dependent on the availability of suitable cover material and the management and treatment of the landfill gas.

In addition to the above two landfill sites, Council continues to monitor the closed landfill sites at Lysterfield, Wesburn and Mt Evelyn. The ongoing monitoring charges for these have been factored into the calculation of the provision for landfill restoration.

	2020	2019
	\$'000	\$'000
<b>Landfill restoration</b>		
Current	1,361	1,713
Non-current	2,587	2,336
<b>Total landfill restoration</b>	<b>3,948</b>	<b>4,049</b>

Council is obligated to restore landfill sites at Coldstream and Healesville to a particular standard under the Environment Protection Authority (EPA) Licences 'HS 1264 – Coldstream' and 'ES112 for Healesville'. The provision for landfill remediation has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the work required, forecast timing of the work and related costs.

The following key assumptions were adopted in measuring the present value of landfill provisions:

Weighted average increase in costs	2.00%	2.00%
Weighted average discount rates	0.87%	1.32%

## (c) Other provisions

## Current

Special rates and charges	90	120
Other	6	6
<b>Total current other provisions</b>	<b>96</b>	<b>126</b>

## Non-current

Special rates and charges	340	450
<b>Total non-current other provisions</b>	<b>340</b>	<b>450</b>

<b>Total other provisions</b>	<b>436</b>	<b>576</b>
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## Summary of provisions

Current	17,432	16,465
Non-current	4,676	4,515
<b>Total provisions</b>	<b>22,108</b>	<b>20,980</b>

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

	2020 \$'000	2019 \$'000
<b>Note 5.6 Financing arrangements</b>		
Bank overdraft	1,500	1,500
Credit card facilities	400	400
<b>Total facilities</b>	<b>1,900</b>	<b>1,900</b>
Used facilities	38	54
<b>Unused facilities</b>	<b>1,862</b>	<b>1,846</b>

	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
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## Note 5.7 Commitments

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.

## 2020

## Operating

Waste Management	13,605	13,271	14,318	-	41,194
Buildings maintenance	3,437	1,604	330	110	5,481
Open space management	5,804	4,932	-	-	10,736
Consultancies	2,439	1,025	406	86	3,956
Cleaning contracts for council buildings	1,520	258	-	-	1,778
<b>Total operating commitments</b>	<b>26,805</b>	<b>21,090</b>	<b>15,054</b>	<b>196</b>	<b>63,145</b>

## Capital

Buildings	18,295	5,152	-	-	23,447
Roads	7,814	8,088	-	-	15,902
Other	4,548	4,108	2,225	1,420	12,301
<b>Total capital commitments</b>	<b>30,657</b>	<b>17,348</b>	<b>2,225</b>	<b>1,420</b>	<b>51,650</b>
<b>Total commitments</b>	<b>57,462</b>	<b>38,438</b>	<b>17,279</b>	<b>1,616</b>	<b>114,795</b>

## 2019

## Operating

Waste management	11,527	11,815	23,414	-	46,756
Buildings maintenance	2,318	378	109	112	2,917
Roads maintenance	7,843	-	-	-	7,843
Open space management	1,758	990	720	757	4,225
Consultancies	3,445	3,019	4,866	366	11,696
Meals for delivery	54	-	-	-	54
<b>Total operating commitments</b>	<b>26,945</b>	<b>16,202</b>	<b>29,109</b>	<b>1,235</b>	<b>73,491</b>

## Capital

Buildings	15,916	15,061	-	-	30,977
Roads	149	-	-	-	149
Other	3,891	329	118	-	4,338
<b>Total capital commitments</b>	<b>19,956</b>	<b>15,390</b>	<b>118</b>	<b>-</b>	<b>35,464</b>
<b>Total commitments</b>	<b>46,901</b>	<b>31,592</b>	<b>29,227</b>	<b>1,235</b>	<b>108,955</b>

## Yarra Ranges Shire Council

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 5 Our financial position (continued)****Note 5.8 Leases****Policy applicable before 1 July 2019**

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

**Policy applicable after 1 July 2019**

Council has applied AASB 16 Leases using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. Council applied the approach consistently to all leases in which it is a lessee.

On transition to AASB 16 Leases, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. Council has applied this practical expedient to all of its contracts and therefore applied AASB 16 Leases only to contracts that were previously identified as 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.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

## Note 5.8 Leases (continued)

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

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

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

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

Council has elected to apply the temporary option available under AASB 16 Leases which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms. There are no significant leases of this nature.

<b>Right-of-Use Assets</b>	Property	Vehicles	Other, etc.	Total
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2019	1,366	389	230	<b>1,985</b>
Additions	112	-	-	<b>112</b>
Amortisation charge	(366)	(73)	(64)	<b>(503)</b>
Balance at 30 June 2020	<b>1,112</b>	<b>316</b>	<b>166</b>	<b>1,594</b>
<b>Lease Liabilities</b>	Property	Vehicles	Other, etc.	Total
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2019	1,366	389	230	<b>1,985</b>
Additions	112	-	-	<b>112</b>
Lease payments	(331)	(61)	(58)	<b>(450)</b>
Balance at 30 June 2020	<b>1,147</b>	<b>328</b>	<b>172</b>	<b>1,647</b>
<b>Lease Liabilities</b>	<b>2020</b>			
Maturity analysis - contractual undiscounted cash flows	<b>\$'000</b>			
Less than one year	470			
One to five years	837			
More than five years	340			
Total undiscounted lease liabilities as at 30 June:	<b>1,647</b>			
Lease liabilities included in the Balance Sheet at 30 June:				
Current	470			
Non-current	1,177			
Total lease liabilities	<b>1,647</b>			



## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

## Note 5.8 Leases (continued)

## Non-cancellable lease commitments - Short-term and low-value leases

**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 \$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.

	2020
Expenses relating to:	\$'000
Short-term leases	292
Leases of low value assets	17
Total	<b>309</b>

Variable lease payments (not included in measurement of lease liabilities)

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

Payable:

Within one year	307
Later than one year but not later than five years	41
Later than five years	78
Total lease commitments	<b>426</b>

## i. Leases classified as operating leases under AASB 117 Leases

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying AASB 16 Leases to leases previously classified as operating leases under AASB 117 Leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of AASB 137 Provisions, Contingent Liabilities and Contingent Assets onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

## ii. Leases previously classified as finance leases

For leases that were classified as finance leases under AASB 117 Leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under AASB 117 Leases immediately before that date.

Council is not required to make any adjustments on transition to AASB 16 Leases for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with AASB 16 Leases from the date of initial application.

**Impact on financial statements**

On transition to AASB 16 Leases, Council recognised an additional \$1.98m of right-of-use assets and \$1.98m of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 5.45%.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5 Our financial position (continued)

## Note 5.8 Leases (continued)

	2019
	\$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	2,644
Discounted using the incremental borrowing rate at 1 July 2019	(316)
Additional leases - not included in 2018-19	389
Finance lease liability recognised as at 30 June 2019	<b>2,717</b>
- Recognition exemption for:	
short-term leases	643
leases of low-value assets	89
- Extension and termination options reasonably certain to be exercised	-
- Residual value guarantees	-
- Lease liabilities recognised as at 1 July 2019	<b>1,985</b>

## Note 6 Assets we manage

	2020	2019
	\$'000	\$'000
<b>Note 6.1 Non-current assets classified as held for sale</b>		
Plant and equipment	-	14
<b>Total non-current assets classified as held for sale</b>	<b>-</b>	<b>14</b>

A non-current asset classified as held for sale is 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, 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 is expected to be completed within 12 months from the date of classification.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6 Assets we manage (continued)

## Note 6.2 Property, infrastructure, plant and equipment

## Summary of property, infrastructure, plant and equipment

	At cost/fair value 30 June 2019	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At cost/fair value 30 June 2020
Property	540,233	13,051	12	-	(9,583)	(725)	6,581	549,569
Plant and equipment	12,395	4,041	-	-	(1,986)	(421)	-	14,029
Infrastructure	474,348	15,448	1,285	2,144	(18,081)	(7,543)	14,275	481,876
Work in progress	35,484	27,820	-	-	-	-	(23,581)	39,723
<b>Total</b>	<b>1,062,460</b>	<b>60,360</b>	<b>1,297</b>	<b>2,144</b>	<b>(29,650)</b>	<b>(8,689)</b>	<b>(2,725)</b>	<b>1,085,197</b>

## Summary of Work in Progress (WIP)

	Opening WIP 1 July 2019	Additions	Transfers	project expenditure reclassification	Closing WIP 30 June 2020
Property	10,288	6,397	(8,123)	-	8,562
Plant and equipment	11	965	-	-	976
Infrastructure	25,185	20,458	(15,458)	-	30,185
<b>Total</b>	<b>35,484</b>	<b>27,820</b>	<b>(23,581)</b>	<b>-</b>	<b>39,723</b>

Yarra Ranges Shire Council

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 6 Assets we manage (continued)****Note 6.2 Property, infrastructure, plant and equipment (continued)**

Note	Adjusted opening balance			Movements in fair value						Movements in accumulated depreciation					Closing balance		
	At cost / fair value 1 July 2019	Accumulated depreciation at 1 July 2019	Written down value at 1 July 2019	Acquisition of assets	Contributed assets	Revaluation increments / decrements	Cost / fair value of assets disposed	Transfers	Total	Depreciation and amortisation	Revaluation increments / decrements	Accumulated depreciation of disposals	Transfers	Total	At cost / fair value 30 June 2020	Accumulated depreciation at 30 June 2020	Written down value at 30 June 2020
	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	
Land and Buildings at Fair Value																	
Land																	
Land - specialised	313,817	-	313,817	-	12	-	-	-	12	-	-	-	-	-	313,829	-	313,829
Land - non specialised	32,132	-	32,132	-	-	-	-	-	-	-	-	-	-	-	32,132	-	32,132
Land – other controlled	26,023	-	26,023	-	-	-	-	-	-	-	-	-	-	-	26,023	-	26,023
Land improvements	9,144	(4,627)	4,517	96	-	-	-	(2,563)	(2,467)	(310)	-	-	989	679	6,677	(3,948)	2,729
Total land	381,116	(4,627)	376,489	96	12	-	-	(2,563)	(2,455)	(310)	-	-	989	679	378,661	(3,948)	374,713
Buildings																	
Heritage buildings	5,432	-	5,432	-	-	-	-	-	-	(130)	-	-	-	(130)	5,432	(130)	5,302
Buildings - specialised	150,505	(4)	150,501	12,271	-	-	(3,732)	8,155	16,694	(8,612)	-	3,007	-	(5,605)	167,199	(5,609)	161,590
Buildings - non specialised	5,675	(2,130)	3,545	-	-	-	-	-	-	(92)	-	-	-	(92)	5,675	(2,222)	3,453
Building improvements	4,441	(1,450)	2,991	684	-	-	-	-	684	(378)	-	-	-	(378)	5,125	(1,828)	3,297
Leasehold improvements	1,819	(544)	1,275	-	-	-	-	-	-	(61)	-	-	-	(61)	1,819	(605)	1,214
Total buildings	167,872	(4,128)	163,748	12,955	-	-	(3,732)	8,155	17,378	(9,273)	-	3,007	-	(6,266)	185,250	(10,394)	174,856
Work in progress	10,288	-	10,288	6,397	-	-	-	(8,123)	(1,726)	-	-	-	-	-	8,562	-	8,562
Total land and buildings	559,276	(8,755)	550,521	19,448	12	-	(3,732)	(2,531)	13,197	(9,583)	-	3,007	989	(5,587)	572,473	(14,342)	558,131
Plant and equipment at cost																	
Plant, machinery and equipment	15,894	(8,439)	7,455	2,978	-	-	(2,471)	-	507	(1,543)	-	2,050	-	507	16,401	(7,932)	8,469
Fixtures, fittings and furniture	2,515	(1,858)	657	583	-	-	-	-	583	(185)	-	-	-	(185)	3,098	(2,043)	1,055
Computers and telecomms	2,815	(2,359)	456	442	-	-	-	-	442	(258)	-	-	-	(258)	3,257	(2,617)	640
Work in progress	11	-	11	965	-	-	-	-	965	-	-	-	-	-	976	-	976
Total plant and equipment	21,235	(12,656)	8,579	4,968	-	-	(2,471)	-	2,497	(1,986)	-	2,050	-	64	23,732	(12,592)	11,140
Infrastructure at fair value																	
Roads (See note below*)	381,290	(170,019)	211,271	4,030	842	-	(4,863)	7,166	7,175	(8,184)	-	3,001	-	(5,183)	388,465	(175,202)	213,263
Footpaths and cycleways	77,935	(46,059)	31,876	1,074	30	3,227	(1,697)	1,917	4,551	(1,515)	(1,083)	1,391	186	(1,021)	82,486	(47,080)	35,406
Drainage	231,588	(100,675)	130,913	1,035	222	-	(471)	1,262	2,048	(2,880)	-	217	-	(2,663)	233,636	(103,338)	130,298
Bridges	35,647	(16,878)	18,769	221	-	-	(2,253)	1,696	(336)	(482)	-	1,242	(879)	(119)	35,311	(16,997)	18,314
Recreational, leisure and Community	93,724	(48,604)	45,120	5,197	191	-	(1,548)	(6,837)	(2,997)	(3,055)	-	1,086	4,309	2,340	90,727	(46,264)	44,463
Parks, open space and streetscapes	20,475	(9,656)	10,819	3,344	-	-	(5,370)	9,849	7,823	(858)	-	1,759	(4,605)	(3,704)	28,298	(13,360)	14,938
Off street car parks	28,153	(8,860)	19,293	172	-	-	(52)	211	331	(678)	-	15	-	(663)	28,484	(9,523)	18,961
Other Infrastructure	12,883	(6,596)	6,287	375	-	-	-	-	375	(429)	-	-	-	(429)	13,258	(7,025)	6,233
Work in progress	25,185	-	25,185	20,458	-	-	-	(15,458)	5,000	-	-	-	-	-	30,185	-	30,185
Total infrastructure	906,680	(407,347)	499,533	35,906	1,285	3,227	(16,254)	(194)	23,970	(18,081)	(1,083)	8,711	(989)	(11,442)	930,850	(418,789)	512,061
Other																	
Other	3,827	-	3,827	38	-	-	-	-	38	-	-	-	-	-	3,865	-	3,865
Total other	3,827	-	3,827	38	-	-	-	-	38	-	-	-	-	-	3,865	-	3,865
Total	1,491,218	(428,758)	1,062,460	60,360	1,297	3,227	(22,457)	(2,725)	39,702	(29,650)	(1,083)	13,768	-	(16,965)	1,530,920	(445,723)	1,085,197

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6 Assets we manage (continued)

## Note 6.2 Property, infrastructure, plant and equipment (continued)

**Acquisition**

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

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

**Asset recognition thresholds and depreciation periods**

Major depreciation periods and threshold limits are listed below and are consistent with the prior year unless otherwise stated:

Asset category	Useful lives	Asset threshold limit (\$)
<b>Property</b>		
Land	-	5,000
Land improvements	10-50	1,000
Buildings	50	5,000
Building and leasehold improvements	5-30	1,000 - 5,000
<b>Plant and equipment</b>		
Light plant and equipment	6-10	1,500
Heavy plant and equipment	12	1,500
Motor vehicles	6-8	1,500
Fixtures, fittings and furniture	5-10	1,000
Computers and telecommunication	3-5	1,000
<b>Infrastructure</b>		
Road sub base	100 - 125	5,000
Road base	100 - 135	5,000
Road surface	12-60	5,000
Road treatments	12-30	5,000
Road kerb and channel	50	1,000
Road inventory	30	1,000
Footpaths and cycleways	25-50	1,000
Drainage	50-100	1,000
Bridges	30-120	5,000
Recreational, leisure and community facilities	5-50	1,000
Parks, open space and streetscape	10-50	500
Off street car parks	15-120	1,000
Other infrastructure	25-50	1,000
<b>Intangible assets</b>		
Software	5	10,000
<b>Other</b>		
Art work	-	5,000

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6 Assets we manage (continued)

## Note 6.2 Property, infrastructure, plant and equipment (continued)

**Land under roads**

AASB 1051 - Land Under Roads provides four options (as below) to recognise Land Under Roads:

- (i) recognise all land under roads at fair value (preferred option)
- (ii) recognise all land under roads at (deemed) cost
- (iii) recognise land under roads acquired after 1 July 2008 at fair value
- (iv) recognise land under roads acquired after 1 July 2008 at (deemed) cost

Council has elected to use the option to recognise land under roads acquired after 1 July 2008 at (deemed) cost, which is calculated based on the site value of the municipality per m<sup>2</sup> discounted by 90% for englobo (undeveloped and / or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services.

**Depreciation and amortisation of property, infrastructure, plant and equipment and intangibles**

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

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

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

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

**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 costs are capitalised and depreciated. The carrying value of the replaced asset is expensed.

**Leasehold improvements**

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 30 year period.

**Valuation of land and buildings**

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.

Valuation of Council's land and building has been conducted in June 2019 by Council's qualified independent valuer - Herron Todd White Ltd (Chris Johnson, API Membership Number 62481). Details of Council's land and buildings, information about the fair value hierarchy as at 30 June 2020 and the date of the latest valuation is detailed in the following table.

	Level 1	Level 2	Level 3	Date of
	\$'000	\$'000	\$'000	Valuation
<b>Property</b>				
Land	-	32,132		06/19
Specialised land	-	-	339,852	06/19
Land improvements	-	-	2,729	06/16
Heritage buildings	-	-	5,302	06/19
Buildings	-	3,453	161,590	06/19
Building improvements	-	-	3,297	N/A
Leasehold improvements	-	-	1,214	N/A
<b>Total</b>	<b>-</b>	<b>35,585</b>	<b>513,984</b>	

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6 Assets we manage (continued)

## Note 6.2 Property, infrastructure, plant and equipment (continued)

## Valuation of infrastructure

Council's footpath and cycleways assets were valued at June 2020. Council's Roads assets were valued at June 2019. A valuation of Council's other infrastructure assets was conducted as set out below at fair value based on replacement cost (Greenfields approach) less accumulated depreciation as at the date of valuation. Details of Council's infrastructure, information about the fair value hierarchy as at 30 June 2020 and the date of the current valuation is detailed in the following table:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Roads			213,263	06/19
Footpaths and cycleways			35,406	06/20
Drainage			130,298	06/16
Bridges			18,314	06/16
Recreational, leisure and community			44,463	06/18
Parks, open space and streetscapes			14,938	06/16
Off street car parks			18,961	06/16
Other infrastructure			6,233	06/16
<b>Total</b>	-	-	<b>481,876</b>	

**Description of significant unobservable inputs into level 3 valuations:**

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$1,442 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 cost is calculated on a square metre basis and ranges from \$5 and \$9,195 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year to 50 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 135 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

**Reconciliation of specialised land**

	2020 \$'000	2019 \$'000
Land under roads	200	188
Parks and reserves	339,652	339,652
<b>Total specialised land</b>	<b>339,852</b>	<b>339,840</b>

## Valuation of Art Work

Council's Art Work assets, included in the asset class 'Other', have been valued as at 30 June 2019. The valuation was conducted by Simon Storey Valuers.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6 Assets we manage (continued)

	Note	2020 \$'000	2019 \$'000
<b>Note 6.3 Investments in associates, joint arrangements and subsidiaries</b>			
Investments in Associates accounted for using the equity method are:			
Eastern Regional Library Corporation		5,139	4,899
<b>Total investment in associates</b>		<b>5,139</b>	<b>4,899</b>
On 1 July 1996 the Eastern Regional Library Corporation (ERL) commenced operations. Yarra Ranges Shire Council recognises its interest in the net assets of the ERL as an investment in accordance with AASB 128 'Investments in Associates'. In 2020 Council's interest was 38.72% of net assets (2019 38.72%). This is based on the audited statements of the ERL.			
<b>Fair Value in Council's investment in Eastern Regional Library</b>		<b>5,139</b>	<b>4,899</b>
<b>Council's share of accumulated surplus / (deficit)</b>			
Council's share of accumulated surplus at start of year		4,899	4,706
Reported surplus for year		240	193
<b>Council's share of accumulated surplus at end of year</b>		<b>5,139</b>	<b>4,899</b>
<b>Movement in carrying value of specific investment:</b>			
Carrying value of investment at start of year		4,899	4,706
Share of surplus for year		240	193
<b>Carrying value of investment at end of year</b>		<b>5,139</b>	<b>4,899</b>
<b>Council's share of expenditure commitments:</b>			
Lease commitments		117	233
<b>Total commitments</b>		<b>117</b>	<b>233</b>

Associates are all entities over which Council has significant influence but not control or joint control. Council's investment in associates is accounted for by the equity method as Council has the ability to influence rather than control the operation of the entity. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in Council's share of the net assets of the entity. Council's share of the financial result of the entity is recognised in the Comprehensive Income Statement.



## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7. People and relationships

## Note 7.1 Council and key management remuneration

## (a) Related parties

*Subsidiaries and Associates*

Interests in subsidiaries and 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**

Richard Higgins	1 July 2019 to 30 June 2020. Mayor 12 November 2019 to 30 June 2020.
Tony Stevenson	1 July 2019 to 30 June 2020. Mayor 1 July 2019 to 12 November 2019.
Len Cox	1 July 2019 to 30 June 2020
Noel Cliff	1 July 2019 to 30 June 2020
Jim Child	1 July 2019 to 30 June 2020
Terry Avery	1 July 2019 to 30 June 2020
Fiona McAllister	1 July 2019 to 30 June 2020
Mike Clarke	1 July 2019 to 30 June 2020
Tim Heenan	1 July 2019 to 30 June 2020
Chief Executive Officer	1 July 2019 to 30 June 2020
Director Corporate Services	1 July 2019 to 30 June 2020
Director Communities	14 January 2020 to 30 June 2020
Director Planning, Design and Development	09 December 2019 to 30 June 2020
Director Environment and Infrastructure	1 July 2019 to 30 June 2020
Director Social and Economic Development	1 July 2019 to 13 January 2020

	2020	2019
	No	No
Total Number of Councillors	9	9
Total of Chief Executive Officer and other Key Management Personnel (See note below *)	6	4
<b>Total key management personnel</b>	<b>15</b>	<b>13</b>

\* In 2019-20, Council created an additional directorate to better serve the community. The directorate of Social and Economic Development was split and directorates of Communities and Planning, Design and Development were created.

## (c) Remuneration of key management personnel

Total remuneration of key management personnel was as follows:

Short-term benefits	1,616	1,443
Post-employment benefits	146	121
Termination benefits	-	-
Long-term benefits	29	13
<b>Total (See note below #)</b>	<b>1,791</b>	<b>1,577</b>

# This includes \$130k (\$266k in 2018-19) paid to senior officers, identified as key management personnel, when they acted as Directors for the period as specified in the note 7(b) above.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7. People and relationships (continued)

## Note 7.1 Council and key management remuneration (continued)

## (c) Remuneration of key management personnel continued

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

	2020	2019
	No	No
\$0 - \$9,999	-	1
\$10,000 - \$19,999	-	2
\$30,000 - \$39,999	7	7
\$50,000 - \$59,999	1	1
\$60,000 - \$69,999	1	1
\$70,000 - \$79,999	1	-
\$80,000 - \$89,999	1	2
\$110,000 - \$119,999	1	-
\$130,000 - \$139,999	1	1
\$160,000 - \$169,999	2	1
\$210,000 - \$219,999	-	1
\$280,000 - \$289,999	-	2
\$300,000 - \$310,999	1	-
\$390,000 - \$399,999	1	-
<b>Total</b>	<b>17</b>	<b>19</b>

## (d) Senior officers remuneration

A Senior Officer, other than a key management personnel, is an officer of Council who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000 (2019: \$148,000)

The number of Senior Officers, other than the key management personnel, are shown below in their relevant income bands:

	2020	2019
Income range	No	No
\$148,000 - \$149,999	-	-
\$150,000 - \$159,999	9	3
\$160,000 - \$169,999	6	2
\$170,000 - \$179,999	3	5
\$180,000 - \$189,999	2	1
\$190,000 - \$199,999	4	2
\$250,000 - \$259,999	-	1
<b>Total</b>	<b>24</b>	<b>14</b>

In 2018-19, there was significant turnover of management personnel. As a result the number of senior officers that earned higher than the remuneration threshold was less when compared to 2019-20.

	2020	2019
	\$'000	\$'000
<b>Total remuneration for the reporting year for senior officers included above, amounted to (see note below *)</b>	<b>4,050</b>	<b>2,488</b>

\* This includes \$130k (\$266k in 2018-19) paid to senior officers, identified as key management personnel, which has also been included under Key Management Personnel remuneration.

Yarra Ranges Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7. People and relationships (continued)

### Note 7.2 Related party disclosures

#### (a) Transactions with related parties

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with related parties.

#### (b) Outstanding balances with related parties

There were no outstanding balances with related parties.

#### (c) Loans to/from related parties

No loan transactions were entered by Council with related parties.

#### (d) Commitments to/from related parties

There were no commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party other than those related to the employment contracts of Key Management Personnel.

## Yarra Ranges Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Managing uncertainties

#### Note 8.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

##### (a) Contingent assets

###### Subdivisions

There are 2 major subdivisions and other developments underway as at 30 June 2020, from which Council will receive certain assets. The maintenance of these assets will become Council's responsibility once control has passed to Council.

##### (b) Contingent liabilities

###### Defined benefits superannuation fund

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

###### Insurance

As a local authority with ownership of numerous parks, reserves, roads and other land holdings, Council regularly receives claims and demands allegedly arising from incidents which occur on land belonging to Council. There are 11 outstanding claims as at 30 June 2020 against Council in this regard currently lodged with our liability insurer. Council carries \$600 million of public liability insurance and had a deductible of \$50,000 in 2019-20. The accumulated deductible liabilities are \$300,000 as the maximum liability of Council in any single claim is the extent of its outstanding (unpaid) deductible. The primary insurer is MAV Insurance. There are no claims of which Council is aware which would fall outside the terms of Council's policy.

###### Bank guarantees

The amount disclosed for financial guarantee in this note is the outstanding amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee. As at 30 June 2020, Council has provided bank guarantees for community groups totalling \$21,172 (2019: \$61,990). The bank guarantees are secured via a mortgage over Council rates. At balance date Council has received assurances from the clubs that they are continuing to meet all repayments in accordance with the requirements of the loan agreement.

Community organisation	Financial institution	Purpose	Original loan amount	Amount outstanding 30 June 2020	Year loan commenced
Montrose Football Club	Bendigo Bank	Assist with development of club	25,000	21,172	2014-2015
			25,000	21,172	

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.

###### Eastern Regional Waste Management Group – Provision for Rehabilitation of Narre Warren Landfill

Yarra Ranges Shire Council is a member of the Narre Warren Landfill User Group (NWUG) which has created a provision for the site rehabilitation at Narre Warren landfill. Yarra Ranges Shire Council has shared responsibility with the other members of the NWUG for the rehabilitation works. If costs exceed the provision, additional funding may be required as a contribution from the member councils of the former Eastern Regional Waste Management Group (Least Waste) who managed the works on behalf of NWUG. As of 30 June 2020, NWUG held \$1,715,274.55 (2019: \$1,863,621.79) in trust for future liabilities. If this amount is insufficient to cover the liability, Council's share of the additional liability will be limited to 3.68%. The landfill rehabilitation works are complete and have been handed back to City Of Casey. There was no financial contribution made for the 2019-20 financial year.

#### Note 8.2 Change in accounting standards

The following new Australian Accounting Standards have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

*AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)*

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no material impact on the transactions and balances recognised in the financial statements.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Managing uncertainties (continued)

## Note 8.2 Change in accounting standards (continued)

*AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)*

The Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

*AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)*

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

## Note 8.3 Financial instruments

## (a) Objectives and policies

Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes 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. Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

**Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. 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. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating interest rates (on call investment account).

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. Council manages 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 Council's year end result.

## (c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council has exposure to credit risk on some financial assets included in the Balance Sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as receivables from sporting clubs and associations.

To help manage this risk Council:

- has a policy for establishing credit limits for the entities we deal with;
- may require collateral where appropriate; and
- only invests 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 Council's financial assets is minimal because the main rates debtors are secured by charges over the rateable property.

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

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Managing uncertainties (continued)

## Note 8.3 Financial instruments (continued)

## (c) Credit risk (continued)

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

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

## (d) Liquidity risk

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

To help reduce these risks Council:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis; and
- sets limits on borrowings in line with its borrowing strategy specified in the Long Term Financial Plan.

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 (b), 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. However, Council has changed its rating strategy to meet the rate cap and presents challenges to liquidity in future years.

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

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

## (e) Sensitivity disclosure analysis

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

A parallel shift of +1% and -0.5% in market rates (AUD) from year-end cash rates of 1% as published by the Reserve Bank of Australia.

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

## 8.4 Fair value measurement

*Fair value hierarchy*

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

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

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

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

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

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

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

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

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

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Managing uncertainties (continued)

## Note 8.4 Fair value measurement (continued)

*Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, 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. Further details regarding the fair value hierarchy are disclosed at Note 6.2 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis, ranging from 2 to 5 years. Art works are revalued every five years. The valuation is performed either by experienced council officers or independent experts.

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

*Impairment of assets*

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

## Note 8.5 Natural disasters

In 2019-20 Yarra Ranges was affected by storms and floods which resulted in an increase in expenditure, particularly contractors and materials and services. The asset restoration works for the assets affected by these events were completed in 2019-20. The claims relating to some of these events were lodged with the Department of Treasury and Finance (DTF) in 2019-20 and the claims approved by DTF have been recognised as income in 2019-20.

	2020	2019
	\$'000	\$'000
Expenditure incurred is as follows:		
Contractors	146	240
Employee costs	11	3
General materials and services	-	-
<b>Total natural disaster events</b>	<b>157</b>	<b>243</b>

Grant funding assistance received for natural disaster events are disclosed in note 3.4.

## Note 8.6 Events occurring after balance date

The Covid-19 pandemic has had a significant impact on the operations of Council. In line with government restrictions, Council closed a number of facilities and reduced service delivery. The financial impact of these closures has been reflected in the results for 2019-20 and appropriate commentary appears throughout the annual financial and performance statements. In response to the challenges facing our community, Council has provided relief and support including accelerating payments to suppliers, extending payment dates, suspending charging of penalty interest for overdue rates for those facing hardship, expanding the eligibility criteria of ratepayers to access its Hardship Policy and rental relief for some businesses and organisations renting a Council building. We do not believe that these measures will have a material effect on Council's overall financial sustainability going forward.

During June 2020 the Government restrictions began to ease and our facilities began planning for a return to normal service delivery. In July 2020 the government reported on a second wave and announced further restrictions. Those restrictions have again impacted on our service delivery and resulted in the temporary closure of some facilities such as Community Links, libraries, playgrounds and cultural venues. Services deemed as non-essential have been pared back to a bare minimum, and these include mowing sports fields, roadsides and parks. Other activities including new plantings, mulching of garden beds, road sealing and footpath replacements will be stopped until stage four restrictions are eased.

Due to the significant uncertainty surrounding the Covid-19 second wave and the government's response to this, it is not possible to estimate the full impact on Council's operations, financial position and cashflows at this point in time. We do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of the Covid-19 second wave at this time.

Council will continue to monitor the non-financial and financial impacts of Covid-19 on its operations, and has put in place various mitigation strategies, including discretionary savings and freezing of recruitment of non-essential vacant positions to ensure we will remain a going concern.

The financial statements have been prepared based upon conditions existing as at 30 June 2020, and considering those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting period.

As the second wave of Covid-19 occurred after 30 June 2020 its impact is considered an event that is indicative of conditions that arose after the reporting period, and as such, no adjustments have been made to the financial statement balances as at 30 June 2020 for any further impacts.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Other matters

## Note 9.1 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
<b>(a) Asset revaluation reserve</b>			
<b>2020</b>			
<b>Property</b>			
Land	273,510	-	273,510
Land improvements	1,716	-	1,716
Buildings	51,064	-	51,064
<b>Total property</b>	<b>326,290</b>	<b>-</b>	<b>326,290</b>
<b>Infrastructure</b>			
Roads	114,364	-	114,364
Footpaths and cycleways	11,810	2,144	13,954
Drainage	58,254	-	58,254
Recreational, leisure and community facilities	18,609	-	18,609
Parks, open space and streetscape	2,110	-	2,110
Off-street car parks	12,277	-	12,277
Other infrastructure	1,985	-	1,985
Bridges	7,461	-	7,461
<b>Total infrastructure</b>	<b>226,870</b>	<b>2,144</b>	<b>229,014</b>
<b>Total other</b>	<b>1,951</b>	<b>-</b>	<b>1,951</b>
<b>Total asset revaluation reserve</b>	<b>555,111</b>	<b>2,144</b>	<b>557,255</b>
<b>2019</b>			
<b>Property</b>			
Land	262,893	10,617	273,510
Land improvements	1,716	-	1,716
Buildings	42,107	8,957	51,064
<b>Total property</b>	<b>306,716</b>	<b>19,574</b>	<b>326,290</b>
<b>Infrastructure</b>			
Roads	123,249	(8,885)	114,364
Footpaths	11,810	-	11,810
Drainage	58,254	-	58,254
Recreational, leisure and community facilities	18,609	-	18,609
Parks, open space and streetscape	2,110	-	2,110
Off-street car parks	12,277	-	12,277
Other infrastructure	1,985	-	1,985
Bridges	7,461	-	7,461
<b>Total infrastructure</b>	<b>235,755</b>	<b>(8,885)</b>	<b>226,870</b>
<b>Total other</b>	<b>620</b>	<b>1,331</b>	<b>1,951</b>
<b>Total asset revaluation reserve</b>	<b>543,091</b>	<b>12,020</b>	<b>555,111</b>

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



## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Other matters (continued)

## Note 9.1 Reserves (continued)

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>				
<b>2020</b>				
Public open space / development of recreational land	10,970	1,750	(3,834)	8,886
<b>Total other reserves</b>	<b>10,970</b>	<b>1,750</b>	<b>(3,834)</b>	<b>8,886</b>

**2019**

Public open space / development of recreational land	10,983	1,806	(1,819)	10,970
<b>Total other reserves</b>	<b>10,983</b>	<b>1,806</b>	<b>(1,819)</b>	<b>10,970</b>

The Public Open Space Reserve was established to control contributions received from developers that will, upon completion of developments, be utilised to develop recreation and other facilities for residents in the respective development areas.

	<b>2020</b> \$'000	<b>2019</b> \$'000
<b>Summary of reserves</b>		
Asset revaluation reserve	557,255	555,111
Other reserves	8,886	10,970
<b>Total reserves</b>	<b>566,141</b>	<b>566,081</b>

## Note 9.2 Reconciliation of cash flows from operating activities to surplus / (deficit)

	<b>2020</b> \$'000	<b>2019</b> \$'000
Surplus / (deficit) for the period	13,125	25,081
Depreciation and amortisation	30,605	27,667
Loss on disposal of property, plant and equipment and infrastructure	7,846	2,792
Contributions – non-monetary assets	(1,297)	(1,158)
Project expenditure reclassification	2,725	1,442
Finance costs	881	937
Bad debts written off	116	440
Movement in investment in Eastern Regional Library Corporation	(240)	(193)
<b>Change in assets and liabilities:</b>		
Increase / (decrease) in trade and other payables	(1,967)	(1,036)
(Increase) / decrease in trade and other receivables	(971)	(604)
(Increase) / decrease in other assets	(3,572)	(766)
Increase / (decrease) in trust funds	571	86
Increase / (decrease) in provisions	1,128	611
<b>Net cash provided by operating activities</b>	<b>48,950</b>	<b>55,299</b>

## Yarra Ranges Shire Council

# Notes to the Financial Statements

for the year ended 30 June 2020

### Note 9. Other matters (continued)

#### Note 9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Super), *'the Fund'*. This fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

Council also makes employer superannuation contributions to various other funds of employees' choice. Obligations for contribution to these funds are recognised as an expense in the Comprehensive Income Statement when they are due.

##### Accumulation

*The Fund's* accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee legislation).

##### Defined benefits fund

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 Yarra Ranges 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 is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 6% pa

Salary inflation 3.5% pa

Price inflation (CPI) 2% pa

Vision Super has advised that the VBI at June 2020 quarter end was 104.6%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 interim 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.

##### Regular contributions

On the basis of the results of the 2017 full 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 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). 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 Yarra Ranges 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.

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Other matters (continued)

## Note 9.3 Superannuation (continued)

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

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

## 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and the last full actuarial investigation was conducted as at 30 June 2017.

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

	2019	2017
	\$m	\$m
A VBI surplus	\$151.30	\$69.80
A total service liability surplus	\$233.40	\$193.50
A discounted accrued benefits surplus	\$256.70	\$228.80

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 2019.

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 2019.

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 2019.

Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

## 2020 interim actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020.

	2020	2017
	Triennial investigation	Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.50 % pa for the first two years and 2.75%pa thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

## Yarra Ranges Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10. Change in accounting policy

Council has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

**(a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption**

*AASB 15 Revenue from Contracts with Customers* applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted *AASB 15 Revenue from Contracts with Customers* using the modified (cumulative catch up) method. Revenue for 2019 as reported under *AASB 118 Revenue* is not adjusted, because the new standard is only applied from the date of initial application.

*AASB 15 Revenue from Contracts with Customers* requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

**(b) AASB 16 Leases**

*AASB 16 Leases* requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

**(c) AASB 1058 Income of Not-for-Profit Entities**

*AASB 1058 Income of Not-for-Profit Entities* applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted *AASB 1058 Income of Not-for-Profit Entities* using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

*AASB 1058 Income of Not-for-Profit Entities* requires income to be recognised as Council satisfies the performance obligations under the contract.

**(d) Transition Impacts**

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019.

	<b>2019 \$'000</b>
Retained earnings at 30 June 2019	546,425
Revenue adjustment - impact of <i>AASB 15 Revenue from Contracts with Customers</i>	(2,900)
Revenue adjustment - impact of <i>AASB 1058 Income of Not-for-Profit Entities</i>	(12,113)
Retained earnings at 1 July 2019	<u>531,412</u>

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of *AASB 16 Leases*.

The following table summarises the impacts of transition to the new standards on Council's balance sheet for the year ending 30 June 2019.

	<b>As reported 30 June 2019 \$'000</b>	<b>Adjustments \$'000</b>	<b>Post adoption \$'000</b>
<b>Assets</b>			
Right of use assets	-	1,985	1,985
Grants receivable	-	-	-
	<u>-</u>	<u>1,985</u>	<u>1,985</u>
<b>Liabilities</b>			
Unearned income - operating grants	-	(2,900)	(2,900)
Unearned income - capital grants	-	(12,113)	(12,113)
Lease liability - current	-	(450)	(450)
Lease liability - non-current	-	(1,535)	(1,535)
	<u>-</u>	<u>(16,998)</u>	<u>(16,998)</u>