

Mansfield Shire Council

ANNUAL FINANCIAL REPORT
for the year ended 30 June 2023



Mansfield Shire

Annual Financial Report

for the year ended 30 June 2023

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Certification of the Financial Statements

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

Julie Williams

**General Manager Business & Economic
Development**

5 December 2023

33 Highett Street, Mansfield Vic 3722

In our opinion, the accompanying financial statements present fairly the financial transactions of Mansfield Shire Council for the year ended 30 June 2023 and the financial position of the Council as at that date.

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

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

James Tehan

Councillor

5 December 2023

33 Highett Street, Mansfield Vic 3722

Mark Holcombe

Councillor

5 December 2023

33 Highett Street, Mansfield Vic 3722

Kirsten Alexander

Chief Executive Officer

5 December 2023

33 Highett Street, Mansfield Vic 3722

Annual Financial Report
for the year ended 30 June 2023

Victorian Auditor-General's Office Report

Insert VAGO Report here

Annual Financial Report
for the year ended 30 June 2023

Victorian Auditor-General's Office Report (continued)

Insert VAGO Report here

Comprehensive Income Statement

for the year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Income / Revenue			
Rates and charges	3.1	16,744	15,132
Statutory fees and fines	3.2	568	479
User fees	3.3	1,000	1,295
Grants - operating	3.4	7,443	7,758
Grants - capital	3.4	787	1,609
Contributions - monetary	3.5	200	102
Contributions - non monetary	3.5	2,785	3,124
Other income	3.7	1,059	370
Total income / revenue		30,586	29,869
Expenses			
Employee costs	4.1	11,001	10,934
Materials and services	4.2	9,980	9,467
Depreciation	4.3	4,082	4,041
Amortisation - Right of use assets	4.4	66	54
Bad and doubtful debts - allowance for impairment losses	4.6	6	-
Borrowing costs	4.5	208	100
Net loss on disposal of property, infrastructure, plant and equipment	3.6	972	400
Other expenses	4.6	356	331
Total expenses		26,671	25,327
Surplus/(deficit) for the year		3,915	4,542
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.1	15,615	15,409
Total items which will not be reclassified subsequently to the operating result		15,615	15,409
Total other comprehensive income		15,615	15,409
Total comprehensive result		19,530	19,951

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

Balance Sheet

as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Assets			
Current assets			
Cash and cash equivalents	5.1	4,012	8,637
Trade and other receivables	5.1	1,901	3,005
Other financial assets	5.1	16,370	7,317
Inventories	5.2	12	25
Other assets	5.2	271	130
Total current assets		22,566	19,114
Non-current assets			
Trade and other receivables	5.1	–	9
Property, infrastructure, plant and equipment	6.1	252,701	231,316
Right-of-use assets	5.8	3,227	3,265
Total non-current assets		255,928	234,590
Total assets		278,494	253,704
Liabilities			
Current liabilities			
Trade and other payables	5.3	3,193	1,663
Trust funds and deposits	5.3	1,050	1,419
Unearned income/revenue	5.3	5,097	2,128
Provisions	5.5	1,917	1,937
Interest-bearing liabilities	5.4	484	416
Total current liabilities		11,741	7,563
Non-current liabilities			
Provisions	5.5	1,974	1,006
Interest-bearing liabilities	5.4	4,067	3,953
Total non-current liabilities		6,041	4,959
Total liabilities		17,782	12,522
Net assets		260,712	241,182
Equity			
Accumulated surplus		84,488	81,445
Reserves	9.1	176,224	159,737
Total Equity		260,712	241,182

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

Statement of Changes in Equity

for the year ended 30 June 2023

	Note	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
2023					
Balance at beginning of the financial year		241,182	81,445	159,738	(1)
Surplus/(deficit) for the year		3,915	3,915	–	–
Other comprehensive income					
Net asset revaluation increment	6.1	15,615	–	15,615	–
Other comprehensive income		15,615	–	15,615	–
Total comprehensive income		19,530	3,915	15,615	–
Transfers to other reserves	9.1(b)	–	(872)	–	872
Transfers from other reserves	9.1(b)	–	–	–	–
Balance at end of the financial year		260,712	84,488	175,353	871
2022					
Balance at beginning of the financial year		221,231	76,634	144,329	268
Surplus/(deficit) for the year		4,542	4,542	–	–
Other comprehensive income					
Net asset revaluation increment	6.1	15,409	–	15,409	–
Other comprehensive income		15,409	–	15,409	–
Total comprehensive income		19,951	4,542	15,409	–
Transfers to other reserves	9.1(b)	–	332	–	(332)
Transfers from other reserves	9.1(b)	–	(63)	–	63
Balance at end of the financial year		241,182	81,445	159,738	(1)

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

Statement of Cash Flows

for the year ended 30 June 2023

	Notes	2023 Inflows/ (Outflows) \$ '000	2022 Inflows/ (Outflows) \$ '000
Cash flows from operating activities			
Statutory fees and fines		568	479
Other receipts		1,384	393
Rates and charges		16,880	15,029
User fees		1,000	1,295
Grants - operating		10,365	8,103
Grants - capital		834	1,804
Contributions - monetary		200	102
Interest received		531	65
Trust funds and deposits taken		(369)	58
Employee costs		(10,950)	(11,002)
Materials and services		(8,461)	(9,784)
Short-term, low value and variable lease payments		(3)	(8)
Other payments		543	98
Net cash provided by/(used in) operating activities	9.2	<u>12,522</u>	<u>6,632</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(8,040)	(7,876)
Proceeds from sale of property, infrastructure, plant and equipment		-	160
Payments for investments		(9,053)	-
Proceeds from sale of investments		-	2,991
Net cash provided by/(used in) investing activities		<u>(17,093)</u>	<u>(4,725)</u>
Cash flows from financing activities			
Finance costs		(208)	(100)
Proceeds from borrowings		182	2,439
Repayment of lease liabilities		(28)	(1,641)
Net cash flow provided by/(used in) financing activities		<u>(54)</u>	<u>698</u>
Net Increase (decrease) in cash and cash equivalents		<u>(4,625)</u>	<u>2,605</u>
Cash and cash equivalents at the beginning of the financial year		<u>8,637</u>	<u>6,032</u>
Cash and cash equivalents at the end of the financial year		<u>4,012</u>	<u>8,637</u>

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

Statement of Capital Works

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Property		
Land	144	1,305
Total land	<u>144</u>	<u>1,305</u>
Buildings	891	495
Total buildings	<u>891</u>	<u>495</u>
Total property	<u>1,035</u>	<u>1,800</u>
Plant and equipment		
Plant, machinery and equipment	499	503
Fixtures, fittings and furniture	–	–
Computers and telecommunications	5	35
Library books	31	93
Total plant and equipment	<u>535</u>	<u>631</u>
Infrastructure		
Roads	5,513	4,745
Bridges	252	372
Footpaths and cycleways	75	63
Drainage	100	36
Recreational, leisure and community facilities	265	227
Off street car parks	108	–
Total infrastructure	<u>6,313</u>	<u>5,443</u>
Total capital works expenditure	<u>7,883</u>	<u>7,874</u>
Represented by:		
New asset expenditure	410	1,327
Asset renewal expenditure	5,174	4,251
Asset upgrade expenditure	2,299	2,296
Total capital works expenditure	<u>7,883</u>	<u>7,874</u>

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 1. Overview

Introduction

The Mansfield Shire Council was established by an Order of the Governor in Council on 28 October 2002 and is a body corporate.

The Council's main office is located at 33 Highett Street, Mansfield.

Statement of compliance

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

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

Significant accounting policies

1.1 Basis of accounting

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Accounting policies applied are disclosed in sections where the related balance or financial statement matter is disclosed.

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

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

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1.)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1.)
- the determination of employee provisions (refer to Note 5.5.)
- the determination of landfill provisions (refer to Note 5.5.)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- whether or not *AASB 1059 Service Concession Arrangements: Grantors* is applicable
- other areas requiring judgements

Notes to the Financial Statements

for the year ended 30 June 2023

Note 1. Overview (continued)

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

Goods and Services Tax (GST)

Income and expenses are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2. Analysis of our results

Note 2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of 10 percent and \$200,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

	Budget 2023 \$ '000	Actual 2023 \$ '000	Variance \$ '000	Variance %	Ref
2.1.1 Income / Revenue and expenditure					
Income / Revenue					
Rates and charges	16,712	16,744	32	0.19%	
Statutory fees and fines	407	568	161	39.56%	
User fees	749	1,000	251	33.51%	1.
Grants - operating	5,074	7,443	2,369	46.69%	2.
Grants - capital	3,500	787	(2,713)	(77.51)%	3.
Contributions - monetary	40	200	160	400.00%	
Contributions - non monetary	(100)	2,785	2,885	(2,885.00)%	4.
Other income	309	1,059	750	242.72%	5.
Total income / revenue	26,691	30,586	3,895	14.59%	
Expenses					
Employee costs	10,950	11,001	(51)	(0.47)%	
Materials and services	7,904	9,980	(2,076)	(26.27)%	6.
Depreciation	4,331	4,082	249	5.75%	7.
Amortisation - right of use assets	-	66	(66)	-	
Bad and doubtful debts - allowance for impairment losses	-	6	(6)	-	
Borrowing costs	170	208	(38)	(22.35)%	
Net loss on disposal of property, infrastructure, plant and equipment	-	972	(972)	-	8.
Other expenses	351	356	(5)	(1.42)%	
Total expenses	23,706	26,671	(2,965)	(12.51)%	
Surplus/(deficit) for the year	2,985	3,915	930	31.16%	

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

(i) Explanation of material variations

Variance Ref	Explanation
--------------	-------------

- | | |
|----|---|
| 1. | User Fees income higher than budget result largely reflects increased General Fees, Inspection and Permit Fees, and Resource Recovery Centre Admission Fees. |
| 2. | Victorian Grants Commission income was paid 100% upfront for the 2023/24 year, whereas the budget assumed 75%. This resulted in \$0.8m unbudgeted grant income received. Council also delivered \$1.8m of projects funded from unbudgeted non-recurrent grant revenue received in the current year or carried over funding from prior years, with the majority of funds received from the State Government. |
| 3. | \$0.6m of the Heritage Facility \$1.3m budget was received in the prior year and the remaining \$0.7m will be received in the 2023-24 financial year. Capital works on the Heavy Vehicle Alternative Route project has required the budgeted grant funding of \$1.5m to be moved into the 2023-24 financial year. |
| 4. | Non monetary contributions were not budgeted. This year Council received assets including roads, footpaths, land, pits and pipes relating to three development subdivisions. |
| 5. | Above budget interest income of \$0.45m was received due to higher interest rates and higher than budget investments. Unbudgeted rental income of \$0.15m, resource recovery centre income of \$0.09m and reimbursement of costs of \$0.12m also contributed to the higher than budget other income. |
| 6. | Unbudgeted expenditure included landfills management expenditure not from the provision of \$0.2m and an increase in the provision for future land fill management expenditure of \$1m. Unbudgeted expenditure was incurred across a range of projects related to unbudgeted grant income received during the year. Expenditure in relation to waste management, fuel, insurances, and legal costs were above budget. |
| 7. | Lower depreciation expense reflects a variance in the timing of assets moving into service. |
| 8. | A loss on the disposal of assets was not budgeted. The 2022-23 loss reflects the disposal of road assets under stage 1 of the Heavy Vehicle Alternative Route project. The project requires upgrading of narrow and unsealed roads not suitable for heavy vehicle movement. |

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

	Budget 2023 \$ '000	Actual 2023 \$ '000	Variance \$ '000	Variance %	Ref
2.1.2 Capital works					
Property					
Land	–	144	144	–	
Total land	–	144	144	–	
Buildings	2,036	891	(1,145)	(56.24)%	1.
Total buildings	2,036	891	(1,145)	(56.24)%	
Total property	2,036	1,035	(1,001)	(49.17)%	
Plant and equipment					
Plant, machinery and equipment	665	499	(166)	(24.96)%	
Fixtures, fittings and furniture	15	–	(15)	(100.00)%	
Computers and telecommunications	270	5	(265)	(98.15)%	2.
Library books	–	31	31	–	
Total plant and equipment	950	535	(415)	(43.68)%	
Infrastructure					
Roads	4,339	5,513	1,174	27.06%	3.
Bridges	680	252	(428)	(62.94)%	4.
Footpaths and cycleways	422	75	(347)	(82.23)%	5.
Drainage	1,450	100	(1,350)	(93.10)%	6.
Recreational, leisure and community facilities	413	265	(148)	(35.84)%	
Parks, open space and streetscapes	–	–	–	–	
Off street car parks	632	108	(524)	(82.91)%	7.
Total infrastructure	7,936	6,313	(1,623)	(20.45)%	
Total capital works expenditure	10,922	7,883	(3,039)	(27.82)%	
Represented by:					
New asset expenditure	2,369	410	(1,959)	(82.69)%	
Asset renewal expenditure	5,648	5,174	(474)	(8.39)%	
Asset upgrade expenditure	2,905	2,299	(606)	(20.86)%	
Total capital works expenditure	10,922	7,883	(3,039)	(27.82)%	

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

(i) Explanation of material variations

Variance Ref	Explanation
--------------	-------------

- | | |
|----|---|
| 1. | Heritage Museum construction (grant funded) contract awarded but works delayed to avoid winter and to suit contractor availability. |
| 2. | Timing of expenditure associated with the Digital Transformation Strategy has varied with the amount to be carried into the next financial year. |
| 3. | Timing of expenditure on unsealed and sealed road renewal works varied due to collaborative procurement for the resealing program and wet weather delays to gravel resheeting works from the prior financial year carried forward for completion in 2022-23. |
| 4. | Timing of expenditure on Rifle Butts Road culvert upgrade works has varied due to inclusion in the IMPACT Route (grant funded project). Completion of detailed design and community engagement works for Gooley's Bridge delayed the construction timing, with the amount to be carried forward to next financial year. |
| 5. | Malcolm St shared path works were delayed due to wet weather and final design review of the path location and carried forward to the next financial year for completion. Works in Jamieson were delayed due to wet weather and filming on location and carried forward to next financial year for completion. |
| 6. | Apollo St drainage construction works were delayed due to lack of tender response and carried forward to the next financial year for completion. Drainage works in Brown St Jamieson were delayed due to wet weather and filming on location and carried forward to next financial year for completion. |
| 7. | High St carpark final design and construction works were deferred to enable purchase of a portion of land at 3 Collopy St as an access way to the car park; amount to be carried forward to next financial year. |

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.2 Analysis of Council results by program

2.2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

Business & Performance

Information technology, and finance functions include accounting and reporting, payroll, accounts payable and receivable, property rating, procurement and depreciation costs.

Community & Economic Development

Economic development, tourism and events, library, arts and culture, community development, sport and recreation, customer service and records management.

Community Health & Wellbeing

Community and home care services, maternal and child health, integrated family services, financial counselling and youth services.

Community Safety

Local laws, animal management, environmental health, domestic wastewater, municipal emergency management.

Executive services

Executive Services includes the Chief Executive Officer and executive management.

Field Services

Maintenance and upkeep of Councils parks and open spaces, roads, pathways and fleet.

Governance and Risk

Corporate governance and risk activities including regulatory compliance, insurance, strategic risk management, Councillors and elections, and corporate reporting.

Operations & Capital Works

Engineering services, infrastructure planning and delivery, building maintenance and asset management.

People & Culture

Human resource management and occupational health and safety.

Planning and environment

Statutory planning, strategic planning, environment and waste management.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.2 Analysis of Council results by program (continued)

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

Functions/activities	Income / Revenue \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income / revenue \$ '000	Total assets \$ '000
2023					
Business & Performance	17,253	6,376	10,877	3,467	22,554
Community & Economic Development	767	2,375	(1,608)	728	349
Community Health & Wellbeing	1,203	1,512	(309)	1,202	–
Community Safety	613	1,040	(427)	280	–
Executive Services	–	1,335	(1,335)	–	–
Field Services	1,493	3,251	(1,758)	1,439	124,135
Governance & Risk	1	828	(827)	–	–
Operations & Capital Works	4,325	3,319	1,006	849	131,456
People & Culture	–	716	(716)	–	–
Planning & Environment	4,931	5,919	(988)	265	–
Total functions and activities	30,586	26,671	3,915	8,230	278,494
2022					
Business & Performance	16,307	5,562	10,745	3,361	18,929
Community & Economic Development	437	2,238	(1,801)	396	239
Community Health & Wellbeing	1,858	2,823	(965)	1,470	–
Community Safety	712	1,244	(532)	263	–
Executive Services	–	1,290	(1,290)	–	–
Field Services	1,121	3,122	(2,001)	1,274	120,374
Governance & Risk	10	794	(784)	–	–
Operations & Capital Works	5,891	2,463	3,428	2,257	114,162
People & Culture	258	869	(611)	214	–
Planning & Environment	3,275	4,920	(1,645)	132	–
Total functions and activities	29,869	25,325	4,544	9,367	253,704

Notes to the Financial Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services

	2023 \$ '000	2022 \$ '000
3.1 Rates and charges		
Council uses capital improved value as the basis of valuation of all properties within the municipal district. The capital improved value of a property is its land plus all improvements on that land.		
The valuation base used to calculate general rates for 2022/23 was \$6,103 million (2021/22: \$4,465 million).		
General rates	10,412	10,072
Municipal charge	2,618	2,528
Waste management charge	645	185
Service rates and charges	2,916	2,105
Supplementary rates and rate adjustments	68	153
Interest on rates and charges	85	89
Total rates and charges	16,744	15,132

The latest general revaluation of land for rating purposes within the municipality was 1 January 2022, with application in the rating year commencing 1 July 2022.

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

3.2 Statutory fees and fines

Infringements and costs	46	38
Land information certificates	23	26
Permits	499	415
Total statutory fees and fines	568	479

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

3.3 User fees

Aged and health services	1	388
Leisure centre and recreation	36	18
Registration and other permits	205	204
Building services	33	55
Waste management services	452	419
Local laws	132	138
Other fees and charges	141	73
Total user fees	1,000	1,295
User fees by timing of revenue recognition		
User fees recognised at a point in time	1,000	1,295
Total user fees	1,000	1,295

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.

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	5,328	6,544
State funded grants	2,902	2,823
Total grants received	8,230	9,367
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	4,626	4,633
General home care	3	352
Adult day care	–	82
Recurrent - State Government		
School crossing supervisors	34	31
Library	137	135
Maternal and child health	206	269
Adult day care	4	7
Home Support Programs	213	115
Family and children	71	364
Community support	121	11
Environmental health	25	22
Property and valuations	1	1
Youth Services	29	30
Emergency Management	79	13
Social Inclusion	71	–
Other	20	–
Total recurrent operating grants	5,640	6,065
Non-recurrent - Commonwealth Government		
Bushfire Recovery	83	–
General home care	–	9
Other	17	20
Non-recurrent - State Government		
Community health	–	29
Family and children	171	56
Maternal and child health	–	8
Community support	651	109
Waste	–	49
Emergency management	3	101
Environment	26	30
Property and valuations	159	–
Tourism	15	10
Sport and recreation	62	–
Strategic planning	–	53
Economic Development	116	420
Building Services	–	74
Working for Victoria	–	219
Information Technology	110	187
Youth Services	92	68

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
Bushfire Recovery	73	74
Integrated Water Management	58	160
Statutory Planning	41	–
Waste Water Management	20	–
Environmental Health	91	–
Local Laws	29	–
Other	(14)	17
Total non-recurrent operating grants	1,803	1,693
Total operating grants	7,443	7,758

(b) Capital Grants**Recurrent - Commonwealth Government**

Roads to recovery	599	590
Total recurrent capital grants	599	590

Non-recurrent - Commonwealth Government

Recreation	–	858
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Non-recurrent - State Government

Buildings	–	55
Roads, footpaths and bridges	–	48
Recreation	188	58
Economic development	–	–
Total non-recurrent capital grants	188	1,019

Total capital grants

787	1,609
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(c) Recognition of grant income

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

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

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

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

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

General purpose	4,626	4,633
Specific purpose grants to acquire non-financial assets	1,499	3,033
Other specific purpose grants	–	–

Revenue recognised under AASB 15 Revenue from Contracts with Customers

Specific purpose grants	2,105	1,701
	8,230	9,367

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
(d) Unspent grants received on condition that they be spent in a specific manner:		
Operating		
Balance at start of year	2,403	1,435
Received during the financial year and remained unspent at balance date	3,642	1,303
Received in prior years and spent during the financial year	(192)	(335)
Balance at year end	5,853	2,403
Capital		
Balance at start of year	906	1,324
Received during the financial year and remained unspent at balance date	710	71
Received in prior years and spent during the financial year	(484)	(489)
Balance at year end	1,132	906

Unspent grants are determined and disclosed on a cash basis.

3.5 Contributions

Monetary contributions

Monetary	200	102
Total monetary contributions	200	102

Non-monetary contributions

Non-monetary	2,785	3,124
Total non-monetary contributions	2,785	3,124

Total contributions

	2,985	3,226
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Contributions of non monetary assets were received in relation to the following asset classes.

Land under roads	3	4
Buildings	–	1,279
Roads	1,040	809
Land	–	560
Footpaths and cycleways	419	188
Drainage	1,304	145
Bridges	19	36
Recreation & Leisure	–	103
Total non-monetary contributions	2,785	3,124

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

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment		
Property, infrastructure, plant and equipment		
Proceeds of sale	–	160
Written down value of assets disposed	(972)	(560)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(972)	(400)

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

3.7 Other income

Interest	531	65
Other rent	207	102
Other	321	203
Total other income	1,059	370

Interest is recognised as it is earned.

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services

	2023 \$ '000	2022 \$ '000
4.1 Employee costs		
(a) Employee costs		
Wages and salaries	8,724	9,016
WorkCover	121	134
Annual leave and long service leave	1,085	721
Superannuation	1,053	981
Fringe benefits tax	7	10
Other	11	72
Total employee costs	11,001	10,934
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	24	19
	24	19
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	331	331
Employer contributions - other funds	698	631
	1,029	962
Total superannuation costs	1,053	981

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

Superannuation paid, does not represent superannation expense due to a year end accrual for superannuation.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.2 Materials and services		
Utilities	366	362
Information technology software and hardware costs	485	382
Insurance	427	336
Consultants	371	976
Expenses from leases of low value assets	3	8
Store issues	126	79
Repairs, maintenance and security	317	313
Advertising and promotion	53	67
Legal expenses	377	190
Memberships and subscriptions	117	89
Printing, copying, stationery and postage	103	82
Staff training and professional development	215	222
Waste disposal and contract costs	3,944	3,186
Community contributions	165	355
Fuel	157	111
Cleaning expenses	281	190
Levies	35	31
Contract Payments - Asset management	135	210
Contract Payments - Building services	79	101
Contract Payments - Aged services	-	103
Contract Payments - Pool operations	185	177
Community services	218	249
Development services	191	271
Tourism, events & economic development	586	205
Engineering and works	760	773
Administration and governance	211	315
Other materials and services	73	84
Total materials and services	9,980	9,467

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.3 Depreciation		
Property		
Buildings - specialised	567	538
Total depreciation - property	567	538
Plant and equipment		
Plant and equipment	387	434
Fixtures fittings and furniture	29	61
Library books	56	50
Total depreciation - plant and equipment	472	545
Infrastructure		
Roads	2,360	2,294
Bridges	297	296
Drainage	227	224
Recreational, leisure and community	159	144
Total depreciation - infrastructure	3,043	2,958
Total depreciation	4,082	4,041

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

4.4 Amortisation - Right of use assets

Property	66	54
Total Amortisation - Right of use assets	66	54

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.5 Borrowing costs		
Interest - Borrowings	208	100
Total borrowing costs	208	100

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

4.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	62	60
Auditors' remuneration - Internal Audit	50	42
Councillors' allowances	186	175
Other	58	54
Total other expenses	356	331

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position

	2023 \$ '000	2022 \$ '000
5.1 Financial assets		
(a) Cash and cash equivalents		
Current		
Cash on hand	1	1
Cash at bank	4,011	7,636
Term deposits	–	1,000
Total current cash and cash equivalents	4,012	8,637
(b) Other financial assets		
Current		
Term deposits - current	16,370	7,317
Total current other financial assets	16,370	7,317
Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.		
Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.		
(c) Trade & Other Receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	1,095	1,231
Net GST receivables	172	178
<i>Non-statutory receivables</i>		
Other debtors	634	1,596
Total current trade and other receivables	1,901	3,005
Non-Current		
<i>Statutory receivables</i>		
Special rate scheme	–	9
Total non-current trade and other receivables	–	9
Total trade and other receivables	1,901	3,014

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	Note	2023 \$ '000	2022 \$ '000
(d) Ageing of receivables			
The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was:			
Current (not yet due)		240	459
Past due by up to 30 days		385	6
Past due between 31 and 180 days	a.	9	1,061
Past due between 181 and 365 days		–	58
Past due by more than 1 year		–	12
Total trade and other receivables		634	1,596

a. In 2021/22 a debt to the value of \$1.020 was unpaid awaiting approval of an acquittal.

5.2 Non-financial assets

(a) Inventories**Current**

Inventories held for distribution	12	25
Total current inventories	12	25

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

(b) Other assets**Current**

Prepayments	133	107
Accrued income - interest	138	23
Total current other assets	271	130

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
5.3 Payables, trust funds and deposits and unearned income/revenue		
(a) Trade and other payables		
Current		
<i>Statutory payables</i>		
Trade payables	3,118	1,289
Accrued expenses	63	363
Employee costs	–	4
Accrued loan interest	12	7
Total current trade and other payables	3,193	1,663
(b) Trust funds and deposits		
Current		
Refundable deposits	19	133
Fire services levy	–	365
Retention amounts	330	565
Other refundable deposits	301	16
Cemetery trusts	400	340
Total current trust funds and deposits	1,050	1,419

Purpose and nature of items

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

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

Cemetery Trusts - Council is the trustee for the Mansfield, Bonnie Doon, Jamieson and Merton cemeteries.

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.

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

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(c) Unearned income/revenue		
Current		
Grants received in advance:		
Grants received in advance - operating	4,266	1,344
Grants received in advance - capital	831	784
Total grants received in advance	5,097	2,128
5.4 Interest-bearing liabilities		
Current		
Treasury Corporation of Victoria borrowings - secured	269	212
Other borrowings - secured	215	204
Total current interest-bearing liabilities	484	416
Non-current		
Treasury Corporation of Victoria borrowings - secured	2,749	2,420
Other borrowings - secured	1,318	1,533
Total non-current interest-bearing liabilities	4,067	3,953
Total	4,551	4,369

Borrowings are secured by rate income.

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

Not later than one year	499	416
Later than one year and not later than five years	2,826	1,885
Later than five years	1,226	2,068
	4,551	4,369

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

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	Employee provisions \$ '000	Landfill restoration \$ '000	Total \$ '000
5.5 Provisions			
2023			
Balance at the beginning of the financial year	1,809	1,134	2,943
Additional provisions	1,333	998	2,331
Amounts used	(1,172)	(58)	(1,230)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(110)	(43)	(153)
Balance at the end of the financial year	1,860	2,031	3,891
Provisions			
Provisions - current	1,713	204	1,917
Provisions - non-current	147	1,827	1,974
Total Provisions	1,860	2,031	3,891
2022			
Balance at the beginning of the financial year	1,949	637	2,586
Additional provisions	723	680	1,403
Amounts used	(884)	(72)	(956)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	21	(111)	(90)
Balance at the end of the financial year	1,809	1,134	2,943
Provisions			
Provisions - current	1,672	265	1,937
Provisions - non-current	138	868	1,006
Total Provisions	1,810	1,133	2,943

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	739	664
Long service leave	113	118
	852	782
Current provisions expected to be wholly settled after 12 months		
Annual leave	66	44
Long service leave	795	846
	861	890
Total current employee provisions	1,713	1,672
Non-Current		
Long service leave	147	138
Total Non-Current Employee Provisions	147	138
Aggregate Carrying Amount of Employee Provisions:		
Current	1,713	1,672
Non-current	147	138
Total Aggregate Carrying Amount of Employee Provisions	1,860	1,810

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

Annual leave

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

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

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

Long service leave

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

Key assumptions:

- discount rate	4.02%	3.69%
- wage inflation rate	4.35%	3.85%

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(b) Landfill restoration		
Current		
Current	204	265
Total current	204	265
Non-current		
Non-current	1,827	868
Total non-current	1,827	868

Council is obligated to restore the Monkey Gully Road Landfill site (which is now closed) to a particular standard. Council have also made initial assessments on 4 other closed landfills across the municipality and have implemented a monitoring regime.

The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken at each landfill site. The expected cost of works has been estimated with external consultant support, based on the current understanding of work required to remediate the site to an acceptable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast work required and related costs, the forecast timing of the work and the discount rate applied. Council currently has no operating landfills.

Key assumptions:

- discount rate	5.44%	0.66%
- inflation rate	4.35%	1.10%

	2023 \$ '000	2022 \$ '000
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5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2023.

Bank overdraft	300	300
Credit card facilities	100	100
Treasury Corporation of Victoria facilities	3,020	2,632
Loan facilities	1,533	1,737
Total Facilities	4,953	4,769
Used facilities	4,553	4,369
Used facilities	4,553	4,369
Unused facilities	400	400

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

5.7 Commitments

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

(a) Commitments for expenditure

	Not later than 1 year \$ '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
2023					
Operating					
Recycling	260	—	—	—	260
Waste collection	2,230	—	—	—	2,230
Cleaning contracts for council buildings	529	90	—	—	619
Waste disposal	785	—	—	—	785
Building regulation services	51	—	—	—	51
Asset management bureau service	239	243	734	232	1,448
Strategies & Reviews	—	—	—	—	—
Infrastructure maintenance	35	—	—	—	35
Office Furniture	55	—	—	—	55
Total	4,184	333	734	232	5,483
Capital					
Buildings	1,853	—	—	—	1,853
Roads	2,119	—	—	—	2,119
Dual Court Stadium	—	—	—	—	—
Roads & Footpaths	51	—	—	—	51
Recreational facilities	57	—	—	—	57
Bridges	—	—	—	—	—
Total	4,080	—	—	—	4,080

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	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
2022					
Operating					
Recycling	974	754	–	–	1,728
Waste collection	1,087	1,107	–	–	2,194
Cleaning contracts for council buildings	326	168	–	–	494
Other	10	–	–	–	10
Waste disposal	747	762	–	–	1,509
Building regulation services	84	–	–	–	84
Asset management bureau service	166	–	–	–	166
Strategies & Reviews	–	–	–	–	–
Infrastructure maintenance	34	–	–	–	34
Office Furniture	–	–	–	–	–
Information Technology	55	–	–	–	55
Total	3,483	2,791	–	–	6,274
Capital					
Buildings	81	–	–	–	81
Roads	2,754	–	–	–	2,754
Drainage	16	–	–	–	16
Dual Court Stadium	–	–	–	–	–
Roads & Footpaths	–	–	–	–	–
Plant	92	–	–	–	92
Recreational facilities	81	–	–	–	81
Bridges	83	–	–	–	83
Total	3,107	–	–	–	3,107

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

5.8 Leases

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

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

This policy is applied to contracts entered into, or changed, on or after 1 July 2019. Council have not recognised any lease liabilities as at 30 June 2023 as it has no outstanding payments due for leases. Council has entered into a lease arrangement for the Dual Court Stadium, however no lease liability exists as consideration had been made upfront as part of a co-contribution towards the building of the asset.

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

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

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

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

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

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

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

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

	Property \$ '000	Total \$ '000
2023		
Balance at 1 July	3,265	3,265
Additions	28	28
Amortisation charge	66	66
Right-of-Use Assets	(132)	(132)
Balance at 30 June	3,227	3,227

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	Property \$ '000	Total \$ '000
2022		
Right-of-Use Assets	3,265	3,265
Balance at 30 June	3,265	3,265

	2023 \$ '000	2022 \$ '000
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Lease Liabilities

Short-term and low value leases

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

Expenses relating to:

Leases of low value assets	3	8
Total	3	8

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

Variable lease payments	-	-
Total	-	-

Variable lease payments are those that depend on an index or a rate, for example payments linked to the consumer price index, a benchmark interest rate or changes in market rental rates.

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

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

Payable:

Within one year	-	8
Later than one year but not later than five years	-	3
Total lease commitments	-	11

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	Carrying amount							Carrying amount
	30 June 2022 \$ '000	Additions \$ '000	Contributions \$ '000	Revaluation \$ '000	Disposal \$ '000	Depreciation \$ '000	Transfers \$ '000	30 June 2023 \$ '000
Property	72,380	810	2	2,546	(66)	(567)	60	75,165
Plant and equipment	2,516	535	–	–	–	(472)	135	2,714
Infrastructure	154,314	5,305	2,782	13,069	(906)	(3,043)	1,661	173,182
Work in progress	2,106	1,232	–	–	–	–	(1,698)	1,640
Total	231,316	7,882	2,784	15,615	(972)	(4,082)	158	252,701

Summary of Work in Progress	Opening WIP \$ '000	Additions \$ '000	Transfers \$ '000	Closing WIP \$ '000
Property	252	224	–	476
Infrastructure	1,854	1,008	(1,698)	1,164
Total	2,106	1,232	(1,698)	1,640

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Land specialised \$ '000	Land non specialised \$ '000	Land under roads \$ '000	Total land and land improvements \$ '000	Buildings specialised \$ '000	Work in progress \$ '000	Total property \$ '000
Property							
At fair value 1 July 2022	25,105	7,820	17,891	50,816	31,862	252	82,930
Accumulated depreciation at 1 July 2022	–	–	–	–	(10,298)	–	(10,298)
	25,105	7,820	17,891	50,816	21,564	252	72,632
Movements in fair value							
Additions	28	–	–	28	782	224	1,034
Contributions	–	–	2	2	–	–	2
Revaluation	–	–	–	–	3,281	–	3,281
Disposal	–	–	–	–	(78)	–	(78)
Transfers	–	–	–	–	60	–	60
	28	–	2	30	4,045	224	4,299
Movements in accumulated depreciation							
Depreciation and amortisation	–	–	–	–	(567)	–	(567)
Accumulated depreciation of disposals	–	–	–	–	12	–	12
Accumulated depreciation on revaluation	–	–	–	–	(735)	–	(735)
Transfers	(560)	560	–	–	–	–	–
	(560)	560	–	–	(1,290)	–	(1,290)
At fair value 30 June 2023	24,573	8,380	17,893	50,846	35,907	417	87,170
Accumulated depreciation at 30 June 2023	–	–	–	–	(11,588)	–	(11,588)
Carrying amount	24,573	8,380	17,893	50,846	24,319	417	75,582

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Plant machinery and equipment \$ '000	Fixtures fittings and furniture \$ '000	Computers and telecomms \$ '000	Library books \$ '000	Total plant and equipment \$ '000
Plant and Equipment					
At fair value 1 July 2022	5,112	232	455	485	6,284
Accumulated depreciation at 1 July 2022	(2,925)	(195)	(402)	(246)	(3,768)
	2,187	37	53	239	2,516
Movements in fair value					
Additions	499	–	5	31	535
Revaluation	–	–	–	–	–
Disposal	–	–	–	–	–
Transfers	–	58	(58)	135	135
	499	58	(53)	166	670
Movements in accumulated depreciation					
Depreciation and amortisation	(387)	(29)	–	(56)	(472)
Accumulated depreciation of disposals	–	–	–	–	–
Accumulated depreciation on revaluation	–	–	–	–	–
	(387)	(29)	–	(56)	(472)
At fair value 30 June 2023	5,612	694	–	557	6,863
Accumulated depreciation at 30 June 2023	(3,312)	(626)	–	(208)	(4,146)
Carrying amount	2,300	68	–	349	2,717

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Roads \$ '000	Bridges \$ '000	Footpaths and cycleways \$ '000	Drainage \$ '000	Recreational, leisure and community \$ '000	Off street car parks \$ '000	Total Infrastructure (excl. work in progress) \$ '000	Work in progress \$ '000	Total infrastructure \$ '000
Infrastructure									
At fair value 1 July 2022	136,158	28,684	7,813	22,596	5,449	1,728	202,428	1,854	204,282
Accumulated depreciation at 1 July 2022	(25,609)	(12,517)	(1,812)	(6,532)	(1,438)	(206)	(48,114)	–	(48,114)
	<u>110,549</u>	<u>16,167</u>	<u>6,001</u>	<u>16,064</u>	<u>4,011</u>	<u>1,522</u>	<u>154,314</u>	<u>1,854</u>	<u>156,168</u>
Movements in fair value									
Additions	4,869	144	39	19	234	–	5,305	1,008	6,313
Contributions	1,040	19	418	1,305	–	–	2,782	–	2,782
Revaluation	9,781	3,617	561	4,060	909	(327)	18,601	–	18,601
Disposal	(1,228)	(39)	(6)	–	(33)	–	(1,306)	–	(1,306)
Transfers	(279)	–	–	–	(57)	1,998	1,662	(1,698)	(36)
	<u>14,183</u>	<u>3,741</u>	<u>1,012</u>	<u>5,384</u>	<u>1,053</u>	<u>1,671</u>	<u>27,044</u>	<u>(690)</u>	<u>26,354</u>
Movements in accumulated depreciation									
Depreciation and amortisation	(2,114)	(297)	(182)	(227)	(159)	(64)	(3,043)	–	(3,043)
Accumulated depreciation of disposals	338	32	2	–	28	–	400	–	400
Accumulated depreciation on revaluation	(1,887)	(1,609)	(136)	(1,152)	(913)	165	(5,532)	–	(5,532)
Transfers	260	–	–	–	8	(269)	(1)	–	(1)
	<u>(3,403)</u>	<u>(1,874)</u>	<u>(316)</u>	<u>(1,379)</u>	<u>(1,036)</u>	<u>(168)</u>	<u>(8,176)</u>	<u>–</u>	<u>(8,176)</u>
At fair value 30 June 2023	150,902	32,425	8,265	27,980	6,502	3,399	229,473	1,218	230,691
Accumulated depreciation at 30 June 2023	(29,147)	(14,391)	(1,992)	(7,911)	(2,474)	(374)	(56,289)	–	(56,289)
Carrying amount	<u>121,755</u>	<u>18,034</u>	<u>6,273</u>	<u>20,069</u>	<u>4,028</u>	<u>3,025</u>	<u>173,184</u>	<u>1,218</u>	<u>174,402</u>

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (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.

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

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

Asset recognition thresholds and depreciation periods

	Depreciation Period years	Threshold Limit \$ '000
Land		
Land	Not applicable	–
Land under roads	Not applicable	–
Buildings		
Buildings	15-100	5
Plant and Equipment		
Plant, machinery and equipment	5-10	2
Fixtures, fittings and furniture	2-10	2
Computers and telecommunications	2-10	2
Library books	2-12	2
Infrastructure		
<i>Roads & Off Street Car Parks</i>		
Pavements	30-160	5
Seals and asphalt	20-30	5
Roads formation (95% residual) and earthworks	2,000	5
Kerb, channel and minor culverts	75	5
<i>Bridges</i>		
Bridges deck	130	5
Bridges substructure	130	5
Bridges other	130	5
Footpaths and cycleways	15-80	5
Drainage	100	5
Recreation, Leisure & Community	10-100	5

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

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

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

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

Repairs and maintenance

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

Valuation of land and buildings

Valuation of land was undertaken by a qualified independent valuer, LG Valuation Services registration no 2013.

Valuation of buildings was undertaken by Assetic Pty Ltd, by Ashay Prabhu MIE(Aust) CPEng, NPER: Membership 1102199.

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

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

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

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

As an indirect result of COVID19, land values have increased dramatically over the past few years. Council applied an index based valuation at 30 June 2021, and has subsequently had a full revaluation completed as at 30 June 2022.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level 2	Level 3	Date of valuation	Type of Valuation
Non-specialised land	–	8,380	–	Jun-22	Full
Specialised land	–	–	24,573	Jun-22	Full
Land under roads	–	–	17,893	Jun-21	Full
Specialised buildings	–	–	24,319	Jun-23	Full
Total	–	8,380	66,785		

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

Valuation of Infrastructure

Valuations of infrastructure assets have been determined in accordance with a valuation undertaken by Assetic Pty Ltd by Ashay Prabhu MIE(Aust) CPEng, NPER: Membership 1102199.

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

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level 2	Level 3	Date of valuation	Type of Valuation
Roads	–	–	121,330	Jun-23	Index
Bridges	–	–	18,034	Jun-23	Index
Footpaths and cycleways	–	–	6,698	Jun-23	Index
Drainage	–	–	20,069	Jun-23	Index
Recreational, leisure & community facilities	–	–	4,028	Jun-23	Full
Off street car parks	–	–	3,025	Jun-23	Full
Total	–	–	173,184		

Definitions of levels contained within the fair value hierarchy are described in Note 8.4 Fair Value Measurement.

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 25% 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 \$750 per square metre.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$13 to \$1.7m per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 15 years to 2000 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.

Recreational, leisure and community assets are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of the assets. Current replacement costs is calculated on a square metre basis and ranges from \$12 to \$59,000 per square metre. The remaining useful lives of the assets are determined on the basis of the current condition and remaining service potential, and vary from 20 years to 100 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 the recreational, leisure and community assets are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives.

Off street car park assets are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of the assets. Current useful lives and replacement costs are assessed by pavement base, pavement subbase, formation and surface. Current replacement costs is calculated on a square metre basis and ranges from \$6 to \$108 per square metre. The remaining useful lives of the assets are determined on the basis of the current condition and remaining service potential, and vary from 20 years to 160 years (formation components extend to

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

2,000 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 the off street car park assets are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives.

Reconciliation of specialised land

	2023 \$ '000	2022 \$ '000
Land under roads	17,893	17,891
Land	24,573	25,105
Total specialised land	42,466	42,996

6.2 Investments in joint arrangements

(a) Investments in joint arrangements

High Country Library Network

High Country Library Network shared services agreement

Mansfield Shire Council entered into a three year joint arrangement for library services with Alpine Shire Council, Wangaratta Rural City Council and Benalla Rural City Council. Mansfield Shire Council's contribution is 14% of the total cost of the service.

The amounts recognised in the financial statements relating to the joint arrangement are shown as follows:

Expenses (materials and services)	53	52
Property, plant and equipment at fair value (library books)	44	41
Total contribution to joint arrangements	97	93

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

The High Country Library Network shared services agreement is a joint operation. Council recognises contributions to the High Country Library Network as operating expenses where related to the management and operation of the library network, and capital expenditure where related to the purchase of library books on Council's behalf (refer note 6.1).

There are no contingent assets or contingent liabilities in relation to joint arrangements.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships

7.1 Council and key management remuneration

(a) Related Parties*Parent entity*

Mansfield Shire Council is the parent entity

Subsidiaries

Mansfield Public Cemetery Trust

By virtue of the fact that the councillors of Mansfield Shire Council form the whole of the Board of Trustees of the Mansfield Public Cemetery Trust, this entity is considered to be a controlled entity under AASB 10: Consolidated Financial Statements. It's operating results, assets and liabilities have not been included in the accounts on the basis that they are not material individually or in aggregate.

Joint arrangements

Interests in joint arrangements are detailed in Note 6.2.

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Mansfield Shire Council. The Councillors, Chief Executive Officer and General Managers' are deemed KMP.

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

Councillors	Cr James Tehan, Mayor Cr Mark Holcombe Cr Paul Sladdin Cr Steve Rabie Cr Rohan Webb
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	2023	2022
	No.	No.
Total Number of Councillors	5	5
Chief Executive Officer	1	1
General Manager Infrastructure & Planning	1	1
General Manager Business & Economic Development	1	1
Total Number of Key Management Personnel	8	8

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships (continued)

(c) Remuneration of Key Management Personnel

Remuneration comprises employee benefits including all forms of consideration paid, payable or provided by Council, or on behalf of the Council, in exchange for services rendered. Remuneration of Key Management Personnel and Other senior staff is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Other long-term employee benefits include long service leave, other long service benefits or deferred compensation.

Post-employment benefits include pensions, and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Termination benefits include termination of employment payments, such as severance packages.

	2023 \$ '000	2022 \$ '000
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	830	852
Other long-term employee benefits	10	35
Post-employment benefits	64	65
Termination	24	–
Total	928	952

	2023 No.	2022 No.
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$1 - \$9,999	–	–
\$10,000 - \$19,999	–	–
\$20,000 - \$29,999	3	3
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	–	2
\$70,000 - \$79,999	1	–
\$100,000 - \$109,999	–	–
\$140,000 - \$149,999	1	–
\$170,000 - \$179,999	–	–
\$190,000 - \$199,999	1	–
\$200,000 - \$209,999	–	1
\$250,000 - \$259,999	–	–
\$260,000 - \$269,999	1	–
\$290,999 - \$299,999	–	1
	8	8

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships (continued)

(d) Remuneration of other senior staff

Other senior staff are officers of Council, other than Key Management Personnel, whose total remuneration exceeds \$160,000 (2022: \$151,000) and who report directly to a member of the KMP.

There have been no Senior Officers meeting the requirement during the reporting period (2022: nil).

	2023	2022
	\$ '000	\$ '000
	2023	2022
Note	\$ '000	\$ '000

7.2 Related party disclosure

(a) Transactions with related parties

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

Expenses - Materials and services	a	62	-
Expenses - Salaries and wages	b	-	54
Total		<u>62</u>	<u>54</u>

a. In FY 22/23 a related party of a member of a Key Management Personnel is employed by Tonkin Engineering which provides civil and structural engineering and associated services across Adelaide, Sydney, Brisbane, Sunshine Coast and other regions of Australia. Council contracted Tonkin Engineering at commercial and market rates, for its Capital Works Program.

b. In prior year, Salaries and Wages - a related party of both a councillor and a member of the Key Management Personnel were employed by Council. All salaries were paid at commercial and market rates, and the related parties were employed on the same terms, including performance requirements, as any other staff member within Council.

All other expense and income transactions are incurred on normal business terms and conditions.

(b) Outstanding balances with related parties

There are no material outstanding balances or commitments with any related party.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

There are no contingent assets of which Council is aware at balance date.

(b) Contingent liabilities

Contingent liabilities are:

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

Superannuation

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

Landfill

Until 30 June 2007 Council operated a landfill at Monkey Gully Road, Mansfield which did not accept putrescible waste. Council are obligated to restore the landfill site to EPA requirements which includes regular environmental audits. Council have received a financial assurance calculation report from Meinhart Australia Pty Ltd. which has been used to calculate the provision, however during the project contingencies may arise. The amount of this potential contingency cannot be determined.

As of 1 July 2021, Council are now required to report to the EPA on any closed landfills that were not operated under an EPA license in past years. In preparation for the change in legislation, and assessment was undertaken and identified four potential sites upon which remediation works may need to be performed.

At 30 June 2023 the landfill provision includes the cost of the initial assessment, monitoring and rain water drainage of the four identified unlicensed closed landfills. Until completion of the full assessments, a risk based estimate has been determined for subsequent remediation works with estimated future costs carried in the provision.

Insurance claims

At 30 June 2023 Council has no major insurance claims that could have a material impact on future operations.

Legal matters

At 30 June 2023 Council has no major legal matters that could have a material impact on future operations.

Liability Mutual Insurance

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

8.2 Change in accounting standards

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes Council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council 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 loans and receivables from sporting clubs and associations. To help manage this risk:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 2 % and - 1 % in market interest rates (AUD) from year-end rates of 4.10%.

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

8.4 Fair value measurement

Fair Value Hierarchy

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from two to four 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.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

8.5 Events occurring after balance date

On 22 September Council signed a contract of sale for a parcel of land in Lakins Road, Mansfield for an amount of \$1,575,000. No other matters have occurred after balance date that require disclosure in the financial report.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Balance at end of reporting period \$ '000
9.1 Reserves			
(a) Asset revaluation reserves			
2023			
Property			
Land - specialised	23,207	–	23,207
Land - non specialised	3,122	–	3,122
Land under roads	6,457	–	6,457
Buildings	12,216	2,545	14,761
	45,002	2,545	47,547
Plant and equipment			
Library books	23	–	23
	23	–	23
Infrastructure			
Roads	101,203	7,894	109,097
Bridges	6,199	2,008	8,207
Footpaths and cycleways	454	425	879
Drainage	6,175	2,908	9,083
Recreational, leisure and community facilities	135	(5)	130
Offstreet car parks	549	(162)	387
	114,715	13,068	127,783
Total asset revaluation reserves	159,740	15,613	175,353
2022			
Property			
Land - specialised	15,295	7,912	23,207
Land - non specialised	1,096	2,026	3,122
Land under roads	6,457	–	6,457
Buildings	12,216	–	12,216
	35,064	9,938	45,002
Plant and equipment			
Library books	20	3	23
	20	3	23
Infrastructure			
Roads	94,827	6,375	101,202
Bridges	6,199	–	6,199
Footpaths and cycleways	1,361	(907)	454
Drainage	6,175	–	6,175
Recreational, leisure and community facilities	135	–	135
Offstreet car parks	549	–	549
	109,246	5,468	114,714

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Balance at end of reporting period \$ '000
Total asset revaluation reserves	144,330	15,409	159,739

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (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) Other reserves				
2023				
Restricted reserves				
Road construction reserve	336	65	–	401
Footpath construction reserve	5	–	–	5
Open space reserve	415	83	–	498
Total restricted reserves	756	148	–	904
Discretionary reserves				
Waste Management	(757)	724	–	(33)
Total discretionary reserves	(757)	724	–	(33)
Total Other reserves	(1)	872	–	871
2022				
Restricted reserves				
Road construction reserve	336	–	–	336
Footpath construction reserve	5	–	–	5
Open space reserve	352	63	–	415
Total restricted reserves	693	63	–	756
Discretionary reserves				
Waste Management	(425)	–	(332)	(757)
Total discretionary reserves	(425)	–	(332)	(757)
Total Other reserves	268	63	(332)	(1)

Restricted reserves are used to record developer contributions received for a specific purpose which Council has not yet fulfilled.

The discretionary waste management reserve denotes the cumulative surplus/(deficit) from waste service charges collected from ratepayers and actual waste costs incurred by Council over time.

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

	2023 \$ '000	2022 \$ '000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	3,915	4,542
Depreciation/amortisation	4,148	4,095
Profit/(loss) on disposal of property, infrastructure, plant and equipment	972	400
Contributions - Non-monetary assets	(2,785)	(3,124)
Amounts disclosed in financing activities	208	100
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,113	(763)
(Increase)/decrease in inventories	13	(7)
(Increase)/decrease in prepayments	(25)	10
Increase/(decrease) in accrued income	(115)	748
Increase/(decrease) in trade and other payables	1,530	(324)
Increase/(decrease) in provisions	948	357
(Decrease)/increase in other liabilities	(369)	58
Increase/(decrease) in Unearned income /revenue	2,969	540
Net cash provided by/(used in) operating activities	12,522	6,632

9.3 Superannuation

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

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation (2022: 10.0%)).

Defined Benefit

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

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Mansfield 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 investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.1%. The financial assumptions used to calculate the VBI were:

Net investment returns 5.5% pa
Salary information 3.5% pa

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

Price inflation (CPI) 2.8% pa.

As at 30 June 2022, 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 102.2%. The financial assumptions used to calculate the VBI were:

Net investment returns 5.5% pa

Salary information 2.5% pa to 30 June 2023, and 3.5% pa thereafter

Price inflation (CPI) 3.00% pa.

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

Vision Super has advised that the estimated VBI at June 2023 was 104.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2023 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(a) Regular contributions

On the basis of the results of the 2022 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2023, this rate was 10.5% of members' salaries (10.0% in 2021/22). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2022 interim valuation.

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

(b) Funding calls

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

The 2022 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2022 and the last full investigation was conducted as at 30 June 2020.

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

	2022 (Interim) \$m	2021 (Interim) \$m
- A VBI Surplus	44.6	214.7
- A total service liability surplus	105.8	270.3
- A discounted accrued benefits surplus	111.9	285.2

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 2022.

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 2022.

The discounted accrued benefits 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 2022.

The 2023 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2023. It is anticipated that this actuarial investigation will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023 Triennial Investigation	2020 Triennial Investigation
Net investment return	5.7% pa	5.6% pa
Salary information	3.5% pa	2.5% pa for the first two years and 2.75% thereafter
Price inflation	2.8% pa	2.0% pa

Superannuation contributions

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

Scheme	Type of scheme	Rate	2023 \$ '000	2022 \$ '000
Vision Super	Defined Benefits	10.5% (2022:10.0%)	24	19
Vision Super	Accumulation	10.5% (2022:10.0%)	331	331

In addition to the above contributions, Council has paid unfunded liability payments to Vision Super totalling \$NIL (2020/21 \$NIL). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$20k.

Note 10. Changes in accounting policies

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