

SUPPLEMENTARY AGENDA



Ordinary Meeting of Council

To be held at the

Civic Centre

511 Burwood Highway

Wantirna South

On

Monday 28 August 2023 at 7:00 PM

This meeting will be conducted as a hybrid
meeting

Order of Business

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 9.1 2022-23 Annual Financial Statements and Performance Statement.....3

Bruce Dobson
Chief Executive Officer

9 Supplementary Items

9.1 2022-23 Annual Financial Statements and Performance Statement

SUMMARY: Chief Financial Officer, Navec Lorkin

The 2022-23 Annual Financial Statements and Performance Statement are presented for consideration and adoption in principle. These statements were reviewed by Council's Audit and Risk Committee as its meeting on Thursday 24 August 2023 and the Committee has recommended in principle approval by Council.

RECOMMENDATION

That Council:

1. Receive and adopt in principle the draft 2022-23 Annual Financial Statements (Attachment 1) and Performance Statement (Attachment 2) for the year ending 30 June 2023.
2. Approves in principle the 2022-23 Annual Financial Statements (Attachment 1) and Performance Statement (Attachment 2) for the year ending 30 June 2023 being provided to the Auditor-General for audit sign off;
3. Authorise the Principal Accounting Officer to make changes to the Financial Statements as determined by the Auditor-General; and that the Audit and Risk Committee members be consulted prior to making any material amendments to these Statements as determined by the Victorian Auditor-Generals office; and that any material amendments be communicated to Council as soon as possible.
4. Nominate and authorise Councillor and Councillor to certify (on behalf of Council) the 2022-23 Annual Financial Statements, in their final form.

1. INTRODUCTION

BDO (agents of the Victorian Auditor-General's Office) has undertaken the external audit of the 2022-23 Annual Financial Statements and Performance Statement.

The Annual Financial Statements, consisting of Financial Statements and Notes (refer Attachment 1), have been prepared in accordance with Australian Accounting Standards and Interpretations, the *Local Government Act 2020* (the Act) and the *Local Government (Planning and Reporting) Regulations 2020* (the Regulations).

The Audit and Risk Committee at its meeting of 24 August 2023, having reviewed the Annual Financial Statements and Performance Statement, recommended that Council adopt the 2022-23 Annual Financial Statements and Performance Statement on an in principle basis.

In accordance with section 99 of the *Local Government Act 2020*, and sections 13 and 15 of the *Local Government (Planning and Reporting) Regulations 2020*, the completed Annual Financial Statements and Performance Statement are to be certified by the Principal Accounting Officer, Chief Executive Officer and two Councillors (on behalf of Council) having regard to the recommendations, if any, from the Victorian Auditor-General.

2. DISCUSSION

The Process for Approving the Financial Statements and Performance Statement

A statutory approvals process for the Annual Accounts requires that the following process be undertaken:

- the Auditor-General must appoint an External Auditor to review the draft set of Financial and Performance Statements (the Statements) and to make a preliminary recommendation to Council's Audit & Risk Committee. The Council's appointed External Auditor is BDO.
- Council's Audit & Risk Committee must meet to consider the draft statements and the preliminary recommendation made by the External Auditor, and if satisfied with the Statements as drafted, make a recommendation that the Statements be approved "In Principle" by Council;
- the Council must nominate two Councillors to certify the Statements in their final form;
- the Council considers the Statements, approves them "In Principle", and authorises that the Statements be submitted to BDO;
- the Statements are then submitted to Auditor-General office for review;
- any issues arising from the draft Statements are resolved in the first instance with Council's Principal Accounting Officer (the Chief Financial Officer), and if necessary, Council's Audit & Risk Committee, following which the Auditor General will provide certification of the Statements;
- the Council's Principal Accounting Officer, the Chief Executive Officer and the two nominated Councillors are then required to certify the Statements;
- Council's Annual Report, incorporating the certified Statements, is considered by Council at a subsequent Council meeting.

Annual Financial Statements

The draft Financial Statements indicate the performance for the year and the financial position of Council as at 30 June 2023. While the external audit has not yet been finalised, it is expected there will be no major changes to the Statements as presented. On 24 August 2023, the Audit and Risk Committee recommended that Council approve in principle the Financial Statements, and accordingly in principle approval is now being sought from Council.

Comprehensive Income Statement

The reported actual operating result for 2022-23 is a deficit of \$7.777 million, which compares unfavourably to a budgeted surplus of \$8.096M. The unfavourable variance is primarily due to the delay in the transfer of the Knox Regional Sports Park assets to the state government, totaling \$25.421 million, which occurred in July 2022 after previously being budgeted to occur during the 2021-22 financial year. This transfer was a non-cash transaction and has not adversely impacted on the financial position of Council.

Key variances:

- Unfavourable variance of \$32.353 million in net (loss) gain on disposal of assets. Buildings and infrastructure relating to the Knox Regional Sports Park totalling \$25.421 million were transferred to the State Government in July 2022. There was also a timing variance for land sales, with these sales set to proceed during the 2022-23 financial year.

- Favourable variance of \$4.075 million in operating grant income and \$1.053 million capital grant income due to the 2023-24 Victoria Local Government Grants Commission General Purpose Grant and Local Road Funding being brought forward.
- Favourable variance of \$2.970 million for capital contributions budgeted in prior years but received during the 2022-23 financial year.
- Favourable variance of \$5.329 million in materials and services. There is a continued focus on the containment of operating costs throughout Council, whilst maintaining services for the community.

Council's Comprehensive Income Statement shows a net asset revaluation decrement of \$25.820 million. Drainage was revalued as at 30 June 2023, with the value decreasing by \$26.612 million since the last revaluation of Drainage which took place as at 30 June 2020. In comparing the methodologies between 2020 and 2023 it was found that the 2020 Drainage valuation was overstated, leading to a correction in the current year.

Balance Sheet

The Balance Sheet reflects a satisfactory position with a Working Capital ratio (liquidity) of 1.63:1 or 163% (2022 1.48:1 or 148%).

Total cash holdings (cash on hand and term deposits) were \$56.818 million (2022 \$47.852 million) at balance date.

Total trade and other receivables were \$21.509 million (2022 \$18.542 million). Rates debtors increased to \$14.528 million in 2022-23 from \$13.170 million in 2022, as a result of increased payment plans and arrangements.

Performance Statement

On 24 August 2023, the Audit and Risk Committee recommended that Council approve in principle the 2022-23 Annual Performance Statement.

The Performance Statement includes the indicators, measures and results for the prescribed indicators of sustainable capacity, service performance and financial performance. To provide context to the results, the Statement must also contain a description of the municipal district including its size, location and population.

The Performance Statement reports results of indicators established by the Victoria Local Government Performance Reporting Framework (LGPRF). The Performance Statement provides four years of comparatives (2019-20, 2020-21, 2021-22 and 2022-23) to provide trend data.

3. CONSULTATION

This report does not require consultation. The 2022-23 Annual Financial Statements and Performance Statement will be publicly available as part of the 2022-23 Annual Report.

4. CLIMATE CHANGE CONSIDERATIONS

Implementation of the recommendation is considered to have no direct implications or has no direct impacts upon Council's Net Zero 2030 target, the Community Net Zero 2040, exposure to climate risks or climate change adaptation.

5. ENVIRONMENTAL/AMENITY CONSIDERATION

This report does not have any environmental or amenity issues for discussion.

6. FINANCIAL & ECONOMIC IMPLICATIONS

The 2022-23 Annual Financial Statements and Performance Statement report on Council's financial and non-financial performance for the financial year.

7. SOCIAL IMPLICATIONS

This report does not have any social implications for discussion.

8. RELEVANCE TO KNOX COMMUNITY AND COUNCIL PLAN 2021-2025

Civic Engagement & Integrity

Strategy 5.2 - Manage our resources effectively to ensure financial sustainability and improved customer experience.

Strategy 5.3 - Ensure our processes are transparent and decisions are accountable.

9. CONFLICT OF INTEREST

There is no content in this report that meets the definition of confidential information from the Local Government Act 2020.

10. CONFIDENTIALITY

There is no content in this report that meets the definition of confidential information from the Local Government Act 2020.

Report Prepared By: Chief Financial Officer, Navec Lorkin

Report Authorised By: Chief Financial Officer, Navec Lorkin

Attachments

1. Attachment 1 - 2022-23 Financial Accounts [9.1.1 - 68 pages]
2. Attachment 2: Performance Statement 2022-23 [9.1.2 - 13 pages]

**KNOX CITY COUNCIL
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2023

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Financial Report
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**Knox City Council
Certification of the Financial Statements**

Statement by Principal Accounting Officer

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.

Navec Lorkin CPA
Principal Accounting Officer
25 September 2023
Wantirna South

Statement by Councillors and Chief Executive Officer

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

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

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

Cr Marcia Timmers-Leitch
Mayor
25 September 2023
Wantirna South

Cr Jude Dwight
Deputy Mayor
25 September 2023
Wantirna South

Bruce Dobson
Chief Executive Officer
25 September 2023
Wantirna South

**Knox City Council
VAGO Report**

<Insert VAGO report - page 1>

**Knox City Council
VAGO Report**

<Insert VAGO report - page 2>

Knox City Council
Comprehensive Income Statement
For the Year Ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income/revenue			
Rates and charges	3.1	134,583	125,938
Statutory fees and fines	3.2	3,020	2,770
User fees	3.3	15,877	15,354
Grants - operating	3.4	25,668	25,096
Grants - capital	3.4	9,049	14,722
Contributions - monetary	3.5	11,179	6,072
Contributions - non-monetary	3.5	-	440
Share of net profits (or loss) of associates and joint ventures	6.3	29	395
Other income	3.7	2,092	1,112
Total income/revenue		201,497	191,899
Expenses			
Employee costs	4.1	(77,443)	(75,672)
Materials and services	4.2	(70,120)	(60,633)
Depreciation	4.3	(23,973)	(22,965)
Amortisation - intangible assets	4.4	(647)	(598)
Amortisation - right-of-use assets	4.5	(635)	(630)
Bad and doubtful debts - allowance for impairment losses	4.6	(276)	(334)
Borrowing costs	4.7	(1,746)	(403)
Finance costs - leases	4.8	(31)	(30)
Contributions and donations	4.9	(7,325)	(31,327)
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(26,273)	(1,362)
Other expenses	4.10	(805)	(737)
Total expenses		(209,274)	(194,691)
Surplus/(deficit) for the year		(7,777)	(2,792)
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment (or decrement)	9.1	(25,820)	138,834
Total other comprehensive income		(25,820)	138,834
Total comprehensive result		(33,597)	136,042

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

**Knox City Council
Balance Sheet
As at 30 June 2023**

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	44,318	42,852
Other financial assets	5.1	12,500	5,000
Trade and other receivables	5.1	21,509	18,542
Inventories		21	14
Prepayments	5.2	1,141	1,085
Non-current assets classified as held for sale	6.1	2,072	2,928
Other Assets	5.2	1,008	24
Total current assets		82,569	70,445
Non-current assets			
Property, infrastructure, plant and equipment	6.2	2,142,080	2,161,732
Right-of-use assets	5.8	1,104	1,059
Intangible assets	5.2	2,742	2,152
Investment in Eastern Regional Libraries Corporation	6.3	2,574	3,469
Total non-current assets		2,148,500	2,168,412
Total assets		2,231,069	2,238,857
Liabilities			
Current liabilities			
Trade and other payables	5.3	19,497	17,357
Trust funds and deposits	5.3	2,562	2,507
Unearned income/revenue	5.3	2,694	4,363
Provisions	5.5	18,511	18,428
Interest-bearing liabilities	5.4	6,765	4,263
Lease liabilities	5.8	517	539
Total current liabilities		50,546	47,457
Non-current liabilities			
Provisions	5.5	3,097	2,991
Interest-bearing liabilities	5.4	67,191	44,645
Lease liabilities	5.8	594	526
Total non-current liabilities		70,882	48,162
Total liabilities		121,428	95,619
Net assets		2,109,641	2,143,238
Equity			
Accumulated surplus		698,559	702,718
Reserves	9.1	1,411,082	1,440,520
Total equity		2,109,641	2,143,238

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

Knox City Council
Statement of Changes in Equity
For the Year Ended 30 June 2023

2023	Note	Total	Accumulated	Revaluation	Other
		\$'000	Surplus	Reserve	Reserves
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		2,143,238	702,718	1,400,349	40,171
Surplus for the year		(7,777)	(7,777)	-	-
Net asset revaluation increment/(decrement)	6.2	(25,820)	-	(25,820)	-
Transfers to other reserves	9.1	-	(18,370)	-	18,370
Transfers from other reserves	9.1	-	21,988	-	(21,988)
Balance at end of the financial year		2,109,641	698,559	1,374,529	36,553

2022	Note	Total	Accumulated	Revaluation	Other
		\$'000	Surplus	Reserve	Reserves
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		2,007,196	706,532	1,261,515	39,149
Surplus for the year		(2,792)	(2,792)	-	-
Net asset revaluation increment/(decrement)	6.2	138,834	-	138,834	-
Transfers to other reserves	9.1	-	(13,432)	-	13,432
Transfers from other reserves	9.1	-	12,410	-	(12,410)
Balance at end of the financial year		2,143,238	702,718	1,400,349	40,171

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

Knox City Council
Statement of Cash Flows
For the Year Ended 30 June 2023

	Note	2023 Inflows/ (Outflows) \$'000	2022 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		132,254	125,691
Statutory fees and fines		2,762	2,439
User fees		13,075	17,894
Grants - operating		25,564	25,942
Grants - capital		8,839	6,462
Contributions - monetary		11,614	6,138
Interest received		559	11
Trust funds and deposits taken		19,970	17,591
Other receipts		1,551	1,144
Net GST refund		12,663	12,225
Employee costs		(78,105)	(78,146)
Materials and services		(78,120)	(73,830)
Contributions and donations		(7,916)	(31,910)
Short-term, low value and variable lease payments		(160)	(119)
Trust funds and deposits repaid		(19,915)	(16,941)
Other payments		(654)	(659)
Net cash provided by/(used in) operating activities		43,981	13,932
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(60,214)	(62,076)
Proceeds from sales of property, infrastructure, plant and equipment		1,601	497
Payments for investments		(12,500)	(5,000)
Proceeds from sale of investments		5,000	-
Proceeds from investment in Eastern Regional Libraries Corporation		924	2,000
Net cash provided by/(used in) investing activities		(65,189)	(64,579)
Cash flows from financing activities			
Finance costs		(1,720)	(345)
Proceeds from borrowings		29,312	50,000
Repayment of borrowings		(4,263)	(1,092)
Interest paid - lease liability		(30)	(30)
Repayment of lease liabilities		(625)	(632)
Net cash provided by/(used in) financing activities		22,674	47,901
Net increase/(decrease) in cash and cash equivalents		1,466	(2,746)
Cash and cash equivalents at the beginning of the financial year		42,852	45,598
Cash and cash equivalents at the end of the financial year		44,318	42,852
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

**Knox City Council
Statement of Capital Works
For the Year Ended 30 June 2023**

	Note	2023 \$'000	2022 \$'000
Property			
Land		453	18,070
Total land		453	18,070
Buildings		18,441	18,759
Total buildings		18,441	18,759
Total property		18,894	36,829
Plant and equipment			
Artworks		493	92
Plant, machinery and equipment		1,098	909
Fixtures, fittings and furniture		153	-
Computers and telecommunications		947	935
Total plant and equipment		2,691	1,936
Infrastructure			
Roads		8,333	8,016
Bridges		893	480
Footpaths and cycleways		3,437	5,025
Drainage		4,536	3,143
Recreational, leisure and community facilities		18,762	6,735
Off street car parks		1,779	4,930
Total infrastructure		37,740	28,329
Total capital works expenditure		59,325	67,094
Represented by:			
New asset expenditure		9,193	24,032
Asset renewal expenditure		27,612	23,072
Asset expansion expenditure		5,479	3,899
Asset upgrade expenditure		17,041	16,091
Total capital works expenditure		59,325	67,094

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

Knox City Council Notes to the Financial Report For the Year Ended 30 June 2023

Note 1 Overview

Introduction

Knox City Council was established by an Order of the Governor in Council in 1994 and is a body corporate. The Council's main office is located at 511 Burwood Highway, Wantirna South, Victoria.

Statement of compliance

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

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

Significant accounting policies

(a) Basis of accounting

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.

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.

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

- 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

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.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

Note 2 Analysis of our results**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 greater than ten percent and \$1,000,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 27 June 2022. The budget was based on assumptions that were relevant at the time of adoption of the budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

2.1.1 Income/revenue and expenditure

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance %	Ref
Income/revenue					
Rates and charges	133,468	134,583	1,115	1%	
Statutory fees and fines	4,306	3,020	(1,286)	-30%	1
User fees	16,566	15,877	(689)	-4%	
Grants - operating	21,924	25,668	3,744	17%	2
Grants - capital	3,478	9,049	5,571	160%	3
Contributions - monetary	8,313	11,179	2,866	34%	4
Contributions - non-monetary	2,000	-	(2,000)	-100%	5
Share of net profits (or loss) of associates and joint ventures	-	29	29	100%	
Other income	901	2,092	1,191	132%	6
Total income/revenue	190,956	201,497	10,541	6%	
Expenses					
Employee costs	79,480	77,443	2,037	3%	
Materials and services	75,449	70,120	5,329	7%	
Depreciation	23,625	23,973	(348)	-1%	
Amortisation - intangible assets	893	647	246	28%	
Amortisation - right of use assets	739	635	104	14%	
Bad and doubtful debts - allowance for impairment losses	308	276	32	10%	
Borrowing costs	1,948	1,746	202	10%	
Finance costs - leases	39	31	8	21%	
Contributions and donations	5,835	7,325	(1,490)	-26%	7
Net loss (gain) on disposal of property, infrastructure, plant and equipment	(6,080)	26,273	(32,353)	532%	8
Other expenses	624	805	(181)	-29%	
Total expenses	182,860	209,274	(26,414)	-14%	
Surplus/(deficit) for the year	8,096	(7,777)	(15,873)	-196%	

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Traffic enforcement fines were down \$0.812 million mainly due to the delayed implementation of parking sensors. Statutory planning application fees were down \$0.376 million which is reflective of development activities.
2	Grants - operating	The 2023-24 Victoria Local Government Grants Commission General Purpose Grant was brought forward and paid prior to 30 June 2023, leading to the total grant received during the 2022-23 financial year being \$4.075 million greater than budget. Unbudgeted operating grants totalling \$1.250 million were received and expended during the year. This is partially offset by the Childcare Benefit Subsidy being \$1.489 million down on budget due to utilisation.
3	Grants - capital	The 2023-24 Victoria Local Government Grants Commission Local Road Funding was brought forward and paid prior to 30 June 2023, leading to the total grant received during the 2022-23 financial year being \$1.053 million greater than budget. Capital grants totalling \$3.392 million were received in the 2021-22 financial year but expended and recognised in the 2022-23 financial year. Capital grants totalling \$2.682 million were budgeted in prior years but recognised as income in 2022-23. This is partially offset by capital grants totalling \$1.194 million that have been received but have been treated as unearned income as they are yet to be expended. Capital grants budgeted but yet to be received due to delays in the projects total \$0.333 million.
4	Contributions - monetary	Capital contributions of \$2.559 million relating to social housing and \$0.411 million relating to the Knox Hockey facility development were budgeted in prior years but received during the 2022-23 financial year. Unbudgeted capital contributions totalling \$0.123 million were received. This is partially offset by public open space contributions being down \$0.317 million on budget, with this income being directly contingent on developer activities in the municipality.
4	Contributions - non-monetary	Non-monetary contributions were down \$2.000 million due to no assets being handed over to Council from developers.
6	Other income	Interest on investments was \$0.623 million greater than budget due to higher than budgeted cash holdings related to delays in the capital works program, and the increase in interest rates. Reimbursements were \$0.279 million greater than budget.
7	Contributions and donations	Contributions totalling \$1.237 million relating to the State Basketball Centre asset renewal fund and the football pitch replacement fund were transferred to the State Government as part of the Knox Regional Sports Park project. This was previously budgeted to occur in the 2021-22 financial year.
8	Net loss (gain) on disposal of property, infrastructure, plant and equipment	Buildings and infrastructure relating to the Knox Regional Sports Park totalling \$25.421 million were transferred to the State Government in July 2022 as part of the Knox Regional Sports Park project, after previously being budgeted to occur in the 2021-22 financial year. Land and building sales were \$10.180 million down on budget, partially offset by the written down value of these sales totalling \$4.752 million. The variance in land sales are a timing difference and are set to proceed during the 2023-24 financial year.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

2.1 Performance against budget (cont'd)

2.1.2 Capital works

	Budget 2023 \$'000	Actual 2023 \$'000	Variance \$'000	Variance Ref %	
Property					
Land	-	453	(453)	0%	
Total land	-	453	(453)	0%	
Buildings	20,909	18,441	2,468	12%	1
Total buildings	20,909	18,441	2,468	12%	
Total property	20,909	18,894	2,015	10%	
Plant and equipment					
Artworks	317	493	(176)	-56%	
Plant, machinery and equipment	1,976	1,098	878	44%	
Computers and telecommunications	6,713	947	5,766	86%	2
Total plant and equipment	9,006	2,538	6,468	72%	
Infrastructure					
Roads	9,229	8,333	896	10%	
Bridges	545	893	(348)	-64%	
Footpaths and cycleways	4,358	3,437	921	21%	
Drainage	4,962	4,536	426	9%	
Recreational, leisure and community facilities	31,447	18,762	12,685	40%	3
Off street car parks	968	1,779	(811)	-84%	
Other infrastructure	402	-	402	100%	
Total infrastructure	51,911	37,740	14,171	27%	
Total capital works expenditure	81,826	59,172	22,654	28%	
Represented by:					
New asset expenditure	12,443	9,193	3,250	26%	
Asset renewal expenditure	39,727	27,612	12,115	30%	
Asset expansion expenditure	6,880	5,479	1,401	20%	
Asset upgrade expenditure	22,776	17,041	5,735	25%	
Total capital works expenditure	81,826	59,325	22,501	27%	

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Building related capital expenditure is lower than budget by \$2.468 million. The Fairpark Reserve Pavilion Upgrade (\$1.226 million) and the Westfield Library Upgrade (\$3.315 million) will be carried forward to the 2023-24 financial year due to delays in the projects caused by weather, supply shortages, and contract negotiations. This is partially offset by the Modular Building Program which is \$1.683 million greater than budget due to carry forward expenditure and utilising grant income received.
2	Computers and telecommunications	Capital expenditure is lower than budget due to \$1.671 million in expenditure being deemed to be operational in nature and therefore was not capitalised. The underspend in a number of projects will be carried forward to 2023-24.
3	Recreational, leisure and community facilities	Capital expenditure is lower than budget partially due to landscaping and planting works being unable to be capitalised (\$1.570 million), and projects being capitalised under different classes (\$7.238 million). The underspend in a number of projects will be carried forward to 2023-24, including the Knox Athletics Track Facility Upgrade (\$2.882 million).

Knox City Council Notes to the Financial Report For the Year Ended 30 June 2023

2.2 Analysis of Council results by program

Knox City Council delivers its functions and activities through the following programs.

2.2.1 CEO

The office of the CEO incorporates the Chief Executive Office, the Chief Financial Office and the Chief People Office.

CEO responsibilities include establishing and maintaining an appropriate organisational structure for the council, managing interactions between council staff and Councillors, ensuring that Council decisions are implemented promptly, providing timely advice to Council, providing timely and reliable advice to the Council about its legal obligations, and overseeing the daily management of council operations following the Council Plan.

The Chief Financial Office exists to enable Council to comply with statutory requirements, provide strategic financial direction, undertake essential business processes and to support the organisation with business and financial assistance and advice. It provides expertise, guidance and processes for the purchase of goods and services. It also provides expertise for all property matters.

The Chief People Office provides strategic and operational leadership, services and programs around all aspects of human resource management.

City Liveability

The City Liveability Directorate incorporates City Safety and Health, City Futures, City Planning and Building, and City Projects. The Directorate's purpose relates directly to Council's purpose to enhance the quality of life of the Knox community.

City Safety and Health promotes and protects the safety, health and amenity of the community through the key functions of Emergency Management, Health Services and Local Laws.

City Futures purpose is to strategically work across the organisation and the community to understand and manage the changing city.

City Planning and Building covers planning and building approvals, subdivisions and enforcement.

City Projects supports Council's strategic direction for the Knox Central Activity Centre which serves a broad cross-section of the community within Knox and across the eastern suburbs of Melbourne. Anchored by the shopping centre it includes retail, residential, industrial, commercial, educational uses, along with significant areas of open space.

Connected Communities

The Community Services Directorate incorporates Community Wellbeing, Family and Children's Services, Community Access and Support and Active and Creative Communities. The Directorate is responsible for the management and delivery of a diverse range of community services and programs.

Community Wellbeing works strategically with the community and organisation to enable and contribute to the achievement of health and wellbeing outcomes for Knox.

Family and Children's Services delivers Council's early years services across the municipality.

Community Access and Support aims to make effective use of opportunities to enhance the physical, social and emotional wellbeing of people that enables them active participation in society.

Youth, Leisure and Cultural Services purpose is to make Knox an active, resilient, creative and inclusive community.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

Customer and Performance

The City Centre Directorate incorporates Governance and Risk, the Chief Information Office, Strategy and Transformation, Communications and Customer Service.

Governance ensure that Council is complying with the statutory requirements associated with municipal elections, Council decisions (Chamber and delegated), information privacy, freedom of information and meeting procedure. It also includes the support services for Council's nine Councillors who have been elected by the residents and ratepayers of the municipality.

The Chief Information Office provide a centralised approach to the management and maintenance of Council's Information Technology systems and services.

Transformation is responsible for the rollout of the organisational continuous improvement program based on Lean thinking and practice. It includes improving outcomes for our customers.

Communications supports the organisation through coordinating, facilitating and managing a range of written and verbal media. The department supports consistent branding, delivery and renewal of Council's significant signage, advertising and key publications.

Customer Service strive to deliver service excellence and create great customer experiences by providing information, guidance and resolution where possible. They support and enable the delivery of Council services, programs and information to the community.

Infrastructure

The Infrastructure Directorate incorporates Sustainable Infrastructure, Community Infrastructure, Operations and the Major Initiatives Unit. The Directorate is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, environment and waste, city works, parks and gardens, emergency management and municipal resources.

Sustainable Infrastructure is responsible for waste management, local traffic management, and the management of the capital works program.

Community Infrastructure is responsible for the maintenance, renewal, upgrade and associated works of Council's buildings. It is also responsible for stormwater management, landscape and environmental design, and providing strategic direction in biodiversity enhancement.

Operations is responsible for asset rehabilitation and for reactive and proactive maintenance. It is also responsible for fleet management, and the maintenance of Council open space and reserves.

The Major Initiatives Unit provides for the delivery of major projects that supplement the full program of capital projects being delivered by the various delivery teams within Council.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

2.2 Analysis of Council results by program (cont'd)

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

	Income / revenue	Expenses	Surplus / (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
CEO	123,837	12,006	111,831	9,272	74,099
City Liveability	14,208	18,651	(4,443)	1,495	57,467
Connected Communities	22,627	78,008	(55,381)	16,005	611,024
Customer and Performance	87	21,239	(21,152)	-	54,506
Infrastructure	40,738	79,370	(38,632)	7,945	1,433,973
	201,497	209,274	(7,777)	34,717	2,231,069

	Income / revenue	Expenses	Surplus / (Deficit)	Grants included in income / revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
CEO	117,358	12,976	104,382	8,023	63,184
City Liveability	13,665	18,105	(4,440)	2,257	46,934
Connected Communities	21,593	76,872	(55,279)	15,748	616,241
Customer and Performance	142	16,630	(16,488)	-	54,183
Infrastructure	39,141	70,108	(30,967)	13,790	1,458,315
	191,899	194,691	(2,792)	39,818	2,238,857

Connected Communities expenses in the 2022 financial year includes Council's \$25.400 million contribution towards the Knox Regional Sports Park project. Council-owned assets on the site valued at \$25.421 million were transferred to the State Government in July 2022, and are reflected in the Connected Communities expenses in the 2023 financial year.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000

Note 3 Funding for the delivery of our services

3.1 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV takes into account the total value of a property including all land, buildings and other improvements but excluding fixtures and fittings.

The valuation base used to calculate general rates for 2022-23 was \$60,857 million (2021-22 \$52,084 million). The 2022-23 rate in the CIV dollar was \$0.0015307 (2021-22 \$0.0017137) for the residential rate.

General rates	111,012	107,787
Residential garbage charge	17,993	15,484
Service rates and charges	3,597	2,023
Supplementary rates and rate adjustments	1,001	279
Cultural and recreational	58	61
Interest on rates and charges	922	304
Total rates and charges	134,583	125,938

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

Annual rates and charges are recognised as revenue 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

Permits	1,781	1,962
Infringements and costs	674	528
Town planning fees	446	142
Land information certificates	114	138
Court recoveries	4	(2)
Other statutory fees and fines	1	2
Total statutory fees and fines	3,020	2,770

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

Waste management services	7,055	6,353
Child care/children's programs	2,752	2,714
Registration and other permits	2,396	2,173
Leisure centre and recreation	1,230	1,675
Building services	664	621
Aged and health services	448	451
Other fees and charges	1,332	1,367
Total user fees	15,877	15,354

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.

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
3.4 Funding from other levels of Government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	19,900	18,297
State funded grants	14,817	21,521
Total grants received	34,717	39,818
(a) Operating grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	9,162	8,023
Family and children - child care	2,875	3,388
General home care	1,065	1,062
Recurrent - State Government		
Family and children - kindergarten	5,582	5,424
Family and children - maternal and child health	1,697	1,770
General home care	823	801
School crossing supervisors	805	679
Family and children - child care	647	449
Community safety	301	27
Family and children - youth services	267	198
Community health	152	147
Recreational, leisure and community facilities	6	213
Other	45	55
Total recurrent operating grants	23,427	22,236
Non-recurrent - Commonwealth Government		
Community health	8	-
Other	-	17
Non-recurrent - State Government		
Family and children - kindergarten	812	1,411
Environmental planning	501	92
Recreational, leisure and community facilities	88	415
Arts and cultural services	85	88
Community health	50	123
Community safety	27	-
Family and children - child care	14	136
General home care	3	-
Other	653	578
Total non-recurrent operating grants	2,241	2,860
Total operating grants	25,668	25,096

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
(b) Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants - local roads	1,783	1,625
Roads to recovery	733	733
Total recurrent capital grants	2,516	2,358
<i>Non-recurrent - Commonwealth Government</i>		
Recreational, leisure and community facilities	3,607	2,070
Footpaths and cycleways	567	743
Bridges	100	-
Drainage	-	330
Roads	-	306
<i>Non-recurrent - State Government</i>		
Recreational, leisure and community facilities	1,810	7,849
Roads	287	878
Buildings	162	188
Total non-recurrent capital grants	6,533	12,364
Total capital grants	9,049	14,722

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000

(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. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

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

General purpose	9,162	8,023
Specific purpose grants to acquire non-financial assets	2,516	2,358
Other specific purpose grants	3,680	4,066

Revenue recognised under AASB 15 Revenue from Contracts with Customers

Specific purpose grants	19,359	25,371
	34,717	39,818

(d) Unspent grants received on condition that they be spent in a specific manner**Operating**

Balance at start of year	1,646	1,582
Received during the financial year and remained unspent at balance date	1,448	1,513
Received in prior years and spent during the financial year	(1,594)	(1,449)
Balance at year end	1,500	1,646

Capital

Balance at start of year	2,717	10,075
Received during the financial year and remained unspent at balance date	275	1,263
Received in prior years and spent during the financial year	(1,798)	(8,621)
Balance at year end	1,194	2,717

Unspent grants are determined and disclosed on a cash basis.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
3.5 Contributions		
Monetary	11,179	6,072
Non-monetary	-	440
Total contributions	11,179	6,512
<i>Contributions of non-monetary assets were received in relation to the following asset classes:</i>		
Roads	-	229
Drainage	-	87
Land	-	78
Footpaths and cycleways	-	46
Total non-monetary contributions	-	440

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

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

Proceeds of sale	1,601	497
Written down value of assets disposed	(27,874)	(1,859)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(26,273)	(1,362)

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

Buildings and infrastructure relating to the Knox Regional Sports Park totalling \$25.421 million were transferred to the State Government in July 2022 as part of the Knox Regional Sports Park project.

3.7 Other income

Rent	647	411
Interest	643	23
Reimbursements	490	569
Other	312	109
Total other income	2,092	1,112

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.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
Note 4 The cost of delivering services		
4.1 (a) Employee costs		
Wages and salaries	57,017	56,884
Annual leave and long service leave	7,352	6,168
Superannuation	6,800	6,699
Agency staff	3,490	3,611
WorkCover	2,470	2,055
Fringe benefits tax	314	255
Total employee costs	<u>77,443</u>	<u>75,672</u>
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	259	250
Employer contributions - other funds	-	-
	<u>259</u>	<u>250</u>
Employer contributions payable at reporting date	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,360	3,360
Employer contributions - other funds	3,165	3,010
	<u>6,525</u>	<u>6,370</u>
Employer contributions payable at reporting date	820	721
Contributions made exclude amounts accrued at balance date. Refer to Note 9.3 for further information relating to Council's superannuation obligations.		

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
4.2 Materials and services		
Contract payments		
Waste Management	25,044	19,392
Operations - Maintenance	8,287	7,071
Operating Projects Expenditure	4,491	3,539
Active Ageing & Disability	1,230	1,328
Corporate Services	960	1,438
Arts & Cultural Services	809	780
Family & Children's Services	697	656
People & Culture	483	373
Community Laws	430	349
Other	584	1,046
Total Contract Payments	43,015	35,972
Administration costs	7,481	7,050
Utilities	3,867	3,183
Information technology	3,106	2,690
Consultants	2,976	2,022
Consumable materials and equipment	2,934	3,541
Building maintenance	2,800	2,073
Insurance	2,046	1,916
Finance and legal costs	1,173	1,400
General maintenance	722	786
Total materials and services	70,120	60,633

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

Waste management contract costs includes \$2.629 million for the implementation of the Food Organics and Garden Organics service.

4.3 Depreciation

Infrastructure	17,432	16,402
Property	5,076	5,078
Plant and equipment	1,465	1,485
Total depreciation	23,973	22,965

Refer to note 5.2(b), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - intangible assets

Software	647	598
Total amortisation - intangible assets	647	598

4.5 Amortisation - right of use assets

Property	173	186
Computers and telecommunications	446	428
Plant and equipment	16	16
Total amortisation - right of use assets	635	630

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
4.6 Bad and doubtful debts - allowance for impairment losses		
Parking and animal infringement debtors	248	314
Other debtors	28	20
Total bad and doubtful debts - allowance for impairment losses	276	334

Movement in allowance for impairment losses in respect of debtors

Balance at the beginning of the year	56	47
New provisions recognised during the year	30	26
Amounts already provided for and written off as uncollectible	(47)	(11)
Amounts provided for but recovered during the year	(2)	(6)
Balance at the end of the year	37	56

An allowance for impairment losses in respect of debtors is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.7 Borrowing costs

Interest - borrowings	1,746	403
Total borrowing costs	1,746	403

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.

4.8 Finance costs - leases

Interest - lease liabilities	31	30
Total finance costs - leases	31	30

4.9 Contributions and donations

Contribution to the Eastern Regional Libraries Corporation	4,410	4,344
Community support payments	1,679	1,583
Contribution to the Knox Regional Sports Park project	1,236	25,400
Total contributions and donations	7,325	31,327

Council made a \$25.400 million contribution towards the Knox Regional Sports Park project during the 2022 financial year, with a further \$1.236 million paid in July 2022. Council-owned assets on the site were transferred to the State Government in July 2022.

4.10 Other expenses

Councillors allowances	436	414
Operating lease rentals	145	108
Auditor's remuneration - internal audit	150	150
Auditor's remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	74	65
Total other expenses	805	737

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
Note 5 Our Financial Position		
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	4	4
Cash at bank	36,814	42,848
Term deposits	7,500	-
Total cash and cash equivalents	<u>44,318</u>	<u>42,852</u>
(b) Other financial assets		
Current		
Term deposits - current	12,500	5,000
Total current other financial assets	<u>12,500</u>	<u>5,000</u>
Total other financial assets	<u>12,500</u>	<u>5,000</u>
Total financial assets	<u>56,818</u>	<u>47,852</u>

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.

Term deposits are held to maturity and measured at original cost.

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

(c) Trade and other receivables

Current

Statutory receivables

Rates debtors	14,528	13,170
Special rate assessment	52	52
Parking and animal infringement debtors	2,783	2,505
Provision for doubtful debts - parking and animal infringement debtors	(2,171)	(1,923)
Net GST receivable	1,601	1,799

Non statutory receivables

Other debtors	4,753	2,995
Provision for doubtful debts - other debtors	(37)	(56)
Total current trade and other receivables	<u>21,509</u>	<u>18,542</u>

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

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
(d) Ageing of receivables		
The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:		
Current (not yet due)	3,455	1,269
Past due by up to 30 days	693	699
Past due between 31 and 180 days	160	202
Past due between 181 and 365 days	90	125
Past due by more than 1 year	355	700
Total trade and other receivables	4,753	2,995

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$nil (2022: \$nil) were impaired. The amount of the provision raised against these debtors was \$nil (2022: \$nil). Many of the long outstanding past due amounts have been lodged with the Council's debt collectors or are on payment arrangements.

5.2 Non-financial assets**(a) Other assets**

Prepayments	1,141	1,085
Accrued income	1,008	24
Total other assets	2,149	1,109

(b) Intangible assets

Software	2,742	2,152
Total intangible assets	2,742	2,152

Gross carrying amount

Balance at 1 July 2022	6,961	5,960
Additions	1,237	1,379
Disposals	(421)	(378)
Balance at 30 June 2023	7,777	6,961

Accumulated amortisation and impairment

Balance at 1 July 2022	4,809	4,589
Amortisation expense	647	598
Amortisation expense for disposals	(421)	(378)
Balance at 30 June 2023	5,035	4,809

Net book value at 30 June 2022

	2,152	1,371
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Net book value at 30 June 2023

	2,742	2,152
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Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
5.3 Payables, trust funds and deposits and unearned income/revenue		
(a) Trade and other payables		
Current		
Non-statutory payables		
Trade payables	13,324	10,378
Accrued expenses	4,303	5,601
Prepaid income	1,870	1,378
Total current trade and other payables	<u>19,497</u>	<u>17,357</u>
(b) Trust funds and deposits		
Current		
Refundable deposits	1,651	1,590
Fire services levy	647	770
Retention amounts	227	118
Other refundable deposits	37	29
Total current trust funds and deposits	<u>2,562</u>	<u>2,507</u>
(c) Unearned income/revenue		
Current		
Grants received in advance - operating	1,500	1,646
Grants received in advance - capital	1,194	2,717
Other	-	-
Total current unearned income/revenue	<u>2,694</u>	<u>4,363</u>

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

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

Purpose and nature of items

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

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

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

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
5.4 Interest-bearing liabilities		
Current		
Treasury Corporation of Victoria borrowings - secured	4,477	2,034
Other borrowings - secured	2,288	2,229
Total current interest-bearing liabilities	<u>6,765</u>	<u>4,263</u>
Non-current		
Treasury Corporation of Victoria borrowings - secured	47,801	22,966
Other borrowings - secured	19,390	21,679
Total non-current interest-bearing liabilities	<u>67,191</u>	<u>44,645</u>
Total	<u>73,956</u>	<u>48,908</u>

Borrowings are secured by the general rates revenue of Council.

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

Not later than one year	6,766	4,263
Later than one year and not later than five years	29,932	18,658
Later than five years	37,258	25,987
	<u>73,956</u>	<u>48,908</u>

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

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

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

5.5 Provisions

	Employee	Landfill	Total
	\$'000s	rehabilitation	
	\$'000s	\$'000s	\$'000s
2023			
Balance at beginning of the financial year	19,270	2,149	21,419
Additional provisions	7,421	808	8,229
Amounts used	(6,994)	(253)	(7,247)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(718)	(75)	(793)
Balance at the end of the financial year	18,979	2,629	21,608
<i>Provisions - current</i>	17,848	663	18,511
<i>Provisions - non-current</i>	1,131	1,966	3,097
2022			
Balance at beginning of the financial year	19,842	2,785	22,627
Additional provisions	7,778	(118)	7,660
Amounts used	(6,346)	(145)	(6,491)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(2,004)	(373)	(2,377)
Balance at the end of the financial year	19,270	2,149	21,419
<i>Provisions - current</i>	18,104	324	18,428
<i>Provisions - non-current</i>	1,166	1,825	2,991

Knox City Council
Notes to the Financial Report
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	2023	2022
	\$'000	\$'000
5.5 Provisions		
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	2,925	3,214
Long service leave	950	982
Gratuities	75	76
	<u>3,950</u>	<u>4,272</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	3,842	4,037
Long service leave	9,525	9,283
Gratuities	531	512
	<u>13,898</u>	<u>13,832</u>
Total current employee provisions	<u>17,848</u>	<u>18,104</u>
Non-current		
Long service leave	1,131	1,166
Total non-current employee provisions	<u>1,131</u>	<u>1,166</u>
Aggregate carrying amount of employee provisions:		
Current	17,848	18,104
Non-current	1,131	1,166
Total aggregate carrying amount of employee provisions	<u>18,979</u>	<u>19,270</u>

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

Annual leave

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

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

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.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

Gratuity retirement allowance

A gratuity retirement allowance exists for employees who commenced prior to 3 May 1996, with new employees who commenced after that date not being eligible, and is recognised in the provision for employee benefits as a current liability. Liabilities expected to be wholly settled within 12 months of the reporting date are measured at their nominal values. Liabilities that are not expected to be wholly settled within 12 months of the reporting date are 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.

	2023	2022
Key Assumptions - AL:		
• Weighted average discount rate	2.44%	1.48%
• Weighted average index rate	1.49%	2.50%
• Average settlement period (years)	2	2
Key Assumptions - LSL:		
• Weighted average discount rate - current	3.60%	3.22%
• Weighted average discount rate - non-current	4.07%	3.08%
• Weighted average index rate - current	2.25%	2.22%
• Weighted average index rate - non-current	2.58%	2.51%
• Average settlement period (years)	17	18
Key Assumptions - Gratuity:		
• Weighted average discount rate	3.72%	2.81%
• Weighted average index rate	2.43%	2.18%
• Average settlement period (years)	26	24
	2023	2022
	\$'000	\$'000
(b) Landfill rehabilitation		
Current		
Cathies Lane landfill site	242	226
Llewellyn Reserve landfill site	421	98
	663	324
Non-current		
Cathies Lane landfill site	1,421	1,318
Llewellyn Reserve landfill site	545	507
Total non-current provisions	1,966	1,825
Total aggregate carrying amount of landfill rehabilitation provisions	2,629	2,149

Council owns two former landfill sites - Cathies Lane and Llewellyn Reserve. Under the terms of Post Closure Pollution Abatement Notices issued by the Environment Protection Authority (EPA), Council is required to monitor, progressively rehabilitate and conduct rectification works. The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken including site aftercare and monitoring costs. The expected cost of works has been estimated based on current understanding of work required to progressively rehabilitate the sites to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council reviews the landfill restoration provision on an annual basis, including the key assumptions listed below.

**Knox City Council
Notes to the Financial Report
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	2023	2022
Key assumptions - Cathies Lane landfill site:		
• Weighted average discount rate	5.07%	4.28%
• Inflation rate	2.61%	2.00%
• Settlement period (years)	11	12
• Estimated cost to rehabilitate	\$1.905m	\$1.828m
Key assumptions - Llewellyn Reserve landfill site:		
• Weighted average discount rate	5.16%	4.27%
• Inflation rate	2.61%	2.00%
• Settlement period (years)	11	12
• Estimated cost to rehabilitate	\$1.065m	\$0.715m

Cathies Lane landfill site

Council operated the Cathies Lane landfill site, Wantirna South from 1986 to 2004, under a licence issued by the Environment Protection Authority (EPA). The site is closed as a landfill but a portion of the site is still being used as a resource recovery centre (transfer station) to receive, process and transport waste to other sites for refuse and/or disposal. In 2015-16 the EPA issued a Post Closure Pollution Abatement notice and Council has surrendered the landfill licence.

In the financial report for June 2023, Council has an amount of \$1.663 million as a provision for the restoration of the Cathies Lane landfill site and includes an ongoing commitment of approximately \$0.166 million per annum for site aftercare to meet EPA obligations where restoration works have been completed. This is based on the assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs. Included in the aftercare is the cost to provide a bank guarantee to meet the Financial Assurance requirements imposed by the EPA on Council for thirty years post closure of this site.

Llewellyn Reserve landfill site

Council's landfill site at Llewellyn Reserve was closed in 1985. In 2015-16 the EPA issued a Post Closure Pollution Abatement notice.

In the financial report for June 2023, Council has an amount of \$0.966 million as a provision for the restoration of the Llewellyn Reserve landfill site and includes an ongoing commitment of approximately \$0.064 million per annum to cover sampling, testing and reporting requirements as required by the EPA. This is based on an assessment undertaken in 2015 and a reassessment of the provision at balance date in which the provision was measured at the net present value of the future rehabilitation costs including aftercare and site monitoring costs.

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30th June 2022

Bank overdraft	1,500	1,500
Credit card facilities	200	200
Total facilities	1,700	1,700
Used facilities	19	33
Unused facilities	1,681	1,667

Knox City Council
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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

2023	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Garbage collection and recycling	10,105	1,208	1,213	-	12,526
Library services	4,312	4,543	9,337	-	18,192
Infrastructure management	4,696	1,712	1,226	-	7,634
Consultancies	1,000	481	683	-	2,164
Cleaning contracts for council building	529	131	-	-	660
Total	20,642	8,075	12,459	-	41,176
Capital					
Buildings	5,330	-	-	-	5,330
Plant and equipment	953	-	-	-	953
Other infrastructure	8,194	230	229	-	8,653
Total	14,477	230	229	-	14,936
2022					
	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Garbage collection and recycling	7,187	7,252	-	-	14,439
Library services	4,500	4,567	9,341	-	18,408
Infrastructure management	2,942	1,198	976	-	5,116
Consultancies	2,953	434	986	-	4,373
Cleaning contracts for council building	711	507	254	-	1,472
Total	18,293	13,958	11,557	-	43,808
Capital					
Buildings	13,764	-	-	-	13,764
Plant and equipment	620	-	-	-	620
Other infrastructure	6,545	235	-	-	6,780
Total	20,929	235	-	-	21,164

**Knox City Council
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	2023	2022
	\$'000	\$'000
5.7 Commitments (cont'd)		
(b) Operating lease receivables		
<p>Council has a number of leases with external entities where they pay for the use of Council land and buildings. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 33 years. A number of these leases include a CPI based revision of the rental charge annually.</p> <p>Future undiscounted minimum rentals receivable under non-cancellable operating leases are as follows:</p>		
Not later than one year	564	536
Later than one year and not later than five years	1,420	1,956
Later than five years	10,209	7,567
	12,193	10,059

5.8 Leases

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

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

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

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

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

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

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

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

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.

Under *AASB 16 Leases*, Council as a not-for-profit entity has elected not to measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

Right-of-use assets	Property	Computers and Telecommuni- cations	Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2022	495	515	49	1,059
Additions	20	660	-	680
Amortisation charge	(173)	(446)	(16)	(635)
Balance at 30 June 2023	342	729	33	1,104
Balance at 1 July 2021	662	806	65	1,533
Additions	19	137	-	156
Amortisation charge	(186)	(428)	(16)	(630)
Balance at 30 June 2022	495	515	49	1,059
Lease liabilities			2023	2022
Maturity analysis - contractual undiscounted cash flows			\$'000	\$'000
Less than one year			549	558
One to five years			612	537
More than five years			-	-
Total undiscounted lease liabilities as at 30 June			1,161	1,095
Lease liabilities included in Balance Sheet at 30 June:				
Current			517	539
Non-current			594	526
Total lease liabilities			1,111	1,065

Knox City Council
Notes to the Financial Report
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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:	2023	2022
	\$'000	\$'000
Short-term leases	124	91
Leases of low value assets	21	17
Total	145	108
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	21	16
Later than one year but not later than five years	14	18
Total lease commitments	35	34

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000
Note 6 Assets we manage		
6.1 Non-current assets classified as held for sale		
Buildings	227	477
Land at fair value	1,845	2,451
Total non-current assets classified as held for sale	2,072	2,928

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

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6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount at fair value 30 June 2022	Carrying amount at cost 30 June 2022	Additions	Contributions	Revaluation	Depreciation	Disposal	Impairment	Transfers and write offs	Carrying amount at fair value 30 June 2023	Carrying amount at cost 30 June 2023	Total carrying amount 30 June 2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,038,888	7,217	502	-	-	-	-	-	-	1,038,888	7,719	1,046,607
Buildings	203,900	-	7,620	-	152	(5,076)	(20,820)	250	-	178,787	7,239	186,026
Plant and equipment	-	8,088	1,445	-	-	(1,465)	(357)	-	-	-	7,711	7,711
Infrastructure	797,233	67,074	29,793	-	(26,223)	(17,432)	(5,843)	-	-	764,056	80,546	844,602
Work in progress	-	39,332	36,954	-	-	-	(974)	-	(18,178)	-	57,134	57,134
	2,040,021	121,711	76,314	-	(26,071)	(23,973)	(27,994)	250	(18,178)	1,981,731	160,349	2,142,080

Summary of work in progress

	Opening work in progress	Additions	Transfers	Write offs	Closing work in progress
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	17,434	16,527	(5,756)	(311)	27,894
Infrastructure	21,898	20,427	(12,422)	(663)	29,240
	39,332	36,954	(18,178)	(974)	57,134

Knox City Council
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6.2 Property, infrastructure, plant and equipment (cont'd)

(a) Property

	Land - specialised	Land - non specialised	Land improvements	Total land	Buildings - specialised	Total buildings	Work in progress	Total property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2022	838,114	200,775	-	1,038,889	344,302	344,302	-	1,383,191
At cost 1 July 2022	4,062	-	3,154	7,216	-	-	17,434	24,650
Accumulated depreciation at 1 July 2022	-	-	-	-	(140,402)	(140,402)	-	(140,402)
	842,176	200,775	3,154	1,046,105	203,900	203,900	17,434	1,267,439
Movements								
Additions at cost	-	502	-	502	7,620	7,620	16,527	24,649
Contributions	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	677	677	-	677
Disposal at fair value	-	-	-	-	(24,918)	(24,918)	-	(24,918)
Disposal at cost	-	-	-	-	-	-	(311)	(311)
Impairment losses recognised in operating result	-	-	-	-	250	250	-	250
Transfers and write offs	-	-	-	-	-	-	(5,756)	(5,756)
	-	502	-	502	(16,371)	(16,371)	10,460	(5,409)
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	-	(5,076)	(5,076)	-	(5,076)
Accumulated depreciation of disposals	-	-	-	-	4,098	4,098	-	4,098
Revaluation	-	-	-	-	(525)	(525)	-	(525)
	-	-	-	-	(1,503)	(1,503)	-	(1,503)
At fair value 30 June 2023	838,114	200,775	-	1,038,889	320,311	320,311	-	1,359,200
At cost 30 June 2023	4,062	502	3,154	7,718	7,620	7,620	27,894	43,232
Accumulated depreciation at 30 June 2023	-	-	-	-	(141,905)	(141,905)	-	(141,905)
Carrying amount	842,176	201,277	3,154	1,046,607	186,026	186,026	27,894	1,260,527

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(b) Plant and equipment

At cost 1 July 2022
 Accumulated depreciation at 1 July 2022

Movements

Additions at cost
 Disposal at cost

Movements in accumulated depreciation

Depreciation and amortisation
 Accumulated depreciation of disposals

At cost 30 June 2023
 Accumulated depreciation at 30 June 2023
Carrying amount

Plant, machinery and equipment	Fixtures, fittings and furniture	Computers and telecomms	Artworks	Total plant and equipment
\$'000	\$'000	\$'000	\$'000	\$'000
13,141	2,291	4,407	537	20,376
(6,319)	(2,131)	(3,838)	-	(12,288)
6,822	160	569	537	8,088
1,147	-	298	-	1,445
(811)	-	-	-	(811)
336	-	298	-	634
(1,215)	(57)	(193)	-	(1,465)
454	-	-	-	454
(761)	(57)	(193)	-	(1,011)
13,477	2,291	4,705	537	21,010
(7,080)	(2,188)	(4,031)	-	(13,299)
6,397	103	674	537	7,711

Knox City Council
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(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Off street car parks	Other infrastructure	Work in progress	Total infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2022	762,339	16,053	167,346	326,669	-	25,900	-	-	1,298,307
At cost 1 July 2022	-	1,376	-	5,942	79,172	-	60	21,898	108,448
Accumulated depreciation at 1 July 2022	(235,082)	(4,519)	(85,405)	(169,371)	(19,383)	(6,779)	(11)	-	(520,550)
	527,257	12,910	81,941	163,240	59,789	19,121	49	21,898	886,205
Movements									
Additions at cost	8,765	523	3,827	4,058	11,293	1,327	-	20,427	50,220
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	-	232	-	(48,106)	-	-	-	-	(47,874)
Disposal at fair value	(3,569)	(144)	(2,341)	(367)	-	(2,427)	-	-	(8,848)
Disposal at cost	-	-	-	-	(3,078)	-	(54)	(663)	(3,795)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers and write offs at cost	-	-	-	-	-	-	-	(12,422)	(12,422)
	5,196	611	1,486	(44,415)	8,215	(1,100)	(54)	7,342	(22,719)
Movements in accumulated depreciation									
Depreciation and amortisation	(7,982)	(182)	(2,843)	(4,188)	(1,973)	(264)	-	-	(17,432)
Accumulated depreciation of disposals	3,043	17	1,769	69	944	290	5	-	6,137
Revaluation	-	158	-	21,493	-	-	-	-	21,651
	(4,939)	(7)	(1,074)	17,374	(1,029)	26	5	-	10,356
At fair value 30 June 2023	758,770	18,040	165,005	288,196	-	23,473	-	-	1,253,484
At cost 30 June 2023	8,765	-	3,827	-	87,387	1,327	6	29,240	130,552
Accumulated depreciation at 30 June 2023	(240,021)	(4,526)	(86,479)	(151,997)	(20,412)	(6,753)	(6)	-	(510,194)
Carrying amount	527,514	13,514	82,353	136,199	66,975	18,047	-	29,240	873,842

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

6.2 Property, infrastructure, plant and equipment (cont'd)

Acquisition

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

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

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

Asset recognition thresholds and depreciation periods	Depreciation Period Years	Threshold Limit \$'000
Land & land improvements		
Land	n/a	10
Land improvements	n/a	10
Land under roads	n/a	10
Buildings		
Buildings	20-200	10
Plant and equipment		
Plant, machinery and equipment	3-10	10
Fixtures, fittings and furniture	3-10	10
Computers and telecommunications	3-10	10
Artworks	n/a	10
Infrastructure		
Roads – surfacing	2-50	5
Roads – kerb and channel	70	5
Roads – substructure	30-185	20
Roads – earthworks	n/a	20
Bridges	30-100	5
Footpaths and cycleways	2-50	5
Drainage	80	5
Recreational, leisure and community facilities	15-60	10
Off street car parks	2-185	10
Other infrastructure	7-30	2
Intangible assets		
Software	5	10

Land under roads

Land under roads acquired after 30 June 2008 is brought to account at cost. Council does not recognise land under roads that it controlled prior to that date.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

Depreciation and amortisation

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

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

Land, land improvements, land under roads, roads - earthworks and artworks are not depreciated on the basis that they are assessed as not having a limited useful life.

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

Depreciation periods used are 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.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

6.2 Property, infrastructure, plant and equipment (cont'd)

Valuation of land and buildings

Valuation of land and buildings were undertaken by Brian Robinson from Westlink Consulting, a qualified independent valuer, registration number 62215. 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 unserved) 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 will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table. Details of the Council's Land and Buildings and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Level 2	Level 3	Date of	Type of
	\$'000	\$'000	\$'000	valuation	valuation
Land	-	200,775	-	June 2022	Full
Specialised land	-	-	838,114	June 2022	Full
Specialised buildings	-	-	178,787	June 2022	Full
Total	-	200,775	1,016,901		

Valuation of infrastructure

The valuation of bridges and drainage has been determined in accordance with a valuation undertaken by Mr Alexander Bourke, BE (Hons)(Civil), Asset Engineer, Knox City Council.

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.

A full revaluation of roads and off street car parks will be conducted in 2023-24, and a full revaluation of footpaths and cycleways will be conducted in 2024-25.

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	Type of
	\$'000	\$'000	\$'000	valuation	valuation
Roads	-	-	519,032	June 2022	Full
Bridges	-	-	13,514	June 2023	Full
Footpaths and cycleways	-	-	78,565	June 2022	Full
Drainage	-	-	136,199	June 2023	Full
Off street car parks	-	-	16,746	June 2022	Full
Total	-	-	764,056		

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

6.2 Property, infrastructure, plant and equipment (cont'd)

Description of significant unobservable inputs into level 3 valuations

Specialised land 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 20% and 50%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$8 and \$1,442 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 \$364 to \$10,703 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary up to 143 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 up to 185 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.

	2023	2022
	\$'000	\$'000
Reconciliation of specialised land at fair value		
Parks and reserves	761,187	761,187
Community facilities	33,467	33,467
Civic precinct	31,315	31,315
Transfer station	12,145	12,145
Total specialised land at fair value	838,114	838,114

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

	2023	2022
	\$'000	\$'000

6.3 Investments in associates, joint arrangements and subsidiaries

(a) Investment in associates

Investment in associate accounted for by the equity method is:

Eastern Regional Libraries Corporation (ERLC)	2,574	3,469
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Eastern Regional Libraries Corporation (ERLC)

Background

The principal activity of ERLC is the operation of libraries. Council's ownership interest of ERLC as at 30 June 2023 was 36.39% (2022 - 36.39%) based on Council's contribution of the net assets to the entity on its commencement on 1 July 1996. Council's proportion of voting power as at 30 June 2023 was 33.33% (2022 - 33.33%).

On 27 June 2022, Knox City Council, Maroondah City Council and Yarra Ranges Council resolved, pursuant to Section 110(1) of the *Local Government Act 2020*, to participate in the formation of, and become a founding member of, Your Library Limited (a public company limited by guarantee). The member Councils further resolved that ERLC will continue to provide library services under the current model, reflected in the Your Library Agreement between the member Councils. The Your Library Agreement reflects the Regional Library Agreement currently in place.

On 30 June 2023, in accordance with Section 330 of the *Local Government Act 2020*, ERLC was wound up following the transfer of operations, staff, assets and liabilities from the Corporation to Your Library Limited. Your Library Limited commenced operations on 1 July 2023.

The three member Councils will contribute in the same proportion as before in accordance with the Your Library Agreement and the operations of the library will continue as before with the objective of serving the local community with library and other services.

Fair value of Council's investment in Eastern Regional Libraries Corporation	2,574	3,469
Council's share of accumulated surplus		
Council's share of accumulated surplus at start of year	3,469	5,074
Reported surplus for year	29	395
Distribution of accumulated surplus	(924)	(2,000)
Council's share of accumulated surplus at end of year	2,574	3,469
Movement in carrying value of specific investment		
Carrying value of investment at start of year	3,469	5,074
Share of surplus for year	29	395
Distribution of accumulated surplus	(924)	(2,000)
Carrying value of investment at end of year	2,574	3,469
Council's share of expenditure commitments		
Operating commitments	254	26
Capital commitments	-	-
Council's share of expenditure commitments	254	26

Council directly provides a number of additional resources free of charge to Eastern Regional Libraries Corporation in relation to the mobile library and library branches in the Knox municipality. The annual operating cost to Council for providing these facilities are as follows:

Mobile library	-	37
Knox City, Rowville, Ferntree Gully, Boronia and Bayswater Library Branches	603	786

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

6.3 Investments in associates, joint arrangements and subsidiaries	2023	2022
	\$'000	\$'000

An associate is an entity over which Council has significant influence but not control or joint control. Investment in an associate is accounted for using the equity method of accounting, after initially being recognised at cost.

Changes in the net assets of the ERLC are brought to account as an adjustment to the carrying value of the investment.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

Note 7 People and relationships**7.1 Council and key management remuneration****(a) Related parties****Parent Entity**

Knox City Council

Associates

Eastern Regional Libraries Corporation (ERLC). Interests in associates are detailed in Note 6.3.

(b) Key management personnel

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

Details of KMP at any time during the year are:

Councillors

Councillor Susan Laukens (Mayor)	Mayor from 1 July 2022 to 14 November 2022 Councillor from 14 November 2022 to current
Councillor Marcia Timmers-Leitch (Mayor)	Councillor from 1 July 2022 to 14 November 2022 Mayor from 14 November 2022 to current
Councillor Nicole Seymour (Deputy Mayor)	Deputy Mayor from 1 July 2022 to 14 November 2022 Councillor from 14 November 2022 to current
Councillor Jude Dwight (Deputy Mayor)	Councillor from 1 July 2022 to 14 November 2022 Deputy Mayor from 14 November 2022 to current
Councillor Yvonne Allred	Councillor from 1 July 2022 to current
Councillor Meaghan Baker	Councillor from 1 July 2022 to current
Councillor Lisa Cooper	Councillor from 1 July 2022 to current
Councillor Sorina Grasso	Councillor from 1 July 2022 to current
Councillor Darren Pearce	Councillor from 1 July 2022 to current

Chief Executive Officer and other key management personnel

Bruce Dobson – Chief Executive Officer	
Judy Chalkley - Director Connected Communities	5 December 2022 to 30 June 2023
Greg Curcio - Director Customer and Performance	26 September 2022 to 30 June 2023
Matt Kelleher – Director City Liveability	
Navec Lorkin - Chief Financial Officer	
Samantha Mazer - Director City Centre	1 July 2022 to 29 August 2022
Tanya Scicluna – Director Connected Communities	1 July 2022 to 2 December 2022
Kristy Siega - Chief People Officer	19 September 2022 to 14 April 2023
John Rashed - Acting Chief People Officer	17 April 2023 to 30 June 2023
Grant Thorne - Director Infrastructure	
Sam Stanton – Executive Manager Strategy, People and Culture	1 July 2022 to 22 July 2022

	2023	2022
	No.	No.
Total number of Councillors	9	9
Chief Executive Officer and other key management personnel	11	9
Total key management personnel	20	18

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

(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	2022
	\$'000	\$'000
Total remuneration of Key Management Personnel was as follows:		
Short-term employee benefits	2,508	2,484
Other long-term employee benefits	43	1
Post-employment benefits	210	202
Termination benefits	146	53
Total	2,907	2,740

The remuneration of Key Management Personnel includes the full year remuneration of the current Acting Chief People Officer, who's substantive role would otherwise be included in the remuneration of other senior staff.

The numbers of Key Management Personnel whose total remuneration from Council and any related entities fall within the following bands:

	2023	2022
	No.	No.
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	6	6
\$50,000 - \$59,999	1	2
\$60,000 - \$69,999	2	-
\$90,000 - \$99,999	1	1
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	-	1
\$180,000 - \$189,999	1	-
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	1	-
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	-	1
\$280,000 - \$289,999	1	-
\$310,000 - \$319,999	-	1
\$320,000 - \$329,999	1	2
\$330,000 - \$339,999	1	2
\$410,000 - \$419,999	1	-
	20	18

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

(d) Remuneration of other senior staff

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

	2023	2022
	\$'000	\$'000
Total remuneration of other senior staff was as follows:		
Short-term employee benefits	3,077	3,558
Other long-term employee benefits	24	5
Post-employment benefits	319	350
Termination benefits	100	-
Total	3,520	3,913

The number of other senior staff are shown below in their relevant income bands:

	2023	2022
	No.	No.
Income range		
\$160,000 - \$169,999	4	1
\$170,000 - \$179,999	-	2
\$180,000 - \$189,999	2	1
\$190,000 - \$199,999	5	1
\$200,000 - \$209,999	3	5
\$210,000 - \$219,999	1	5
\$220,000 - \$229,999	2	2
\$230,000 - \$239,999	1	2
	18	19

* Due to a definitional change the comparative figures in this note may not align with the previous year's annual report, which included disclosure of senior officers as defined in the *Local Government Act 1989*.

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

7.2 Related party disclosure

(a) Transactions with related parties

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

Contributions to Eastern Regional Libraries Corporation	4,500	4,433
Total transactions with related parties	<u>4,500</u>	<u>4,433</u>

Council directly provides a number of additional resources free of charge to the Eastern Regional Libraries Corporation in relation to the mobile library and library branches in the Knox municipality. The annual operating cost to Council for providing these facilities are as follows:

Mobile library	-	37
Knox City, Rowville, Ferntree Gully, Boronia and Bayswater Library Branches	603	786

(b) Outstanding balances with related parties

There were no balances outstanding at the end of the reporting period in relation to transactions with related parties.

(c) Loans to / from related parties

There were no loans in existence at balance date that have been made, guaranteed or secured by the Council to a related party.

(d) Commitments to/from related parties

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

Knox City Council
Notes to the Financial Report
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

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

Developer contributions

As a result of development activity within the Knox municipality, Council has identified as a contingent asset the developer contributions of infrastructure assets and open space contributions to be received in respect of subdivisions that are currently under development totalling \$22.923 million (2021-22, \$14.969 million).

(b) Contingent liabilities

Contingent liabilities are:

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

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Knox City Council has paid unfunded liability payments to Vision Super totalling \$Nil during the 2022-23 (2021-22 \$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 2024 are \$0.246 million.

Landfill

Council has identified a previously unknown former landfill at Wantirna Reserve. In October 2022 the Environment Protection Authority (EPA) issued Council an Environmental Action Notice to submit an auditor verified Aftercare Management Plan for the site by 30 November 2023. Environmental investigation works are currently underway to prepare the Plan, and at balance date Council is unable to accurately assess the financial implications of any future works (should they be required).

Council continues to manage its two former landfill sites at Cathies Lane and Llewellyn Reserve as required by the newly issued Duty to Manage letter issued by the EPA. Council has been advised that financial assurances are no longer required for these sites, but will continue to put aside appropriate funds for ongoing management at the sites. Council has calculated its ongoing management costs for a period up to 30 June 2034.

Knox City Council Notes to the Financial Report For the Year Ended 30 June 2023

Knox City Council Depot

During the 2020 financial year, Council ceased operations at the Knox City Council Depot located in Bridgewood Court, Wantirna South. Council is now managing the rehabilitation of this site. It is expected that these works will be completed by the end of 2023.

Insurance Claims

As a large local authority with ownership of numerous parks, reserves, roads and other land holdings, the Council is regularly met with claims and demands allegedly arising from an incident that occurs on land belonging to the Council, or allegedly arising from incidents relating to Council business, services or activities. There are eight outstanding insurance claims against the Council in this regard. The Council carries \$600 million of public liability and professional indemnity insurance and has an excess of \$0.020 million per claim on this policy. Therefore, the maximum liability of the Council in any single claim is the extent of its excess. The primary insurer is Liability Mutual Insurance (MAV Insurance). There are no claims that Council is aware of which would fall outside the terms of the Council's policy.

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 2024 that are expected to impact Council.

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank 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.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

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.

Other than the borrowings taken out by Council in June 2023, there has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

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

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

- has an investment policy which specifies the need to meet Council's cash flow requirements;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

Knox City Council Notes to the Financial Report For the Year Ended 30 June 2023

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 twelve months:

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 5.064%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than land under roads, recreational, leisure and community facilities, plant and equipment, bus shelters, artworks and intangibles 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 on an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 years. The valuations are performed either by experienced Council officers or independent experts. The following table sets out the frequency of revaluations by asset class.

Asset Class	Revaluation frequency
Land	2 years
Buildings	2 years
Roads	3 years
Bridges	3 years
Footpaths and cycleways	3 years
Drainage	3 years
Off street car parks	3 years
Other infrastructure	3 years

Where the assets are revalued, the revaluation increments are credited directly to the relevant 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 asset, revaluation increments and decrements within the year are offset. Refer to Note 9.1(a) for further information.

Impairment of assets

At each reporting date, 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 asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Comprehensive Income Statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

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

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

Note 9 Other Matters**9.1 Reserves****(a) Asset revaluation reserve**

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
2023			
Property			
Land	850,082	-	850,082
Buildings	83,436	402	83,838
	933,518	402	933,920
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	324,628	-	324,628
Bridges	2,272	390	2,662
Footpaths and cycleways	31,418	-	31,418
Drainage	105,475	(26,612)	78,863
Off street car parks	3,007	-	3,007
Other infrastructure	-	-	-
	466,800	(26,222)	440,578
Total asset revaluation reserve	1,400,349	(25,820)	1,374,529
2022			
Property			
Land	777,063	73,019	850,082
Buildings	60,551	22,885	83,436
	837,614	95,904	933,518
Plant and equipment			
Artworks	31	-	31
	31	-	31
Infrastructure			
Roads	288,572	36,056	324,628
Bridges	2,272	-	2,272
Footpaths and cycleways	23,279	8,139	31,418
Drainage	105,475	-	105,475
Off street car parks	4,272	(1,265)	3,007
Other infrastructure	-	-	-
	423,870	42,930	466,800
Total asset revaluation reserve	1,261,515	138,834	1,400,349

Nature and purpose of asset revaluation reserve

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

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

(b) Other reserves

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
2023				
Restricted reserves				
Open space reserve	17,313	6,183	(6,248)	17,248
Basketball stadium infrastructure reserve	100	-	-	100
State Basketball Centre asset renewal fund	624	-	(624)	-
Football pitch replacement fund	612	-	(612)	-
Total restricted reserves	18,649	6,183	(7,484)	17,348
Unrestricted reserves				
Mountain Gate reserve	140	-	(140)	-
City futures fund	246	-	-	246
Revegetation net gain	476	65	(453)	88
Revolving energy fund	12	-	(12)	-
Aged care reserve	3,160	-	(200)	2,960
Unexpended grant reserve (Financial Assistance Grants)	5,844	8,609	(5,844)	8,609
Stamford Park	8,923	-	(7,537)	1,386
Blue Hills	3	-	(3)	-
Scoresby Recreation Reserve	173	30	-	203
HACC capital reserve	545	-	(33)	512
Library reserve	2,000	924	(282)	2,642
Social housing reserve	-	2,559	-	2,559
Total unrestricted reserves	21,522	12,187	(14,504)	19,205
Total other reserves	40,171	18,370	(21,988)	36,553
2022				
Restricted reserves				
Open space reserve	15,630	5,410	(3,727)	17,313
Basketball stadium infrastructure reserve	100	-	-	100
State Basketball Centre asset renewal fund	597	27	-	624
Football pitch replacement fund	612	-	-	612
Total restricted reserves	16,939	5,437	(3,727)	18,649
Unrestricted reserves				
Mountain Gate Reserve	140	-	-	140
City futures fund	2,915	-	(2,669)	246
Revegetation net gain	461	65	(50)	476
Revolving energy fund	60	57	(105)	12
Aged care reserve	4,891	-	(1,731)	3,160
Unexpended grant reserve (Financial Assistance Grants)	4,038	5,844	(4,038)	5,844
Stamford Park	8,923	-	-	8,923
Blue Hills	3	-	-	3
Scoresby Recreation Reserve	144	29	-	173
HACC capital reserve	635	-	(90)	545
Library reserve	-	2,000	-	2,000
Social housing reserve	-	-	-	-
Total unrestricted reserves	22,210	7,995	(8,683)	21,522
Total other reserves	39,149	13,432	(12,410)	40,171

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

Nature and purpose of other reserves**Open space reserve**

The Open Space Reserve is used to provide funding for future purchases and improvements of open space. Funding is provided from developer's contributions for open space which is initially recognised in the comprehensive income statement and then transferred to the reserve from accumulated surplus to facilitate separate tracking of the total funds received but not yet spent.

Basketball stadium infrastructure reserve

The purpose of this reserve is to improve basketball stadium facilities within the Knox municipality.

State basketball centre asset renewal fund

The purpose of this reserve is to provide for asset renewal works at the State Basketball Centre (Knox Regional Sports Park).

Football pitch replacement fund

The purpose of this reserve is to provide for future football pitch replacement at Knox Regional Sports Park.

Mountain Gate reserve

The purpose of this reserve is to enhance community facilities within Mountain Gate.

City futures fund

The purpose of this reserve is to enhance community facilities within Knox municipality.

Revegetation net gain

The purpose of this reserve is to ensure any loss of vegetation through development is re-established in a sustainable location.

Revolving energy fund

The purpose of this reserve is to re-invest savings in energy costs to be invested in further works to minimise energy consumption.

Aged care reserve

The purpose of this reserve is to set aside the proceeds from the divestment of the Amaroo Gardens Aged Care Facility by Council on 2 November 2011 for aged services and infrastructure within the Knox municipality.

Unexpended grant reserve (Victoria Grants Commission)

The purpose of this reserve is to quarantine early payment of Victoria Grants Commission General Purpose and Local Roads Federal Grant funding for use in the following year.

Stamford Park

The purpose of this reserve is to develop the Stamford Park site for the benefit of the Knox Community.

Blue Hills

The purpose of this reserve is to construct the Early Years Hubs facilities for the benefit of the Knox Community.

Scoresby Recreation reserve

The purpose of this reserve is to invest the income derived from lease of this site into the Scoresby Recreation Reserve.

HACC capital reserve

The purpose of this reserve is to refurbish, upgrade and maintain minor capital within the Home and Community Care funded programs.

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

Library reserve

The purpose of this reserve is for major capital expenditure for acquiring, refurbishing or redeveloping library premises as standalone premises or as part of community hubs for Knox Library branches.

Social housing reserve

The purpose of this reserve is to provide funding for the planning, development, construction and/or purchase of social housing for the Knox Community.

Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023

	2023	2022
	\$'000	\$'000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	(7,777)	(2,792)
Depreciation	23,973	22,965
Amortisation - intangible assets	647	598
Amortisation - right of use assets	635	630
Bad and doubtful debts	276	334
Borrowing costs	1,746	403
Finance costs - leases	31	30
Net (gain)/loss on disposal of property, infrastructure, plant and equipment	26,273	1,362
Contributions - non-monetary assets	-	(440)
Increment in investment in associate	(29)	(395)
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(2,691)	781
(Increase)/decrease in prepayments	(56)	172
(Increase)/decrease in accrued income	(984)	(5)
Increase/(decrease) in trade and other payables	3,369	(1,856)
Increase/(decrease) in unearned income/revenue	(1,669)	(7,294)
Increase/(decrease) in provisions	189	(1,208)
Increase/(decrease) in other liabilities	55	650
(Increase)/decrease in inventories	(7)	(3)
Net cash provided by/(used in) operating activities	43,981	13,932

9.3 Superannuation

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

Accumulation

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

Defined Benefit

Knox City 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 Knox City 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.

Knox City Council Notes to the Financial Report For the Year Ended 30 June 2023

Funding arrangements

Knox City 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 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment	5.7% pa
Salary information	3.5% pa
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	5.5% pa
Salary information	2.5% pa to 30 June 2023, and 3.5% pa thereafter
Price inflation (CPI)	3.0% 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 2022 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

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.

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 Knox City 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.

Knox City Council Notes to the Financial Report For the Year Ended 30 June 2023

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

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

The 2022 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Knox City 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 investigation identified the following in the Defined Benefit category of which Council is a contributing employer:

- A VBI surplus of \$44.6 million (2021: \$214.7 million)
- A total service liability surplus of \$105.8 million (2021: \$270.3 million)
- A discounted accrued benefits surplus of \$111.9 million (2021: \$285.2 million)

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 benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 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	5.7% pa	5.6% pa
Salary information	3.5% pa	2.5% pa for the first two years, and 2.75% pa thereafter
Price inflation (CPI)	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 2023 are detailed below:

Scheme	Type of scheme	Rate	2023 \$'000	2022 \$'000
Vision super	Defined Benefit	10.5% (2022: 10.0%)	259	250
Other funds	Defined Benefit	10.5% (2022: 10.0%)	-	-
Vision super	Accumulation Fund	10.5% (2022: 10.0%)	3,360	3,360
Other funds	Accumulation Fund	10.5% (2022: 10.0%)	3,165	3,010

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 2024 is \$0.246 million.

**Knox City Council
Notes to the Financial Report
For the Year Ended 30 June 2023**

Note 10 Change in accounting policy

There have been no changes to accounting policies in the 2022-23 year.

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

Performance Statement

Year ending 30 June 2023

Description of the municipality

Located approximately 25 kilometres from Melbourne's central business district, the Knox municipality is a major hub of cultural, commercial, business and innovative activity in the eastern suburbs of Melbourne. It is a diverse municipality, with residents from 130 different countries who speak over 136 languages. The City of Knox has an estimated resident population of 159,404 (as at 30 June 2023) and covers an area of 113.84 square kilometres. The area boasts a green, leafy image extending to the foothills of the picturesque Dandenong Ranges. Knox consists of the following suburbs: Bayswater, Boronia, Ferntree Gully, Knoxfield, Lysterfield, Rowville, Scoresby, The Basin, Upper Ferntree Gully, Wantirna and Wantirna South.

Understanding the Performance Statement

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

Where applicable, the results in the Performance Statement have been prepared on accounting bases consistent with those reported in the financial statements. The other results are based on information drawn from Council information systems or from third parties (for example, the Australian Bureau of Statistics).

The Performance Statement presents the actual results for the current year and for the prescribed financial performance indicators and measures and the results forecast by Council's Strategic Resource Plan. The *Local Government (Planning and Reporting) Regulations 2020* require explanation of any material variations in the results contained in the Performance Statement. The materiality thresholds have been set as +/-10% of the 2022-23 results. Explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material in nature.

The forecast figures included in the performance statement are those adopted by Council in its Financial Plan on 26 June 2023. The Financial Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and are aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the general purpose financial statements. The Financial Plan is available on Council's website.

The following statement provides the results of the prescribed service performance indicators and measures, including an explanation of material variations.

Sustainable capacity indicators

For the year ended 30 June 2023

Service/indicator/measure	Results				Comment
	2019-20	2020-21	2021-22	2022-23	
Population Expenses per head of municipal population [Total expenses/Municipal population]	\$1,009.15	\$1,047.69	\$1,196.12	\$1,312.85	Expenditure includes the one-off transfer of assets totalling \$25.4 million relating to the Knox Regional Sports Park to the State Government.
Infrastructure per head of municipal population [Value of infrastructure/Municipal population]	\$6,138.10	\$6,220.00	\$6,854.05	\$6,872.31	The infrastructure value has decreased by \$20.2 million on the prior year, with additions of \$57.6 million being offset by a decrease related to depreciation, disposals and revaluation. The municipal population has decreased by 3,365.
Population density per length of road [Municipal population/Kilometres of local roads]	227.26	227.91	224.51	219.87	The municipal population has decreased by 3,365. There has been no change to the length of local roads.
Own-source revenue Own-source revenue per head of municipal population [Own-source revenue/Municipal population]	\$835.22	\$846.27	\$894.33	\$976.14	Own-source revenue has increased by \$10.0 million, with the majority of this increase being the \$8.6 million increase to rates income. The municipal population has decreased by 3,365.
Recurrent grants Recurrent grants per head of municipal population [Recurrent grants/Municipal population]	\$153.90	\$174.66	\$194.91	\$162.75	Council has updated its definition of recurrent capital grants to only include recurrent capital grants received in relation to the Victorian Local Government Grants Commission local road funding, and Roads to Recovery.
Disadvantage Relative socio-economic disadvantage [Index of Relative Socio-economic	9.00	9.00	9.00	9.00	

Service/indicator/measure	Results				Comment
	2019-20	2020-21	2021-22	2022-23	
Disadvantage by decile]					
Workforce turnover Percentage of staff turnover [Number of permanent staff resignations and terminations/Average number of permanent staff for the financial year] x100	9.3%	15%	13.5%	17.72%	The increase in turnover remains below the State-wide average. The movement can be attributed to factors including a competitive labour market and post COVID retirements as people transition from the workforce.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

"population" means the resident population estimated by council

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

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

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

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

Service performance indicators

For the year ended 30 June 2023

Service/indicator/measure	Results				Comment
	2019-20	2020-21	2021-22	2022-23	
Aquatic Facilities Utilisation Utilisation of aquatic facilities [Number of visits to aquatic facilities/Municipal population]	1.69	0.85	1.11	2.03	Participation levels increased during 2022-23 demonstrating a return to pre-COVID-19 utilisation.
Animal Management Health and safety Animal management prosecutions [Number of successful animal management prosecutions/Number of animal management prosecutions] x100	100%	100%	95.45%	91.67%	Council undertakes prosecutions in relation to more serious incidents that occur under the Domestic Animals Act, as well as in relation to offenders who consistently demonstrate irresponsible pet ownership. Council continued to have a high success rate of animal management prosecutions in 2022-23. This is attributed to quality investigation and prosecution practices.
Food safety Health and safety Critical and major non-compliance outcome notifications [Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about a food premises followed up/Number of critical non-compliance outcome notifications and major non-compliance outcome notifications about food premises] x100	100.00%	98.04%	96.71%	99.40%	During 2022-23, one food premises closed prior to a follow up inspection being completed. Council's health officers have prioritised follow up inspections to ensure legislative compliance.
Governance Satisfaction Satisfaction with Council decisions [Community satisfaction rating out of 100 with how Council has performed in making	58	60	58	54	The decline in satisfaction with council decisions is in line with broader State-wide trend, and likely influenced by the decline in the community's satisfaction with consultation and engagement.

Service/indicator/measure	Results				Comment
	2019-20	2020-21	2021-22	2022-23	
decisions in the interest of the community]					
Libraries Participation Active library borrowers in municipality [Number of active library borrowers in the last three years/The sum of the population for the last three years] x100	12.87%	11.41%	10.09%	9.05%	Active library borrowers remains low compared to pre-COVID-19 levels. This is increasing steadily with borrowings trending up and expected to be at pre-COVID-19 levels by the end of 2023-24.
Maternal and Child Health (MCH) Participation Participation in the MCH service [Number of children who attend the MCH service at least once (in the year)/Number of children enrolled in the MCH service] x100	76.27%	75.82%	73.72%	75.84%	Participation in Council's MCH service has remained relatively consistent with previous reporting periods. A slight increase was noticed in quarter 3 and 4 of 2022-23 following reduced impacts from COVID-19.
Participation Participation in the MCH service by Aboriginal children [Number of Aboriginal children who attend the MCH service at least once (in the year)/Number of Aboriginal children enrolled in the MCH service] x100	80.36%	85.48%	75.81%	85.71%	Participation in Council's MCH service by Aboriginal children has increased in 2022-23, following reduced restrictions from COVID-19 and increased focus on inclusive practice and embedding cultural safety into the services.
Roads Satisfaction Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]	68	70	68	55	The decline in satisfaction with sealed local roads is significant, but in line with broader State-wide and Metro trends. This has been driven by significant weather events that have impacted road conditions particularly across State-owned roads in the Knox area.
Statutory Planning Decision-making	58.62%	47.06%	62.50%	16.67%	The percentage of Council decisions upheld at VCAT and the number of appeals lodged decreased in 2022-

Service/indicator/meas ure	Results				Comment
	2019-20	2020-21	2021-22	2022-23	
Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside Council's decisions in relation to a planning application/Number of VCAT decisions in relation to planning applications] x100					23. The outcomes are influenced by the individual circumstances of each case. For example, the VCAT process allows for applicants to submit amended plans during the process. While VCAT may determine to set aside Council's decision, if the application is amended during the appeal process, the built form or planning outcome can be different to that originally considered by Council. Whether VCAT upholds or sets aside a decision is less an indicator of success than the outcome of each individual case. VCAT decisions will also be analysed in greater detail to ensure Knox's planning controls are effective as part of the Planning Scheme Review process.
Waste Collection Waste Diversion Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins/Weight of garbage, recyclables and green organics collected from kerbside bins] x100	53.44%	52.10%	51.60%	53.12%	The percentage of kerbside collection waste diverted from landfill in 2022-23 has remained relatively consistent with previous reporting periods. The waste diversion rate is expected to increase in 2023-24 with the introduction of food and garden bin collection (FOGO) and the changes to the collection frequency.

Definitions

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

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

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

Financial performance indicators

For the year ended 30 June 2023

	Results	Results	Results	Results	Forecasts				
Dimension/indicator/measure	2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
Efficiency									
Expenditure level <i>Expenses per property assessment</i> [Total expenses/Number of property assessments]	\$2,441.81	\$2,544.46	\$2,833.93	\$3,032.96	\$2,774.57	\$2,779.86	\$2,786.09	\$2,832.48	Expenditure includes the one-off transfer of assets totalling \$25.4 million relating to the Knox Regional Sports Park to the State Government.
Revenue level <i>Average rate per property assessment</i> [Total rate revenue (general rates and municipal charges)/Number of property assessments]	\$1,523.82	\$1,563.94	\$1,573.01	\$1,623.38	\$1,679.94	\$1,718.79	\$1,758.60	\$1,799.34	General rate income was increased by the approved rate cap percentage, while supplementary rate income was up \$0.7 million on the 2022 financial year.

	Results	Results	Results	Results	Forecasts				
Dimension/indicator/measure	2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
Liquidity									
<p>Working capital Current assets compared to current liabilities [Current assets/Current liabilities] x100</p>	168.76%	144.58%	148.44%	163.35%	126.70%	118.54%	109.25%	101.91%	Cash and cash equivalents and other financial assets have increased by \$11.9 million due to the budgeted carry forward of capital works expenditure in to 2023-24. Borrowings totalling \$29.3 million were taken out in the 2023 financial year which contributed to an increase in current assets, while current interest-bearing liabilities only increased by \$2.5 million.
<p>Unrestricted cash Unrestricted cash compared to current liabilities [Unrestricted cash/Current liabilities] x100</p>	36.99%	30.88%	35.38%	41.95%	54.31%	59.53%	61.44%	54.65%	Cash and cash equivalents and other financial assets have increased by \$11.9 million due to the budgeted carry forward of capital works expenditure in to 2023-24. Borrowings totalling \$29.3 million were taken out in the 2023 financial year which contributed to an increase in cash and cash equivalents. Conditional grants unspent reduced by \$1.7 million, while statutory reserves decreased by \$1.3 million.

	Results	Results	Results	Results	Forecasts				
Dimension/indicator/measure	2020	2021	2022	2023	2024	2025	2026	2027	Material Variations and Comments
Obligations									
Loans and borrowings <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings/Rate revenue] x100	0.00%	0.00%	38.83%	54.95%	56.11%	63.08%	60.37%	62.99%	Borrowings totalling \$29.3 million were taken out in the 2023 financial year, with further borrowings forecast in future years to fund projects within the capital works program.
Loans and borrowings <i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings/Rate revenue] x100	0.00%	0.00%	1.14%	4.45%	7.22%	8.56%	9.53%	10.38%	Borrowings totalling \$29.3 million were taken out in the 2023 financial year, with further borrowings forecast in future years to fund projects within the capital works program.
Indebtedness <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities/Own source revenue] x100	3.19%	3.25%	33.09%	45.55%	46.38%	53.81%	50.58%	52.15%	Borrowings totalling \$29.3 million were taken out in the 2023 financial year, with further borrowings forecast in future years to fund projects within the capital works program.
Asset renewal and upgrade <i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and asset upgrade expense/Asset depreciation] x100	139.94%	150.75%	170.53%	186.26%	274.38%	236.13%	165.51%	192.10%	Asset renewal and upgrade works were \$5.5 million greater than the 2022 financial year, while depreciation increased by \$1.0 million.
Operating position									

Dimension/indicator/measure	Results	Results	Results	Results	Forecasts				Material Variations and Comments
	2020	2021	2022	2023	2024	2025	2026	2027	
Adjusted underlying result Adjusted underlying surplus (or deficit) [Adjusted underlying surplus (deficit)/Adjusted underlying revenue] x100	2.87%	4.66%	-4.56%	-9.07%	8.91%	2.89%	5.45%	4.81%	Council's one-off transfer of assets to the value of \$25.4 million to the State Government relating to the Knox Regional Sports Park project has impacted the adjusted underlying surplus (deficit) figure.
Stability									
Rates concentration Rates compared to adjusted underlying revenue [Rate revenue/Adjusted underlying revenue] x100	68.58%	67.40%	67.63%	70.14%	68.89%	74.50%	74.18%	75.07%	Rates income, including the residential garbage charge and related service charges, was \$8.6 million greater than the 2022 financial year. This is partially offset by an increase of \$3.9 million in non-recurrent capital grants, capital contributions and non-monetary contributions.
Rates effort Rates compared to property values [Rate revenue/Capital improved value of rateable properties in the municipality] x100	0.24%	0.23%	0.24%	0.22%	0.24%	0.23%	0.22%	0.21%	Rates income, including the residential garbage charge and related service charges, was \$8.6 million greater than the 2022 financial year. However property values have increased \$8,920,581 million compared to the 2022 financial year.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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

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