

OFFICIAL

Council Meeting

Agenda

11 October 2023 at 6:30pm

**Council Chamber, Town Hall, Sturt Street,
Ballarat**





The City of Ballarat acknowledges the Traditional Custodians of the land we live and work on, the Wadawurrung and Dja Dja Wurrung People, and recognises their continuing connection to the land and waterways. We pay our respects to their Elders past, present and emerging and extend this to all Aboriginal and Torres Strait Islander People.

This meeting is being broadcast live on the internet and the recording of this meeting will be published on council's website www.ballarat.vic.gov.au after the meeting.

Members of the public attending this meeting may be filmed. By remaining in the public gallery once the meeting commences, members of the public give their consent to being filmed, and for the recording of them to be made publicly available and used by council.

Information about the broadcasting and publishing recordings of council meetings is available in council's broadcasting and publishing recordings of council meetings procedure is available on the council's website.

ORDER OF BUSINESS:

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The next Ordinary Meeting of the Ballarat City Council will be held on Wednesday 25 October 2023.

1. OPENING DECLARATION

Councillors: *"We, the Councillors of the City of Ballarat, declare that we will carry out our duties in the best interests of the community, and through collective leadership will maintain the highest standards of good governance."*

Mayor: *"I respectfully acknowledge the Wadawurrung and Dja Dja Wurrung People, the traditional custodians of the land, and I would like to welcome members of the public in the gallery."*

2. APOLOGIES FOR ABSENCE

3. DISCLOSURE OF INTEREST

4. OFFICER REPORTS

4.1. IN PRINCIPLE FINANCIAL REPORT AND PERFORMANCE STATEMENTS FOR YEAR ENDED 30 JUNE 2023

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Division: Corporate Services
Director: John Hausler
Author/Position: Jason Clissold – Executive Manager Financial Services

PURPOSE

1. For Council to give its approval 'in principle' to the Financial Report and Performance Statement for the year ended 30 June 2023, before submitting the statements to the auditor for reporting on the audit.
2. For Council to authorise two Councillors to certify the Statements, in their final form, after any changes recommended or agreed by the auditor have been made.

BACKGROUND

3. In accordance with Section 99 of the *Local Government Act 2020* (the Act), Council is required to approve the Financial Report and Performance Statement 'in principle' before submitting them to the Victorian Auditor-General's Office.
4. The Financial Report provides information on current and prior year balances and information as required by accounting standards, the Act and *Local Government (Planning and Reporting) Regulations 2020*.
5. The Performance Statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures as developed by the Victorian Government under the Local Government Performance Reporting Framework.

KEY MATTERS

6. The attached Victorian Auditor-General's Closing Report does not raise any concerns over the audit and indicates that an unmodified audit opinion is expected to be issued for both statements.
7. Once approved in principle, the statements will be formally lodged with the Victorian Auditor-General's Office (VAGO), who will then issue a formal Audit Opinion on each, allowing the statements to be certified and included in the Annual Report to be presented to Council by 31 October 2023.
8. The Audit and Risk Committee considered the Financial Report and Performance Statement at its meeting held on 4 October 2023.
9. The Committee provided the following opinion regarding the Financial Report and the Performance Statement:

- That in our opinion the accompanying statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, Australian Accounting Standards and other mandatory professional reporting requirements.
10. The Audit and Risk Committee recommended Council record its approval 'in principle' to the Financial Report and Performance Statement (the statements), for the year ended 30 June 2023, subject to any changes from the Auditor General, which the Committee have requested be presented to the next Audit and Risk Committee meeting.
11. There were no significant changes to the statements recommended by the Audit and Risk Committee at their meeting. Some suggested minor grammatical and presentation changes have been considered and updated where appropriate.

OFFICER RECOMMENDATION

12. That Council:

- 12.1 Approve the 2022/23 Financial Report and Performance Statement in principle.**
- 12.2 Authorise the Chief Executive Officer to implement any changes to the statements as recommended by the Auditor-General.**
- 12.3 Authorise the Mayor, Cr Hudson and Deputy Mayor, Cr Johnson to certify the 2022/23 Financial Report and Performance Statement on behalf of Council, once any amendments or changes requested by the Victorian Auditor General have been made.**

ATTACHMENTS

1. Governance Review [4.1.1 - 2 pages]
2. In Principle Financial Report for year ended 30 June 2023 [4.1.2 - 71 pages]
3. In Principle Performance Statement for year ended 30 June 2023 [4.1.3 - 8 pages]
4. C.4 Closing report- BCC final [4.1.4 - 20 pages]

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ALIGNMENT WITH COUNCIL VISION, COUNCIL PLAN, STRATEGIES AND POLICIES

1. The Annual Financial Report and Performance Statement are key documents in reporting Council's accountability to the Council Vision, Council Plan and other strategic documents.

COMMUNITY IMPACT

2. The Annual Financial Report and Performance Statement are key reporting and compliance documents whose primary purpose is to inform the community of Council's performance.

CLIMATE EMERGENCY AND ENVIRONMENTAL SUSTAINABILITY IMPLICATIONS

3. There are no climate emergency and environmental sustainability implications.

ECONOMIC SUSTAINABILITY IMPLICATIONS

4. There are no economic sustainability implications.

FINANCIAL IMPLICATIONS

5. The Annual Financial Report and Performance Statement are statements of fact that provide a summary of Council's performance for 2022/23 and financial position as at 30 June 2023.

LEGAL AND RISK CONSIDERATIONS

6. The Annual Financial Report and Performance Statement have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, Australian Accounting Standards and other mandatory professional reporting requirements.

HUMAN RIGHTS CONSIDERATIONS

7. It is considered that the report does not impact on any human rights identified in the *Charter of Human Rights and Responsibilities Act 2006*.

COMMUNITY CONSULTATION AND ENGAGEMENT

8. There is no community consultation and engagement required for the subject of this report.

GENDER EQUALITY ACT 2020

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9. There are no gender equality implications identified for the subject of this report.

CONFLICTS OF INTEREST THAT HAVE ARISEN IN PREPARATION OF THE REPORT

10. Council officers affirm that no general or material conflicts need to be declared in relation to the matter of this report.

OFFICIAL

City of Ballarat

ANNUAL FINANCIAL REPORT
for the year ended 30 June 2023



City of Ballarat

2022/2023 Financial Report

Annual Financial Report

for the year ended 30 June 2023

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2022/2023 Financial Report

Annual Financial Report

for the year ended 30 June 2023

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City of Ballarat

2022/2023 Financial Report

Annual Financial Report

for the year ended 30 June 2023

Certification of the Financial Statements

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

Jason Clissold CPA

Principal Accounting Officer

Dated: 11 October 2023

Ballarat

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

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

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

Cr Des Hudson

Mayor

Dated: 11 October 2023

Ballarat

Cr Amy Johnson

Deputy Mayor

Dated: 11 October 2023

Ballarat

Evan King

Chief Executive Officer

Dated: 11 October 2023

Ballarat

City of Ballarat

2022/2023 Financial Report

Annual Financial Report
for the year ended 30 June 2023

Victorian Auditor-General's Office Report

Insert VAGO Report here

City of Ballarat

2022/2023 Financial Report

Annual Financial Report
for the year ended 30 June 2023

Victorian Auditor-General's Office Report (continued)

Insert VAGO Report here

City of Ballarat

2022/2023 Financial Report

Comprehensive Income Statement

for the year ended 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Income / Revenue			
Rates and charges	3.1	143,060	135,370
Statutory fees and fines	3.2	7,987	7,111
User fees	3.3	22,218	20,921
Grants - operating	3.4	34,493	32,273
Grants - capital	3.4	17,795	24,559
Contributions - monetary	3.5	9,365	16,240
Contributions - non monetary	3.5	45,105	31,810
Net gain on disposal of property, infrastructure, plant and equipment	3.6	463	911
Other income	3.7	8,735	4,144
Total income / revenue		289,221	273,339
Expenses			
Employee costs	4.1	75,203	65,759
Materials and services	4.2	84,328	76,268
Depreciation	4.3	43,145	42,384
Amortisation - Intangible assets	4.4	1,502	774
Amortisation - Right of use assets	4.5	398	583
Bad and doubtful debts - allowance for impairment losses	4.6	3,079	737
Borrowing costs	4.7	1,356	1,563
Finance costs - Leases	4.8	43	56
Revaluation decrement of IPP&E	6.1	13,322	-
Fair value decrement on investment properties	6.2	699	-
Other expenses	4.9	2,229	11,009
Total expenses		225,304	199,133
Surplus for the year		63,917	74,206
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	9.1	(102,561)	132,147
Total items which will not be reclassified subsequently to the operating result		(102,561)	132,147
Total other comprehensive income		(102,561)	132,147
Total comprehensive result		(38,644)	206,353

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

City of Ballarat

2022/2023 Financial Report

Balance Sheet

as at 30 June 2023

	Notes	2023 \$ '000	2022 \$ '000
Assets			
Current assets			
Cash and cash equivalents	5.1	34,142	20,533
Trade and other receivables	5.1	18,472	14,548
Other financial assets	5.1	129,502	148,002
Inventories	5.2	690	435
Other assets	5.2	3,021	1,743
Total current assets		185,827	185,261
Non-current assets			
Property, infrastructure, plant and equipment	6.1	2,153,556	2,206,835
Investment property	6.2	15,610	–
Intangible assets	5.2	886	2,387
Right-of-use assets	5.8(a)	697	1,095
Total non-current assets		2,170,749	2,210,317
Total assets		2,356,576	2,395,578
Liabilities			
Current liabilities			
Trade and other payables	5.3	22,057	13,718
Trust funds and deposits	5.3	16,108	16,205
Unearned income/revenue	5.3	15,092	20,845
Provisions	5.5	21,610	23,058
Interest-bearing liabilities	5.4	3,053	4,692
Lease liabilities	5.8(b)	420	401
Total current liabilities		78,340	78,919
Non-current liabilities			
Provisions	5.5	19,062	15,368
Interest-bearing liabilities	5.4	27,995	31,048
Lease liabilities	5.8(b)	332	752
Total non-current liabilities		47,389	47,168
Total liabilities		125,729	126,087
Net assets		2,230,847	2,269,491
Equity			
Accumulated surplus		1,412,971	1,350,312
Reserves	9.1	817,876	919,179
Total Equity		2,230,847	2,269,491

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

City of Ballarat

2022/2023 Financial Report

Statement of Changes in Equity

for the year ended 30 June 2023

	Note	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
2023					
Balance at beginning of the financial year		2,269,491	1,350,312	880,215	38,964
Found assets	11.1	–	–	–	–
Adjusted opening balance		2,269,491	1,350,312	880,215	38,964
Surplus for the year		63,917	63,917	–	–
Net asset revaluation increment/(decrement)	9.1	(102,561)	–	(102,561)	–
Transfers to other reserves	9.1	–	(16,629)	–	16,629
Transfer from other reserves	9.1	–	15,371	–	(15,371)
Balance at end of the financial year		2,230,847	1,412,971	777,654	40,222
2022					
Balance at beginning of the financial year		2,063,039	1,295,969	748,068	19,002
Found assets	11.1	99	99	–	–
Adjusted opening balance		2,063,138	1,296,068	748,068	19,002
Surplus for the year		74,206	74,206	–	–
Net asset revaluation increment/(decrement)	9.1	132,147	–	132,147	–
Transfers to other reserves	9.1	–	2,556	–	(2,556)
Transfer from other reserves	9.1	–	(22,518)	–	22,518
Balance at end of the financial year		2,269,491	1,350,312	880,215	38,964

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

City of Ballarat

2022/2023 Financial Report

Statement of Cash Flows

for the year ended 30 June 2023

	Notes	2023 Inflows/ (Outflows) \$ '000	2022 Inflows/ (Outflows) \$ '000
Cash flows from operating activities			
Rates and charges		140,515	135,797
Statutory fees and fines		7,131	7,111
User fees		24,307	22,707
Grants - operating		35,639	33,849
Grants - capital		7,808	19,089
Contributions - monetary		9,436	16,240
Interest received		4,802	759
Trust funds and deposits taken		46,383	44,598
Other receipts		2,833	1,684
Net GST refund		11,019	9,378
Employee costs		(72,688)	(65,878)
Materials and services		(91,330)	(87,543)
Short-term, low value and variable lease payments		(538)	(221)
Trust funds and deposits repaid		(46,480)	(42,531)
Other payments		(745)	(2,019)
Net cash provided by operating activities	9.2	78,092	93,020
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(76,675)	(62,493)
Proceeds from sale of property, infrastructure, plant and equipment		883	936
Payments for investments		(322,717)	(347,800)
Proceeds from sale of investments		340,518	337,822
Net cash used in investing activities		(57,991)	(71,535)
Cash flows from financing activities			
Finance costs		(1,356)	(1,563)
Repayment of borrowings		(4,692)	(4,480)
Interest paid - lease liability		(43)	(56)
Repayment of lease liabilities		(401)	(457)
Net cash used in financing activities		(6,492)	(6,556)
Net increase in cash and cash equivalents		13,609	14,929
Cash and cash equivalents at the beginning of the financial year	5.1a	20,533	5,604
Cash and cash equivalents at the end of the financial year		34,142	20,533
Financing arrangements	5.6	35,548	41,239

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

City of Ballarat

2022/2023 Financial Report

Statement of Capital Works

for the year ended 30 June 2023

	2023 \$ '000	2022 \$ '000
Property		
Land	4,750	217
Land improvements	86	116
Total land	4,836	333
Buildings	4	44
Heritage buildings	2,332	3,017
Building improvements	5,891	15,813
Total buildings	8,227	18,874
Total property	13,063	19,207
Plant and equipment		
Plant, machinery and equipment	2,136	4,989
Fixtures, fittings and furniture	51	176
Computers and telecommunications	1,261	953
Library books	386	384
Artworks	188	264
Total plant and equipment	4,022	6,766
Infrastructure		
Roads	17,059	17,296
Bridges	54	53
Footpaths and cycleways	6,191	2,903
Drainage	1,953	650
Recreational, leisure and community facilities	18,810	9,345
Waste management	6,317	1,393
Parks, open space and streetscapes	3,301	1,184
Aerodromes	5,862	572
Off street car parks	741	2,358
Other infrastructure	-	763
Total infrastructure	60,288	36,517
Total capital works expenditure	77,373	62,490
Represented by:		
New asset expenditure	34,323	14,878
Asset renewal expenditure	25,515	34,282
Asset expansion expenditure	-	-
Asset upgrade expenditure	17,535	13,330
Total capital works expenditure	77,373	62,490

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

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 1. Overview

Introduction

The City of Ballarat was established by an Order of the Governor in Council on 6th of May 1994 and is a body corporate.

Council's main office is located at the Town Hall in Sturt Street, Ballarat. Council's main customer service centre is in the Phoenix Building, 25 Armstrong Street South, Ballarat (located behind the Town Hall).

Statement of compliance

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

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

Significant accounting policies

1.1 Basis of accounting

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

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

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

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

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

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

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

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 1. Overview (continued)

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

Goods and Services Tax (GST)

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

1.2 Impact of Covid-19

Impact of Covid-19

The financial statements have been prepared including any remaining impact from Covid-19 as this is now considered part of normal operations.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2. Analysis of our results

Note 2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of greater than 10 percent and at least \$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.

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

	Budget 2023 \$ '000	Actual 2023 \$ '000	Variance \$ '000	Variance %	Ref
2.1.1 Income / Revenue and expenditure					
Income / Revenue					
Rates and charges	142,027	143,060	1,033	0.73%	1
Statutory fees and fines	6,278	7,987	1,709	27.22%	2
User fees	22,403	22,218	(185)	(0.83)%	
Grants - operating	27,344	34,493	7,149	26.14%	3
Grants - capital	18,441	17,795	(646)	(3.50)%	4
Contributions - monetary	14,330	9,365	(4,965)	(34.65)%	5
Contributions - non monetary	34,473	45,105	10,632	30.84%	6
Net gain on disposal of property, infrastructure, plant and equipment	2,703	463	(2,240)	(82.87)%	7
Other income	2,494	8,735	6,241	250.24%	8
Total income / revenue	270,493	289,221	18,728	6.92%	
Expenses					
Employee costs	78,199	75,203	2,996	3.83%	9
Materials and services	88,530	84,328	4,202	4.75%	10
Depreciation	40,969	43,145	(2,176)	(5.31)%	11
Amortisation - intangible assets	-	1,502	(1,502)	∞	12
Amortisation - right of use assets	-	398	(398)	∞	13
Bad and doubtful debts - allowance for impairment losses	568	3,079	(2,511)	(442.08)%	14
Borrowing costs	1,390	1,356	34	2.45%	
Finance costs - leases	-	43	(43)	∞	15
Revaluation decrement of IPP&E	-	13,322	(13,322)	∞	
Fair value decrement on investment properties	-	699	(699)	∞	16
Other expenses	724	2,229	(1,505)	(207.87)%	17
Total expenses	210,380	225,304	(14,924)	(7.09)%	
Surplus for the year	60,113	63,917	3,804	6.33%	

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

(i) Explanation of material variations

Variance Ref	Explanation
1.	Rates and charges - Exceeded budget primarily due to a greater number of supplementary assessments and service charges than expected.
2.	Statutory Fees and Fines - Income from parking fines was \$1.76 million higher than budget. Budget assumptions were conservatively based at the time due to the uncertain post COVID-19 environment.
3.	Operating Grants - This variance is primarily due to receiving an additional \$5.4 million of Federal Assistance Grants compared to budget. These funds are untied and relate to Council's 2024 allocation, paid in advance in 2023. There was also additional childcare subsidy received (based on enrolments). Operating grants of \$4.4 million were recognised as Unearned Income on Council's Balance Sheet at 30 June 2023 rather than income. They were received during the 2023 financial year but were unable to be recognised as income according to Australian Accounting Standards, due to the funded projects having unfulfilled performance obligations.
4.	Capital Grants - There is a requirement to recognise some grants as Unearned Income on Council's Balance Sheet at 30 June 2023 rather than income. Grants received during the financial year that have outstanding performance obligations (still in progress), are unable to be recognised as income according to Australian Accounting Standards. The net movement of such grants was \$7.2 million from last financial year (2022 \$17.6 million, \$10.4 million).
5.	Contributions Monetary - These primarily relate to cash payments from developers, receipts for Development Infrastructure Levies were \$3.9 million lower than budgeted, while payments for Open Space and Community Infrastructure Levies were \$1.3 million lower than budget. This is a timing variance only and does not reflect a permanent shortfall in income.
6.	Contributions Non-monetary - Additional assets contributed from subdivisional works across the City. This positive variance relates to the timing of projects.
7.	Net gain on disposal of property, infrastructure, plant and equipment - The budget assumed the sale of four parcels of land. Only one of these sales occurred in 2023 with the remaining three planned to be sold in future years.
8.	Other Income - This variance relates to interest income driven by the large interest rate increases during 2023, which were not forecast at the time of preparing the budget. Cash balances held are also higher than expected primarily due to the level of capital works delivered compared to budget. There were also operating savings from the adopted budget.
9.	Employee Costs - The savings in employee costs reflect the ongoing challenges with recruiting qualified and experienced staff to full position capacity. In addition to the level of vacant positions, Council's Workcover premium was \$793,000 less than budget.
10.	Materials and Services - Within Contractors expense there were several projects with significant underspends driving the total variance to budget, Business Improvement Projects were \$2.3 million under budget. This is largely a timing difference with \$1.95 million required to deliver these projects in 2024. The EPA levy for 2023 was also favourable to budget by \$1.5 million, while a \$970,000 provision was included for Passive Open Space Contributions which was not utilised.
11.	Depreciation - The budget for depreciation was set prior to the conclusion of calculations for the 2022 financial year. Depreciation expense is consistent with historical depreciation amounts and additional assets.
12.	Amortisation - intangible assets - This relates to amortisation of landfill airspace which was not budgeted for.
13.	Amortisation - right of use assets - This relates to amortisation of leased assets which was not budgeted for.

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

-
14. **Bad and Doubtful Debts** - Increase in provision required after detailed analysis of long term outstanding parking infringements.
 15. **Finance costs - leases** - This relates to calculated amounts for financing costs under AASB16 for leased assets which was not budgeted for.
 16. **Fair value decrement on investment properties** - This relates to the movement in value of investment properties from 2022. This was not known at the time of preparing the budget.
 17. **Other expenses** - Variance relates to \$13 million in asset revaluation decreases beyond the amounts available within the respective reserves for carparks and recreation and leisure assets, as well as an increase of \$1.5 million in the rehabilitation provision for landfills.

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

	Budget 2023 \$ '000	Actual 2023 \$ '000	Variance \$ '000	Variance %	Ref
2.1.2 Capital works					
Property					
Land	–	4,750	4,750	∞	1
Land improvements	200	86	(114)	(57.00)%	
Total land	200	4,836	4,636	2,318.00%	
Buildings	12,400	4	(12,396)	(99.97)%	2
Heritage buildings	9,281	2,332	(6,949)	(74.87)%	3
Building improvements	5,303	5,891	588	11.09%	4
Total buildings	26,984	8,227	(18,757)	(69.51)%	
Total property	27,184	13,063	(14,121)	(51.95)%	
Plant and equipment					
Plant, machinery and equipment	4,966	2,136	(2,830)	(56.99)%	5
Fixtures, fittings and furniture	68	51	(17)	(25.00)%	
Computers and telecommunications	2,346	1,261	(1,085)	(46.25)%	6
Library books	428	386	(42)	(9.81)%	
Artworks	–	188	188	∞	7
Total plant and equipment	7,808	4,022	(3,786)	(48.49)%	
Infrastructure					
Roads	35,308	17,059	(18,249)	(51.69)%	8
Bridges	527	54	(473)	(89.75)%	
Footpaths and cycleways	800	6,191	5,391	673.88%	9
Drainage	4,695	1,953	(2,742)	(58.40)%	10
Recreational, leisure and community facilities	16,395	18,810	2,415	14.73%	11
Waste management	7,359	6,317	(1,042)	(14.16)%	12
Parks, open space and streetscapes	7,827	3,301	(4,526)	(57.83)%	13
Aerodromes	11,304	5,862	(5,442)	(48.14)%	14
Off street car parks	749	741	(8)	(1.07)%	
Other infrastructure	7,401	–	(7,401)	(100.00)%	15
Total infrastructure	92,365	60,288	(32,077)	(34.73)%	
Total capital works expenditure	127,357	77,373	(49,984)	(39.25)%	
Represented by:					
New asset expenditure	61,955	34,323	(27,632)	(44.60)%	
Asset renewal expenditure	42,862	25,515	(17,347)	(40.47)%	
Asset expansion expenditure	–	–	–	∞	
Asset upgrade expenditure	22,540	17,535	(5,005)	(22.20)%	
Total capital works expenditure	127,357	77,373	(49,984)	(39.25)%	

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

(i) Explanation of material variations

Variance Ref	Explanation
1.	Land - The \$4.75 million land purchase relates to a timing issue. The purchase was budgeted for in the 2022 budget.
2.	Buildings - The positive variance to budget is the result of many building projects remaining as work in progress and not complete in 2023. The major building projects in progress are Central Library \$6.7 million, Community Infrastructure \$5.6 million (includes Sebastopol and Alfredton Community hubs), and Kindergarten works at a number of sites, most notably Rowan View.
3.	Heritage Buildings - This variance relates to the timing of work completed on Her Majesty's Theatre upgrade which is ongoing and expected to be complete in the 2024 year.
4.	Building Improvements - The primary variance relates to budgeted facilities upgrades, with delivery of various projects such as Caravan Park amenities upgrades and renewal works at various sporting ground pavilions deferred to 2024. Major planned works for Art Gallery Lighting and Sebastopol South Kinder refurbishment have also seen timing delays in completion of works.
5.	Plant, machinery and equipment - The ability to source vehicles and plant has been challenging with long wait and delivery lead times for Waste fleet and general fleet and plant machinery items. This is a timing issue with many items currently on order that will be received in 2024 or 2025.
6.	Computers and telecommunications - Due to other urgent projects, there have been some delays in delivering projects such as refreshes of network and other computer infrastructure.
7.	Artworks - This relates to purchases of artworks on behalf of Art Gallery of Ballarat Ltd for which Council receives reimbursement.
8.	Roads - \$15 million of the 2023 budget related to delivery of infrastructure under the Developer Contributions Plan, with only \$4.6 million spent. There is \$1.2 million of Road Infrastructure renewal that will be delivered in 2024, including Havelock Street and Ripon Street.
9.	Footpaths and cycleways - Footpaths and cycleways have exceeded budget primarily due to \$2 million of 2021/22 budgeted projects being delivered in 2022/23 and unbudgeted funding received to support the delivery of Learmonth Road and Sturt Street cycle paths.
10.	Drainage - Charlesworth Street retarding basin (\$2.5 million) remains a work in progress and will be delivered in 2024.
11.	Recreational, leisure and community facilities - This additional expenditure primarily relates to \$2.1 million of 2021/22 budget projects being delivered in 2022/23. This included \$874 thousand relating to the completion of Victoria Park Redevelopment and \$495 thousand for the North Ballarat Netball Changerooms.
12.	Waste management - The Waste Management capital budget allowed \$4.6 million for a Community and Industry Recycle Centre, however this project was not delivered in 2023. Actual costs in 2023 were for construction of a new cell at the landfill site (\$5.6 million), which exceeded the initial budget estimate.
13.	Parks, open space and streetscapes - This variance primarily relates to the timing of projects, with the major project in this category (Spotlight on Sebastopol) representing \$2.9 million of this variance which will be delivered in future years. Other 2023 budgeted projects to be delivered in 2024 and beyond include Open Space works, Botanical Gardens irrigation renewal, Elevating Integrated Water Management, and Fernery Landscaping.
14.	Aerodromes - The budget for the airport Runway upgrade assumed a certain level of government funding. Now government funding has been finalised, along with Council's contribution, this project has been reduced accordingly. Timing has also contributed to this favourable variance, with \$2.1 million to be delivered in 2024.
15.	Other Infrastructure - The category of Other Infrastructure has been discontinued during 2023 financial year and items allocated to more appropriate categories. This major budget item for Other Infrastructure

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.1 Performance against budget (continued)

relates to the Bridge Mall Redevelopment with \$6 million budget. This project has experienced timing delays and delivery will be completed in 2024. The work to date is recognised in Building Improvements.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.2 Analysis of Council results by program

2.2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

Corporate Services

The Corporate Services department provides corporate management, support and governance to the organisation, ensuring that the business complies with and meets all its statutory obligations required by a local government authority. It services the organisation with fleet management, information and technology support, financial and revenue services, governance and risk services, people and culture services, as well as customer services.

Community Wellbeing

The Community Wellbeing department provides a broad range of community services and support programs that enhance the quality of life for Ballarat residents. These services relate to home and personal care in aged care, maternal and child health, and people with special needs. It also builds our communities through community engagement, library services, youth services, cultural diversity, learning and community hubs and the provision of recreational facilities.

In June 2023, Art Gallery of Ballarat, Her Majesty's Theatre, Eureka Centre, Arts and Events were realigned to the new directorate Economy and Experience.

Development and Growth

Development and Growth is responsible for managing the strategies for positive future developments within the municipality that builds the long term prosperity of the city as well as regulatory services such as local laws, animal shelter and environmental health.

In June 2023, Visitor Economy, Marketing and Economic Growth were realigned to the new directorate Economy and Experience.

Economy, Experience and Commonwealth Games*

This new directorate was established in June 2023. The new directorate incorporated the addition of a new business unit for the Commonwealth Games* as well as business units realigned from the Community Wellbeing and Development and Growth directorates.

The directorate is responsible for Ballarat's economic development, visitor economy, arts, events, experiences and attractions including Her Majesty's Theatre, Art Gallery of Ballarat and Eureka Centre and aims to provide a focused and coordinated approach to attracting ongoing investment to, and revitalisation of, Ballarat.

Infrastructure and Environment

Infrastructure and Environment is responsible for designing and maintaining the network of Council assets. They do this by providing the planning, development and delivery of community infrastructure including our buildings, roads, drainage, recreational and open spaces, parks and gardens, and water ways. It also provides our municipality with waste management services with an environmentally conscious and sustainable underpinning.

Office of the Chief Executive Officer

The Office of the Chief Executive Officer has the overall responsibility for managing Council as an organisation. They develop and manage delivery of the long term strategic plans of Council. The Office of the CEO also includes civic support, communications and design, as well as advocacy.

(*) On 18 July 2023 the Premier of Victoria announced that the State of Victoria would no longer be hosting the 2026 Commonwealth Games and the Directorate has since been renamed to Economy and Experience. It will however continue to have a focus on the State Government funded legacy projects that will still be delivered in Ballarat.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 2.2 Analysis of Council results by program (continued)

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

Functions/activities	Income / Revenue \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income / revenue \$ '000	Total assets \$ '000
2023					
Corporate Services	170,909	83,331	87,578	21,198	881,095
Community Wellbeing *	23,651	35,986	(12,335)	14,709	70,850
Development and Growth *	64,655	18,595	46,060	1,447	–
Economy, Experience and Commonwealth Games ^{*,^}	2,746	16,707	(13,961)	505	124,464
Infrastructure and Environment	27,254	66,876	(39,622)	14,429	1,280,167
Office of the Chief Executive Officer	5	3,808	(3,803)	–	–
Total functions and activities	289,220	225,303	63,917	52,288	2,356,576
2022					
Corporate Services	157,555	75,359	82,196	20,199	869,318
Community Wellbeing *	22,333	30,634	(8,301)	14,576	49,064
Development and Growth *	56,708	14,523	42,185	1,078	–
Economy, Experience and Commonwealth Games ^{*,^}	2,083	14,151	(12,068)	679	101,035
Infrastructure and Environment	34,645	61,078	(26,433)	20,285	1,376,161
Office of the Chief Executive Officer	15	3,388	(3,373)	15	–
Total functions and activities	273,339	199,133	74,206	56,832	2,395,578

(*) The comparatives for these Directorates have been restated to align with the structure in place at 30 June 2023 to improve comparability.

(^*) On 18 July 2023 the Premier of Victoria announced that the State of Victoria would no longer be hosting the 2026 Commonwealth Games and the Directorate has since been renamed to Economy and Experience. It will however continue to have a focus on the State Government funded legacy projects that will still be delivered in Ballarat.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 3. Funding for the delivery of our services

	2023	2022
	\$ '000	\$ '000

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 of a property is the value of the land and any capital improvements, such as buildings.

The valuation base used to calculate general rates for 2023 was \$33,893 million (2022: \$26,112 million).

General rates	117,557	111,791
Waste management charge	25,288	23,300
Special rates and charges	148	148
Interest on rates and charges	–	(1)
Revenue in lieu of rates	69	132
Other	(2)	–
Total rates and charges	143,060	135,370

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2023, and the valuation will be first applied in the rating year commencing 1 July 2023.

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

	2023	2022
	\$ '000	\$ '000

3.2 Statutory fees and fines

Infringements and costs	2,972	2,178
Town planning fees and certificates	1,346	1,438
Subdivision supervision and certification fees	1,345	1,329
Land information certificates	165	183
Dog and cat registrations and fines	904	913
Health licences and fees	714	404
Local law permits	541	666
Total statutory fees and fines	7,987	7,111

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.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
3.3 User fees		
Aged services fees	358	348
Child care centres and kindergartens	1,042	1,033
Parking	2,223	1,621
Art Gallery of Ballarat	568	355
Ballarat Aquatic and Lifestyle Centre	4,893	3,299
Family day care	70	102
Her Majesty's Theatre	468	381
Landfill operations	6,812	7,850
Library services	1,134	1,044
Animal Shelter	339	294
Meals on wheels	491	540
Recreation income	369	537
Transfer station	1,284	1,178
Building Fees & Permits	864	998
Eureka Centre	290	135
Other	1,013	1,206
Total user fees	22,218	20,921
User fees by timing of revenue recognition		
User fees recognised at a point in time	22,218	20,921
Total user fees	22,218	20,921

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.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	30,694	32,185
State funded grants	21,592	24,642
Other - Municipal Association of Victoria	2	4
Other - Royal Society of Victoria	-	1
Total grants received	52,288	56,832
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	21,128	20,199
Aged care	3,853	4,136
Child and family day care	2,434	2,480
Recurrent - State Government		
Aged care	725	663
School crossing supervisors	502	420
Libraries	731	723
Maternal and child health	995	909
Community safety	60	73
Arts	277	159
Child and family day care	1,758	1,630
Environment	25	25
Other	206	126
Total recurrent operating grants	32,694	31,543
Non-recurrent - Commonwealth Government		
Recreation	-	30
Tourism	10	-
Non-recurrent - State Government		
Maternal and child health	149	18
Arts	72	163
Community Activation	175	-
School Crossings	4	-
Libraries	-	47
Environment	382	-
Aged Care	13	-
Recreation	-	14
Community Safety	516	271
Child and Family Day Care	182	10
Other	294	172
Non-recurrent - Other		
Other	2	5
Total non-recurrent operating grants	1,799	730
Total operating grants	34,493	32,273

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads	1,372	5,337
Recurrent - State Government		
Libraries	16	16
Total recurrent capital grants	1,388	5,353
Non-recurrent - Commonwealth Government		
Roads	748	-
Major Infrastructure	1,149	-
Other	-	3
Non-recurrent - State Government		
Buildings	1,299	13
Recreation	9,815	15,290
Roads	40	1,072
Libraries	145	205
Community Activation	1,368	538
Streetscape	1,032	577
Parking	741	1,203
Environment	52	-
Other	18	305
Total non-recurrent capital grants	16,407	19,206
Total capital grants	17,795	24,559

(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 of Not-for-Profit Entities		
General purpose	21,128	20,922
Specific purpose grants to acquire non-financial assets	17,794	24,559
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	13,366	11,351
	52,288	56,832

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
(d) Unspent grants received on condition that they be spent in a specific manner:		
Operating		
Balance at start of year	3,313	1,935
Received during the financial year and remained unspent at balance date	2,615	2,816
Received in prior years and spent during the financial year	(1,536)	(1,438)
Balance at year end	4,392	3,313
Capital		
Balance at start of year	17,344	23,916
Received during the financial year and remained unspent at balance date	3,165	8,394
Received in prior years and spent during the financial year	(10,131)	(14,966)
Balance at year end	10,378	17,344

Unspent grants are determined and disclosed on a cash basis.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023 \$ '000	2022 \$ '000
3.5 Contributions		
Monetary	9,365	16,240
Non-monetary	45,105	31,810
Total contributions	54,470	48,050

Contributions of non monetary assets were received in relation to the following asset classes.

Land	1,810	892
Roads	11,480	10,817
Other infrastructure	–	8
Artworks	448	262
Drainage	21,885	15,363
Footpaths	4,070	2,465
Land under roads	5,412	1,909
Recreation, leisure and community	–	94
Total non-monetary contributions	45,105	31,810

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

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

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

	2023	2022
	\$ '000	\$ '000
3.6 Net gain on disposal of property, infrastructure, plant and equipment		
Proceeds of sale	883	936
Written down value of assets disposed	(420)	(25)
Total net gain on disposal of property, infrastructure, plant and equipment	463	911

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

	2023	2022
	\$ '000	\$ '000
3.7 Other income		
Interest	6,122	759
Property rentals	1,741	1,296
Reimbursements, recoveries and rebates *	718	2,088
Other	154	1
Total other income	8,735	4,144

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.

(*) For 2022 this includes one-off rebates of \$1.19m for energy efficient LED lighting upgrades installed.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements
for the year ended 30 June 2023

Note 4. The cost of delivering services

	2023 \$ '000	2022 \$ '000
4.1 Employee costs		
(a) Employee costs		
Wages and salaries	62,066	55,028
WorkCover	969	758
Casual staff	4,640	3,278
Superannuation	6,619	5,860
Fringe benefits tax	125	78
Other overheads and related costs	784	757
Total employee costs	75,203	65,759

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	386	398
	386	398
Employer contributions payable at reporting date	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,629	2,874
Employer contributions - other funds	2,827	2,804
	5,456	5,678
Employer contributions payable at reporting date	771	-

Contributions made exclude amounts accrued at balance date. Refer to Note 9.3. for further information relating to Council's superannuation obligations.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.2 Materials and services		
Building maintenance	2,736	2,618
General maintenance	10,776	9,108
Utilities	7,086	6,017
Office administration	11,024	9,196
Information technology	4,168	3,579
Insurance	2,222	2,019
Consultants	368	929
Contract payments		
- Active ageing	1,928	1,627
- Communications and marketing	46	134
- Development and planning	2,550	4,370
- Economic partnerships	1,502	849
- Engaged communities	467	500
- Environmental services	17,451	16,065
- Events and the arts	2,943	2,952
- Family and children's services	602	703
- Governance and corporate services	512	516
- Information services	1,371	893
- Parks and gardens	6,373	6,089
- Property and facilities management	1,431	1,258
- Recreation	1,181	605
- Regulatory services	174	190
- Road maintenance	3,415	2,512
Repayment of grant funds	-	128
Other	4,002	3,411
Total materials and services	84,328	76,268

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

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.3 Depreciation		
Property		
Land improvements	332	212
Heritage buildings	1,034	1,298
Buildings - non specialised	4,944	4,621
Building improvements	230	166
Total depreciation - property	6,540	6,297
Plant and equipment		
Plant machinery and equipment	3,456	3,282
Fixtures fittings and furniture	203	189
Computers and telecommunications	821	876
Library books	479	440
Total depreciation - plant and equipment	4,959	4,787
Infrastructure		
Roads	16,616	17,992
Bridges	764	778
Footpaths and cycleways	2,037	2,371
Drainage	4,339	3,693
Recreational, leisure and community	3,592	2,768
Waste management	3,968	1,351
Parks open spaces and streetscapes	141	104
Off street car parks	189	184
Other infrastructure *	-	2,059
Total depreciation - infrastructure	31,646	31,300
Total depreciation	43,145	42,384

Refer to note 5.2(c), 5.8 and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

(*) Other infrastructure assets were reallocated to other asset categories as at 1 July 2022 therefore no depreciation recorded for this category for 2023.

4.4 Amortisation - Intangible assets

Landfill	1,502	774
Total Amortisation - Intangible assets	1,502	774

4.5 Amortisation - Right of use assets

Property	398	535
Plant & equipment	-	48
Total Amortisation - Right of use assets	398	583

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.6 Bad and doubtful debts - allowance for impairment losses		
Parking fine debtors	2,320	344
Other debtors	293	307
Animal control	466	86
Total bad and doubtful debts - allowance for impairment losses	3,079	737
Movement in allowance for impairment losses in respect of debtors		
Balance at the beginning of the year	(2,557)	(2,170)
New provisions recognised during the year	(2,671)	(431)
Amounts already provided for and written off as uncollectible	42	44
Balance at end of year	(5,186)	(2,557)

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.

	2023 \$ '000	2022 \$ '000
4.7 Borrowing costs		
Interest - Borrowings	1,356	1,563
Total borrowing costs	1,356	1,563

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.

	2023 \$ '000	2022 \$ '000
4.8 Finance costs - Leases		
Interest - Lease Liabilities	43	56
Total finance costs	43	56

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 4. The cost of delivering services (continued)

	2023 \$ '000	2022 \$ '000
4.9 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	72	71
Auditors' remuneration - Internal Audit	124	99
Councillors' allowances	438	412
Operating leases	-	70
Landfill rehabilitation provision #	1,549	10,263
Election Expenses	-	20
Other	46	74
Total other expenses	2,229	11,009

(#) The landfill rehabilitation provision increased significantly in 2022 primarily due to the increased estimates of aftercare costs. This is based on a comprehensive recent review by an experienced environmental engineer.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position

	2023 \$ '000	2022 \$ '000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	13	12
Cash at bank	34,129	20,521
Total cash and cash equivalents	34,142	20,533
(b) Other financial assets		
Current		
Term deposits - current	129,500	148,000
Shares in other companies	2	2
Total other financial assets	129,502	148,002
Total financial assets	163,644	168,535

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

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

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

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(c) Trade & Other Receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	7,795	5,250
Infringement debtors - Parking	4,477	3,975
Infringement debtors - Other	2,012	1,865
<i>Non-statutory receivables</i>		
Government grants	3,649	777
Other debtors	5,725	5,238
<i>Provisions for doubtful debts</i>		
Provision for doubtful debts - other debtors	(777)	(613)
Provision for doubtful debts - parking infringements	(3,017)	(1,051)
Provision for doubtful debts - other infringements	(1,392)	(893)
Total current trade and other receivables	18,472	14,548
Total trade and other receivables	18,472	14,548

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.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023	2022
	\$ '000	\$ '000
(d) Ageing of receivables		
The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was:		
Current (not yet due)	6,915	3,537
Past due by up to 30 days	49	1,593
Past due between 31 and 180 days	149	111
Past due between 181 and 365 days	330	44
Past due by more than 1 year	1,154	117
Total trade and other receivables	8,597	5,402

(e) Ageing of impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$5.351m (2022: \$2.265m) were impaired. The amount of the provision raised against these debtors was \$777k (2022: \$613k). They have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Current (not yet due)	97	69
Past due by up to 30 days	13	158
Past due between 31 and 180 days	102	145
Past due between 181 and 365 days	272	129
Past due by more than 1 year	293	112
Total trade and other receivables	777	613

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
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5.2 Non-financial assets

(a) Inventories

Current

Inventories held for distribution	429	251
Inventories held for sale	261	184
Total current inventories	690	435

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

(b) Other assets

Current

Prepayments	1,407	1,449
Accrued income	1,614	294
Total current other assets	3,021	1,743

(c) Intangible assets

Landfill air space	886	2,387
Total intangible assets	886	2,387

	Landfill Air Space \$ '000
Gross Carrying Amount	
Balance at 1 July 2022	4,766
Additions from internal developments	—
Other additions	—
Balance at 30 June 2023	4,766
Accumulated amortisation and impairment	
Balance at 1 July 2022	2,379
Amortisation expense	1,501
Balance at 30 June 2023	3,880
Net book value at 30 June 2022	2,387
Net book value at 30 June 2023	886

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.

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
5.3 Payables, trust funds and deposits and unearned income/revenue		
(a) Trade and other payables		
Current		
<i>Non-statutory payables</i>		
Trade payables	4,312	164
Accrued loan expenses	73	93
Wages payable	3,443	1,464
Accrued Expenses	14,229	11,997
Total current trade and other payables	22,057	13,718
(b) Trust funds and deposits		
Current		
Fire services property levy	3,893	2,641
Majestix deposits and trust funds	565	818
Art Gallery deposits and trust funds	74	239
Contract retentions and securities	25	29
Subdivision holding fees	8,945	7,713
Eureka Centre trust fund	39	38
Other deposits and trusts	2,567	4,727
Total current trust funds and deposits	16,108	16,205
(c) Unearned income/revenue		
Current		
Grants received in advance:		
Grants received in advance - operating	4,392	3,313
Grants received in advance - capital	10,378	17,344
Total grants received in advance	14,770	20,657
User fees received in advance:		
Other	322	188
Total user fees received in advance	322	188
Total current unearned income/revenue	15,092	20,845

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of grants from government departments. Unearned income/revenue is 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

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

Retention Amounts & Holding Fees - 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

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Deposits and trust funds - Refundable deposits and funds Council holds in trust on behalf of others or for specific purposes. Includes Deductible Gift Recipient funds which hold donations to be used for specific purposes.

	2023 \$ '000	2022 \$ '000
5.4 Interest-bearing liabilities		
Current		
Other borrowings - secured	3,053	4,692
Total current interest-bearing liabilities	3,053	4,692
Non-current		
Other borrowings - secured	27,995	31,048
Total non-current interest-bearing liabilities	27,995	31,048
Total	31,048	35,740

All borrowings of the City of Ballarat are secured against the rates income of Council.

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

Not later than one year	3,053	4,692
Later than one year and not later than five years	27,995	30,048
Later than five years	-	1,000
	31,048	35,740

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 the 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.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	Employee provisions \$ '000	Landfill restoration \$ '000	Total \$ '000
5.5 Provisions			
2023			
Balance at the beginning of the financial year	16,164	22,262	38,426
Additional provisions	7,428	6,354	13,782
Amounts used	(6,746)	(6,660)	(13,406)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	15	1,855	1,870
Balance at the end of the financial year	16,861	23,811	40,672
Provisions			
Provisions - current	15,134	6,476	21,610
Provisions - non-current	1,727	17,335	19,062
Total Provisions	16,861	23,811	40,672
2022			
Balance at the beginning of the financial year	17,342	8,996	26,338
Additional provisions	7,460	16,714	24,174
Amounts used	(7,694)	-	(7,694)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(944)	(3,448)	(4,392)
Balance at the end of the financial year	16,164	22,262	38,426
Provisions			
Provisions - current	13,953	9,105	23,058
Provisions - non-current	2,211	13,157	15,368
Total Provisions	16,164	22,262	38,426

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	4,148	4,060
Long service leave	1,154	863
Other	367	321
	5,669	5,244
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,547	1,605
Long service leave	7,918	7,104
	9,465	8,709
Total current employee provisions	15,134	13,953
Non-Current		
Long service leave	1,727	2,211
Total Non-Current Employee Provisions	1,727	2,211
Aggregate Carrying Amount of Employee Provisions:		
Current	15,134	13,953
Non-current	1,727	2,211
Total Aggregate Carrying Amount of Employee Provisions	16,861	16,164

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

Annual leave

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

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

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

Long service leave

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

Key assumptions:

- discount rate	4.05%	3.69%
- index rate	4.35%	3.85%

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(b) Landfill restoration		
Current	6,476	9,105
Non-current	17,335	13,157
Total	23,811	22,262

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

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

Key assumptions:

- discount rate	1.45%	1.43%
- index rate	6.84%	5.10%

5.6 Financing arrangements

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

Bank overdraft	–	1,000
Credit card facilities	4,500	4,500
Loans	31,048	35,739
Total Facilities	35,548	41,239
Used facilities	32,183	35,759
Unused facilities	3,365	5,480

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

5.7 Commitments

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

(a) Commitments for expenditure

	Not later than 1 year \$ '000	Later than 1 year and not later than 2 years \$ '000	Later than 2 years and not later than 5 years \$ '000	Later than 5 years \$ '000	Total \$ '000
2023					
Operating					
Security	103	103	94	–	300
Maintenance	707	179	–	–	886
Waste Operations	1,526	1,526	–	–	3,052
Administration and consultancy	25	4	–	–	29
Cleaning Services	684	118	–	–	802
Total	3,045	1,930	94	–	5,069
Capital					
Buildings	21,681	–	–	–	21,681
Recreation, leisure and community	905	–	–	–	905
Roads	478	–	–	–	478
Civil works	7,644	6,227	–	–	13,871
Landfill	–	–	–	–	–
Total	30,708	6,227	–	–	36,935
2022					
Operating					
Maintenance	380	400	–	–	780
Waste Operations	2,289	2,289	2,290	–	6,868
Administration and consultancy	67	25	4	–	96
Cleaning Services	1,192	88	–	–	1,280
Total	3,928	2,802	2,294	–	9,024
Capital					
Buildings	595	115	–	–	710
Recreation, leisure and community	10,000	132	–	–	10,132
Roads	3,468	–	–	–	3,468
Landfill	859	–	–	–	859
Total	14,922	247	–	–	15,169

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023 \$ '000	2022 \$ '000
(b) Operating lease receivables		
Operating lease receivables		
Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes and other land and buildings. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 20 years. All leases include a CPI based revision of the rental charge annually.		
Future undiscounted minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	1,157	1,296
Later than one year and not later than five years	4,414	4,716
Later than five years	10,504	12,315
	16,075	18,327

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

5.8 Leases

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

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

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

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

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

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

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

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

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

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

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.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

(a) Right-of-Use Assets

	Property \$ '000	Plant & Equipment \$ '000	Total \$ '000
2023			
Balance at 1 July	1,095	–	1,095
Additions	–	–	–
Amortisation charge	(398)	–	(398)
Cessations	–	–	–
Balance at 30 June	697	–	697
2022			
Balance at 1 July	1,630	48	1,678
Additions	–	–	–
Amortisation charge	(535)	(48)	(583)
Cessations	–	–	–
Balance at 30 June	1,095	–	1,095
		2023	2022
		\$ '000	\$ '000

(b) Lease Liabilities

Maturity analysis - contractual undiscounted cash flows		
Less than one year	443	441
One to five years	356	799
Total undiscounted lease liabilities as at 30 June:	799	1,240
Lease liabilities included in the Balance Sheet at 30 June:		
Current	420	401
Non-current	332	752
Total lease liabilities	752	1,153

Short-term and low value leases

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

Expenses relating to:

Short-term leases	320	72
Leases of low value assets	133	149
Total	453	221

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.

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 5. Our financial position (continued)

	2023	2022
	\$ '000	\$ '000
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	11	28
Later than one year but not later than five years	—	29
Total lease commitments	11	57

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	Carrying amount							Carrying amount
	30 June 2022 \$ '000	Additions \$ '000	Contributions \$ '000	Revaluation \$ '000	Disposal \$ '000	Depreciation \$ '000	Transfers [^] \$ '000	30 June 2023 \$ '000
Property	648,864	1,985	7,222	–	(420)	(6,540)	(4,487)	646,624
Plant and equipment	119,403	3,920	448	4,362	–	(4,960)	72	123,245
Infrastructure	1,411,326	28,870	37,435	(120,244)	–	(31,646)	7,479	1,333,220
Work in progress	27,242	42,598	–	–	–	–	(19,373)	50,467
Total	2,206,835	77,373	45,105	(115,882)	(420)	(43,146)	(16,309)	2,153,556

([^]) Balance represents transfers to Investment Property. Refer Note 6.2.

Summary of Work in Progress	Opening WIP \$ '000	Additions \$ '000	Transfers \$ '000	Closing WIP \$ '000
Property	15,676	11,078	(11,800)	14,954
Plant and equipment	72	103	(72)	103
Infrastructure	11,494	31,417	(7,501)	35,410
Total	27,242	42,598	(19,373)	50,467

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Land specialised \$ '000	Land non specialised \$ '000	Land improve-ments \$ '000	Total land and land improve-ments \$ '000	Heritage buildings \$ '000	Buildings non specialised \$ '000	Building improve-ments \$ '000	Total buildings \$ '000	Work in progress \$ '000	Total property \$ '000
Property										
At fair value 1 July 2022	18,815	406,080	3,589	428,484	39,541	183,060	15,829	238,430	15,676	682,590
Accumulated depreciation at 1 July 2022	–	–	(262)	(262)	(3,152)	(14,470)	(166)	(17,788)	–	(18,050)
	<u>18,815</u>	<u>406,080</u>	<u>3,327</u>	<u>428,222</u>	<u>36,389</u>	<u>168,590</u>	<u>15,663</u>	<u>220,642</u>	<u>15,676</u>	<u>664,540</u>
Movements in fair value										
Additions	–	–	41	41	311	–	1,633	1,944	11,078	13,063
Contributions	5,412	1,810	–	7,222	–	–	–	–	–	7,222
Revaluation	–	–	–	–	–	–	–	–	–	–
Disposal	–	(420)	–	(420)	–	–	–	–	–	(420)
Transfers	–	–	2	2	1,865	–	9,955	11,820	(11,800)	22
Transfers to Investment Property	–	(2,480)	–	(2,480)	–	(13,829)	–	(13,829)	–	(16,309)
	<u>5,412</u>	<u>(1,090)</u>	<u>43</u>	<u>4,365</u>	<u>2,176</u>	<u>(13,829)</u>	<u>11,588</u>	<u>(65)</u>	<u>(722)</u>	<u>3,578</u>
Movements in accumulated depreciation										
Depreciation	–	–	(332)	(332)	(1,034)	(5,110)	(64)	(6,208)	–	(6,540)
	<u>–</u>	<u>–</u>	<u>(332)</u>	<u>(332)</u>	<u>(1,034)</u>	<u>(5,110)</u>	<u>(64)</u>	<u>(6,208)</u>	<u>–</u>	<u>(6,540)</u>
At fair value 30 June 2023	24,227	404,990	3,632	432,849	41,717	169,231	27,417	238,365	14,955	686,169
Accumulated depreciation at 30 June 2023	–	–	(594)	(594)	(4,186)	(19,415)	(396)	(23,997)	–	(24,591)
Carrying amount	<u>24,227</u>	<u>404,990</u>	<u>3,038</u>	<u>432,255</u>	<u>37,531</u>	<u>149,816</u>	<u>27,021</u>	<u>214,368</u>	<u>14,955</u>	<u>661,578</u>

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Plant machinery and equipment \$ '000	Fixtures fittings and furniture \$ '000	Computers and telecomms \$ '000	Library books \$ '000	Art works and heritage collections \$ '000	Total \$ '000	Work in progress \$ '000	Total plant and equipment \$ '000
Plant and Equipment								
At fair value 1 July 2022	36,314	3,618	14,494	8,808	96,564	159,798	72	159,870
Accumulated depreciation at 1 July 2022	(19,328)	(2,211)	(12,234)	(6,622)	–	(40,395)	–	(40,395)
	<u>16,986</u>	<u>1,407</u>	<u>2,260</u>	<u>2,186</u>	<u>96,564</u>	<u>119,403</u>	<u>72</u>	<u>119,475</u>
Movements in fair value								
Additions	2,069	51	1,225	386	189	3,920	103	4,023
Contributions	–	–	–	–	448	448	–	448
Revaluation	–	–	–	–	4,362	4,362	–	4,362
Disposal	(825)	(13)	(1)	–	–	(839)	–	(839)
Transfers	13	–	59	–	–	72	(72)	–
	<u>1,257</u>	<u>38</u>	<u>1,283</u>	<u>386</u>	<u>4,999</u>	<u>7,963</u>	<u>31</u>	<u>7,994</u>
Movements in accumulated depreciation								
Depreciation	(3,456)	(203)	(822)	(479)	–	(4,960)	–	(4,960)
Accumulated depreciation of disposals	825	13	1	–	–	839	–	839
	<u>(2,631)</u>	<u>(190)</u>	<u>(821)</u>	<u>(479)</u>	<u>–</u>	<u>(4,121)</u>	<u>–</u>	<u>(4,121)</u>
At fair value 30 June 2023	37,570	3,655	15,778	9,195	101,563	167,761	103	167,864
Accumulated depreciation at 30 June 2023	(21,960)	(2,401)	(13,055)	(7,101)	–	(44,517)	–	(44,517)
Carrying amount	<u>15,610</u>	<u>1,254</u>	<u>2,723</u>	<u>2,094</u>	<u>101,563</u>	<u>123,244</u>	<u>103</u>	<u>123,347</u>

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2022/2023 Financial Report

Notes to the Financial Statements
for the year ended 30 June 2023

Note 6. Assets we manage (continued)

	Roads \$ '000	Bridges \$ '000	Footpaths and cycleways \$ '000	Drainage \$ '000	Recrea- tional, leisure and commu- nity \$ '000	Waste manage- ment \$ '000	Parks open spaces and streets- capes \$ '000	Off street car parks \$ '000	Other infra- structure \$ '000	Total \$ '000	Work in progress \$ '000	Total infra- structure \$ '000
Infrastructure												
At fair value 1 July 2022	795,189	38,280	100,195	406,829	49,625	8,323	5,485	9,158	31,379	1,444,463	11,494	1,455,957
Accumulated depreciation at 1 July 2022	(17,992)	(778)	(2,371)	(3,693)	(2,768)	(3,125)	(167)	(184)	(2,059)	(33,137)	–	(33,137)
	<u>777,197</u>	<u>37,502</u>	<u>97,824</u>	<u>403,136</u>	<u>46,857</u>	<u>5,198</u>	<u>5,318</u>	<u>8,974</u>	<u>29,320</u>	<u>1,411,326</u>	<u>11,494</u>	<u>1,422,820</u>
Movements in fair value												
Additions	13,517	–	5,275	1,604	5,226	–	2,873	375	–	28,870	31,417	60,287
Contributions	11,480	–	4,070	21,885	–	–	–	–	–	37,435	–	37,435
Revaluation	132,001	31,237	7,306	207,399	41,900	–	–	–	–	419,843	–	419,843
Revaluation decrements recognised in operating result	–	–	–	–	–	–	–	(7,321)	–	(7,321)	–	(7,321)
Transfers	5,780	–	1,656	73	29,412	–	1,193	744	(31,379)	7,479	(7,501)	(22)
	<u>162,778</u>	<u>31,237</u>	<u>18,307</u>	<u>230,961</u>	<u>76,538</u>	<u>–</u>	<u>4,066</u>	<u>(6,202)</u>	<u>(31,379)</u>	<u>486,306</u>	<u>23,916</u>	<u>510,222</u>
Movements in accumulated depreciation												
Depreciation	(16,616)	(764)	(2,037)	(4,339)	(3,592)	(3,968)	(141)	(189)	–	(31,646)	–	(31,646)
Revaluation	(257,264)	(31,302)	(26,322)	(167,883)	(43,404)	–	–	(591)	–	(526,766)	–	(526,766)
Revaluation decrement recognised in operating result	–	–	–	–	(5,879)	–	–	(121)	–	(6,000)	–	(6,000)
Transfers	(266)	–	–	–	(1,793)	–	–	–	2,059	–	–	–
	<u>(274,146)</u>	<u>(32,066)</u>	<u>(28,359)</u>	<u>(172,222)</u>	<u>(54,668)</u>	<u>(3,968)</u>	<u>(141)</u>	<u>(901)</u>	<u>2,059</u>	<u>(564,412)</u>	<u>–</u>	<u>(564,412)</u>
At fair value 30 June 2023	957,967	69,517	118,501	637,790	126,163	8,323	9,552	2,956	–	1,930,769	35,410	1,966,179
Accumulated depreciation at 30 June 2023	(292,137)	(32,844)	(30,730)	(175,915)	(57,436)	(7,093)	(308)	(1,085)	–	(597,548)	–	(597,548)
Carrying amount	<u>665,830</u>	<u>36,673</u>	<u>87,771</u>	<u>461,875</u>	<u>68,727</u>	<u>1,230</u>	<u>9,244</u>	<u>1,871</u>	<u>–</u>	<u>1,333,221</u>	<u>35,410</u>	<u>1,368,631</u>

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

Acquisition

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

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

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

Asset recognition thresholds and depreciation periods

	Depreciation Period years	Threshold Limit \$
Land and land improvements		
land		5,000
land improvements	40 years	5,000
Buildings		
buildings	40 years	5,000
building improvements	40 years	5,000
Plant and Equipment		
plant, machinery and equipment	3 - 50 years	1,000
fixtures, fittings and furniture	10 - 50 years	1,000
computers and telecommunications	4 - 40 years	1,000
library books	10 years	1,000
Infrastructure		
roads - pavements and seals	15 - 80 years	5,000
roads - formation and earthworks		5,000
roads - kerb, channel and minor culverts	56 - 150 years	5,000
bridges - deck	60 - 100 years	5,000
bridges - substructure	60 - 100 years	5,000
drainage	50 - 200 years	5,000
footpaths and cycleways	15 - 80 years	5,000
recreational, leisure and community facilities	10 - 300 years	5,000
parks, open space and streetscapes	36 - 40 years	5,000
off-street car parks	7 - 25 years	5,000
waste management and landfills	2 - 3 years	5,000
Intangible Assets		
landfill airspace	1 - 5 years	5,000
right of use assets	1 - 10 years	10,000

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the fair value basis. Council does not recognise land under roads that it controlled prior to that period in its financial statements, consistent with AASB 1051.

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

Depreciation

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

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

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

Artworks and heritage collections are not depreciated.

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

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

Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the component cost is capitalised and depreciated. The carrying value of the replaced asset component is expensed.

Valuation of land and buildings

Valuation of land and buildings was undertaken in 2022 by qualified independent valuers Opteon Property Group Pty Ltd (Primary valuer William Wright API no. 80899). 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 and land under roads will have a significant impact on the fair value of these assets.

The date and type of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2023/24.

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

	Level 1	Level 2	Level 3	Date of valuation	Type of Valuation
Land	–	–	404,990	Jun-22	Full
Specialised land	–	–	24,227	Jun-22	Full
Land improvements	–	–	3,038	Jun-22	Full
Heritage buildings	–	–	37,531	Jun-22	Full
Buildings	–	–	149,816	Jun-22	Full
Building improvements	–	27,021	–	Jun-22	Full
Total	–	27,021	619,602		

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

Valuation of Infrastructure

Valuation of infrastructure assets has been determined in accordance with an independent valuation undertaken by Pitt & Sherry Pty Ltd. An index based revaluation was conducted in the current year based on Rawlinson's unit rates with an additional 15% for installation costs. A full review of transport assets will be conducted in 2023/24.

The date and type of the current valuations is detailed in the following table.

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

	Level 1	Level 2	Level 3	Date of valuation	Type of Valuation
Roads	–	–	665,830	Jun/23	Index
Bridges	–	–	36,673	Jun/23	Index
Footpaths and cycleways	–	–	87,771	Jun/23	Index
Drainage	–	–	461,875	Jun/23	Index
Recreational, leisure & community facilities	–	–	68,727	Jun/23	Index
Waste management	–	–	1,230	Jul-19	Index
Parks, open space & streetscapes	–	–	9,244	Jun/23	Index
Off street car parks	–	–	1,871	Jun/23	Index
Total	–	–	1,333,221		

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique.

Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1.00 and \$1,625 per square metre.

Non-specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement cost is calculated on a square metre basis and ranges from \$100 to \$7,200 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary up to 60 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the age of the asset and vary from 1 year to 192 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

	2023 \$ '000	2022 \$ '000
Land under roads	24,227	18,815
Total specialised land	24,227	18,815

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2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 6. Assets we manage (continued)

6.2 Investment property

	Note	2023 \$ '000	2022 \$ '000
Balance at beginning of financial year		–	–
Transfers from property, plant and equipment	6.1	16,309	–
Fair value decrement		(699)	–
Fair value increment		–	–
Balance at end of financial year		15,610	–

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation undertaken in 2023 by Opteon Pty Ltd who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Ballarat City Council t/a City of Ballarat

Subsidiaries and Associates

Nil

(b) Key Management Personnel

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

Details of KMP at any time during the year are:

Councillors	Daniel Moloney (Mayor to November 2022)
	Des Hudson (Mayor since November 2022)
	Amy Johnson (Deputy Mayor)
	Ben Taylor
	Belinda Coates
	Mark Harris
	Peter Eddy
	Samantha McIntosh
	Tracey Hargreaves

	2023 No.	2022 No.
Total Number of Councillors	9	9
Chief Executive Officer and Other Key Management Personnel		
Evan King	Chief Executive Officer	
Bridget Wetherall	Director Infrastructure and Environment	
Matt Wilson	Director Community Wellbeing	
Natalie Robertson	Director Development and Growth	
John Hausler	Director Corporate Services	
Martin Darcy	Director Economy, Experience and Commonwealth Games (from 7 June 2023)	
Total of Chief Executive Officer and other Key Management Personnel	6	6
Total Number of Key Management Personnel	15	15

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships (continued)

(c) Remuneration of Key Management Personnel

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

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

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

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

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

	2023 \$ '000	2022 \$ '000
Total remuneration of key management personnel was as follows:		
Short-term employee benefits	1,669	1,609
Other long-term employee benefits	19	27
Post-employment benefits	134	130
Termination benefits	–	1
Total	1,822	1,767

	2023 No.	2022 No.
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$10,000 - \$19,999	1	1
\$30,000 - \$39,999	6	7
\$40,000 - \$49,999	–	1
\$60,000 - \$69,999	2	–
\$90,000 - \$99,999	1	–
\$110,000 - \$119,999	–	1
\$210,000 - \$219,999	–	1
\$230,000 - \$239,999	1	1
\$240,000 - \$249,999	–	2
\$250,000 - \$259,999	3	–
\$370,000 - \$379,999	1	–
\$380,000 - \$389,999	–	1
	15	15

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships (continued)

(d) Remuneration of other senior staff

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

Total remuneration of other senior staff was as follows:

	2023	2022
	\$ '000	\$ '000
Short-term employee benefits	3,766	3,542
Other long-term employee benefits	56	51
Post-employment benefits	432	415
Termination benefits	82	254
Total	4,336	4,262

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

	2023	2022
	No.	No.
Income Range:		
<\$160,000	5	6
\$160,000 - \$169,999	3	3
\$170,000 - \$179,999	4	3
\$180,000 - \$189,999	7	4
\$190,000 - \$199,999	2	6
\$200,000 - \$209,999	3	2
\$220,000 - \$229,999	1	1
	25	25

	2023	2022
	\$ '000	\$ '000
Total Remuneration for the reporting year for other senior staff included above amounted to:	4,336	4,262

* 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.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 7. People and relationships (continued)

	2023 \$ '000	2022 \$ '000
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7.2 Related party disclosure

(a) Transactions with related parties

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

Remuneration	–	1
Grant funding paid	–	19

Remuneration is inclusive of payments of salaries and wages made to related parties of Senior Officers acting in Key Management Personnel positions. These related party payments are only recognised when paid during official periods of responsibility. Salaries and wages are paid in accordance with Council's adopted employment terms and conditions.

Grant funding paid includes grants paid to community organisations of which Key Management Personnel are Board or Committee members.

(b) Outstanding balances with related parties

No material transactions with outstanding balances to or from related parties of Council have been disclosed or uncovered through review of Council's transactions for the financial year ending 30 June 2023.

(c) Loans to/from related parties

No loans to or from related parties of Council have been disclosed or uncovered through review of Council's transactions for the financial year ending 30 June 2023.

(d) Commitments to/from related parties

No material commitments to or from related parties of Council have been disclosed or uncovered through review of Council's transactions for the financial year ending 30 June 2023.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

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.

At balance date the Council are not aware of any contingent assets.

(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.

At balance date the Council are not aware of any contingent liabilities other than as follows:

Defined benefit superannuation

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

Landfill

Council operates a landfill. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

Legal matters

Council is not currently involved in any legal matters from which a contingent liability is likely to arise.

Combustible building cladding

Prior to 2011, Council endorsed a wide range of building permits across the municipality that may have contained combustible cladding. Due to the potential risks linked to these materials, Council may be exposed to future legal action in connection to the permits it endorsed. Council have identified a small number of buildings that fall within the scope of the Statewide Building Audit and have advised the VBA as appropriate. A full review of all Council issued permits prior to 2011 has not been completed, so the extent of any future liability to Council is currently unknown.

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.

(c) Guarantees for loans to other entities

Financial guarantees

On the 22 July 1996, Council entered into a Guarantee with the Australian and New Zealand Banking Group Limited and Basketball Stadiums Victoria Co-Operative Limited for a bank loan to finance Ballarat Netball Stadium (Arch Sports Centre). The Guarantee is limited to the current level of borrowings of \$400,000 and cannot be exercised for any further borrowings without Council's written consent. A contingent liability therefore exists for this amount.

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

8.2 Change in accounting standards

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

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 2020*.

Council manages interest rate risk by adopting an investment policy that ensures:

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

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

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

(c) Credit risk

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

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

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

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A shift of +/- 1% in market interest rates (AUD) from year-end rates of 4.1%.

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.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

8.4 Fair value measurement

Fair Value Hierarchy

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

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

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

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

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is 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	5 years
Recreational, leisure and community facilities	3 years
Waste management	5 years
Parks, open space and streetscapes	3 years
Aerodromes	2 years
Other infrastructure	3 years

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

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 8. Managing uncertainties (continued)

Impairment of assets

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

Eureka Flag

Whilst Council has control over the Eureka Flag, it has not been included in the financial statements as uncertainty exists to the appropriateness of its carrying value due to the unique nature of the asset and the absence of a realistic market.

8.5 Events occurring after balance date

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

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Balance at end of reporting period \$ '000
9.1 Reserves			
(a) Asset revaluation reserves			
2023			
Property			
Land - non specialised	342,249	–	342,249
Heritage buildings	1,925	–	1,925
Buildings	27,820	–	27,820
	<u>371,994</u>	<u>–</u>	<u>371,994</u>
Plant and equipment			
Plant machinery and equipment	1,937	–	1,937
Art works and heritage collections	58,015	4,362	62,377
	<u>59,952</u>	<u>4,362</u>	<u>64,314</u>
Infrastructure			
Roads	281,522	(125,123)	156,399
Bridges	17,399	(65)	17,334
Footpaths and cycleways	50,470	(19,016)	31,454
Drainage	96,643	39,516	136,159
Recreational, leisure and community facilities	557	(557)	–
Off-street car parks	591	(591)	–
Other infrastructure	1,087	(1,087)	–
	<u>448,269</u>	<u>(106,923)</u>	<u>341,346</u>
Total asset revaluation reserves	<u>880,215</u>	<u>(102,561)</u>	<u>777,654</u>

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Balance at end of reporting period \$ '000
2022			
Property			
Land - non specialised	309,632	32,617	342,249
Heritage buildings	14,520	(12,595)	1,925
Buildings	32,002	(4,182)	27,820
	<u>356,154</u>	<u>15,840</u>	<u>371,994</u>
Plant and equipment			
Plant machinery and equipment	1,937	–	1,937
Art works and heritage collections	58,015	–	58,015
	<u>59,952</u>	<u>–</u>	<u>59,952</u>
Infrastructure			
Roads	201,619	79,903	281,522
Bridges	32,131	(14,732)	17,399
Footpaths and cycleways	36,331	14,139	50,470
Drainage	53,227	43,416	96,643
Recreational, leisure and community facilities	633	(76)	557
Off-street car parks	768	(177)	591
Other infrastructure	7,253	(6,166)	1,087
	<u>331,962</u>	<u>116,307</u>	<u>448,269</u>
Total asset revaluation reserves	<u>748,068</u>	<u>132,147</u>	<u>880,215</u>

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

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

	Balance at beginning of reporting period \$ '000	Transfer from Accumulated Surplus \$ '000	Transfer to Accumulated Surplus \$ '000	Balance at end of reporting period \$ '000
(b) Other reserves				
2023				
Restricted reserves				
Subdividers contributions	4,233	934	(311)	4,856
Developer contributions	26,316	10,845	(4,631)	32,530
Total restricted reserves	30,549	11,779	(4,942)	37,386
Discretionary reserves				
Asset realisation reserve	3,321	454	(3,775)	–
Waste reserve	5,094	4,396	(6,654)	2,836
Total discretionary reserves	8,415	4,850	(10,429)	2,836
Total Other reserves	38,964	16,629	(15,371)	40,222
2022				
Restricted reserves				
Subdividers contributions	3,043	1,634	(444)	4,233
Developer contributions	12,614	13,781	(79)	26,316
Total restricted reserves	15,657	15,415	(523)	30,549
Discretionary reserves				
Asset realisation reserve	3,345	193	(217)	3,321
Waste reserve	–	6,910	(1,816)	5,094
Total discretionary reserves	3,345	7,103	(2,033)	8,415
Total Other reserves	19,002	22,518	(2,556)	38,964

Subdividers Contributions Reserve

The purpose of this reserve is to collect contributions from developers for open space which is used for future Parks and Open Space upgrades including Playspaces. The policy framework for open space contributions is set out in the Subdivision Act 1988 which enshrines a nominal contribution.

Developer Contributions Reserve

The purpose of this reserve is to ensure that the City's new communities have appropriate access to essential infrastructure required to achieve the safety and liveability of its suburbs. All developers are required to fund and construct local infrastructure to service new developments and housing estates. The role of development contributions is to ensure major infrastructure items such as traffic signals, sports grounds and community centres are funded equitably between multiple developers and/or landowners. Funds are restricted for delivery of community infrastructure in line with Developer Contribution Plan agreements.

Asset Realisation Reserve

The purpose of this reserve is to isolate funds generated from the sale of land assets that Council have identified as surplus to the community's needs. These funds will be utilised to purchase more strategic land assets for the community.

Waste Reserve

The purpose of this reserve is to isolate funds generated from the Waste Management and Green Waste Service Charges. These funds will be utilised to fund capital works programs across the Waste & Environment Department such as landfill cell construction, cell capping, replacement bins, replacement and growth of the truck fleet with greater future capital works on the horizon.

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

	2023 \$ '000	2022 \$ '000
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus for the year	63,917	74,206
Depreciation/amortisation	45,045	43,741
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(463)	(911)
Fair value adjustments for investment property	699	–
Contributions - Non-monetary assets	(45,105)	(31,810)
Amounts disclosed in financing activities	1,399	1,619
Revaluation decrements of IPP&E direct to P&L	13,322	–
Intangible asset revaluation	–	(3,000)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(3,924)	(479)
(Increase)/decrease in inventories	(255)	21
(Increase)/decrease in prepayments	42	(229)
Increase/(decrease) in accrued income	(1,320)	(207)
Increase/(decrease) in trade and other payables	8,339	1,147
Increase/(decrease) in provisions	2,246	12,088
(Decrease)/increase in other liabilities	(97)	2,067
Increase/(decrease) in unearned income /revenue	(5,753)	(5,233)
Net cash provided by operating activities	78,092	93,020

9.3 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding Arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022).

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns 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 returns 5.5% pa
 Salary information 2.5% pa to 30 June 2023, and 3.5% pa thereafter
 Price inflation (CPI) 3.00% pa.

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

Vision Super has advised that the estimated VBI at 30 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

(a) Regular contributions

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

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

(b) Funding calls

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

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

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

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

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

The 2022 interim actuarial investigation surplus amounts

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

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City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 9. Other matters (continued)

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

	2022 (Interim) \$m	2021 (Interim) \$m
- A VBI Surplus	45.7	214.7
- A total service liability surplus	105.8	270.3
- A discounted accrued benefits surplus	112.9	285.2

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2022.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2022.

The discounted accrued benefits surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2022.

The 2023 triennial actuarial investigation

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

	2023 (Triennial)	2020 (Triennial)
Net investment return	5.70% pa	5.60% pa
Salary inflation	3.50% pa	2.50% pa for the first two years and 2.75% pa thereafter
Price inflation	2.80% pa	2.00% 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%)	386	398
Vision Super	Accumulation	10.5% (2022:10.0%)	2,629	2,874
Other funds	Accumulation	10.5% (2022:10.0%)	2,827	2,804

There were no loans issued from or to the above schemes as at 30 June 2023.

Contributions outstanding as at 30 June 2023 amounted to \$771k.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2024 is \$357k.

City of Ballarat

2022/2023 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2023

Note 10. Changes in accounting policies

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

Note 11. Errors and changes in accounting estimates

11.1 Found assets

During the annual revaluation process, Council at times identifies further assets owned that were not reflected in the Fixed Asset Register. Advancements in technologies, including GIS mapping, utilised by Council allow for greater recognition and management of Council assets. In 2023 no found assets were identified (2022 - \$99k) that were not reflected in the Asset Register.

	2023 \$ '000	2022 \$ '000
Found assets		
Infrastructure		
Roads	–	96
Footpaths and cycleways	–	3
Recreational, leisure and community	–	–
Other infrastructure	–	–
Total assets	<u>–</u>	<u>99</u>

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City of Ballarat

Performance Statement For the Year Ended 30 June 2023

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PERFORMANCE STATEMENT 2023

BALLARAT A GREAT PLACE TO LIVE

Ballarat is one of Australia’s largest inland cities and the third largest city in Victoria. Money flowed into Ballarat with the discovery of gold in the mid-19th century. Today the city is renowned for its beautiful parks, broad tree-lined streetscapes, cultivated European gardens, and heritage architecture of national significance and international interest. The iconic Sturt Street is a stunning tree-lined boulevard adorned with notable statues, and Lydiard Street presents a perfectly preserved heritage streetscape.

The City of Ballarat municipality covers an area of 740 square kilometres and includes the outlying townships of Buninyong, Miners Rest, Learmonth, Lucas and Cardigan Village. It is part of an area of land under the traditional custodianship of the Wadawurrung and Dja Dja Wurrung people and is bound by the surrounding Municipalities of Hepburn Shire to the north, Moorabool Shire to the east, Pyrenees Shire to the west and Golden Plains Shire to the south.

Ballarat has an estimated population of 115,847 people in 2023. Due to being located centrally in Western Victoria, Ballarat services a large regional population. Ballarat offers premium job opportunities, world-class education (including three universities), affordable housing, exciting restaurants and retail options, accessible community and health services, a vibrant arts scene and a great lifestyle.

The following performance data is prepared to represent a balanced approach to reporting performance across the areas of service, finance, governance and sustainable capacity for the organisation.



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AUDITED PERFORMANCE INDICATORS					
Sustainable Capacity Indicators	Results 2020	Results 2021	Results 2022	Results 2023	Comments
Population					
C1 Expenses per head of municipal population <i>[Total expenses / Municipal population]</i>	\$1,634.76	\$1,618.62	\$1,754.75	\$1,944.84	The increase in this indicator is impacted by the \$13.3 million asset valuation decrease that is required to be accounted for as an expense in the income statement. Otherwise, the level of expenditure is consistent with the 2023 budget, which forecasted increases to employee costs and materials and services.
C2 Infrastructure per head of municipal population <i>[Value of infrastructure / Municipal population]</i>	\$16,935.35	\$14,637.05	\$15,737.08	\$14,896.04	The value of infrastructure assets held decreased from the previous financial year due to a revaluation decrement, while population growth continued. This resulted in a lower figure for this indicator. Please refer to the Financial Statements for further information.
C3 Population density per length of road <i>[Municipal population / Kilometres of local roads]</i>	75.21	75.74	77.01	77.46	This indicator continues to increase due to the level of population growth increasing at a greater rate than road length. This is expected to continue into the future.
C4 Own-source revenue per head of municipal population <i>[Own-source revenue / Municipal population]</i>	\$1,425.38	\$1,365.68	\$1,484.44	\$1,575.03	The increase in this indicator from 2022 is the result of increased revenue from rates, interest revenue and fees and charges in interest on investments, due to interest rate increases.
C5 Recurrent grants per head of municipal population <i>[Recurrent grants / Municipal population]</i>	\$253.79	\$255.47	\$325.13	\$294.20	Although total recurrent grants were slightly higher in 2023 than the previous financial year, a population growth rate of 2.1% resulted in a lower result for this indicator.
C6 Relative Socio-Economic Disadvantage <i>[Index of Relative Socio-Economic Disadvantage by decile]</i>	4.00	4.00	4.00	4.00	This is City of Ballarat's rating according to the Socio-Economic Indexes for Areas (SEIFA)
C7 Percentage of staff turnover <i>[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100</i>	11.7%	14.3%	22.1%	17.0%	There was a higher level of staff turnover in 2022 which was a common experience following the impact of COVID-19. Since 30 June 2022 the measure has trended down to similar historical levels.

AUDITED PERFORMANCE INDICATORS					
Service Performance Indicators	Results 2020	Results 2021	Results 2022	Results 2023	Comments
Aquatic Facilities Utilisation					
AF6 Utilisation of aquatic facilities <i>[Number of visits to aquatic facilities / Municipal population]</i>	4.42	1.87	3.88	5.83	Strong growth in visit numbers and swim school enrolments has seen this indicator back above pre-pandemic levels seen in 2020.
Animal Management Health and safety					
AM7 Animal management prosecutions <i>[Number of successful animal management prosecutions / Number of animal management prosecutions] x 100</i>	100%	100%	89%	94%	16 of the 17 prosecution cases were successful in 2023, with the other being withdrawn.
Food Safety Health and safety					
FS4 Critical and major non-compliance outcome notifications <i>[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100</i>	94.25%	97.65%	93.46%	88.74%	205 of the 231 critical non-compliance outcome notifications were followed up in the period. Outstanding notifications will be followed up in 2024 as a priority matter.

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AUDITED PERFORMANCE INDICATORS					
Service Performance Indicators	Results 2020	Results 2021	Results 2022	Results 2023	Comments
Governance Satisfaction					
G5 Satisfaction with council decisions <i>[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]</i>	61	58	53	49	This outcome is in line with the 2023 results for Victorian regional centres.
Libraries Participation					
LB4 Active library borrowers in municipality <i>[Number of active library borrowers in the last three years / The sum of the population for the last three years] x100</i>	12.19%	11.25%	8.98%	9.41%	Membership levels are trending upwards toward pre-pandemic levels.
Maternal and Child Health (MCH) Participation					
MC4 Participation in the MCH service <i>[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100</i>	71.63%	71.83%	73.03%	71.96%	Out of the 5,295 participants enrolled, 3,810 attended the service at least once meaning participation level has remained consistent year to year.

AUDITED PERFORMANCE INDICATORS					
Service Performance Indicators	Results 2020	Results 2021	Results 2022	Results 2023	Comments
Maternal and Child Health (MCH) Participation					
MC5 Participation in the MCH service by Aboriginal children <i>[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100</i>	71.56%	72.10%	68.05%	74.06%	98 children attended the service at least once, of the 133 enrolled. Data trend has remained quite consistent year to year.
Roads Satisfaction					
R5 Satisfaction with sealed local roads <i>[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]</i>	55	52	41	37	Combinations of inclement weather, increased traffic volumes and growth of the City have contributed to a deterioration in the condition of the sealed road network. This combination has contributed to a decrease in the community satisfaction for sealed roads.
Statutory Planning Decision making					
SP4 Council planning decisions upheld at VCAT <i>[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100</i>	75.00%	100.00%	100.00%	54.55%	Of the 11 planning decisions escalated to VCAT during the period, 5 were set aside and 6 were supported. Although the success rate at VCAT has reduced, this is largely due to the increasing complexity and volume of applications being heard at the Tribunal. This aligns with the City's growing population
Waste Collection Waste diversion					
WC5 Kerbside collection waste diverted from landfill <i>[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100</i>	43.07%	41.56%	41.47%	43.42%	Ballarat's recycling system changed in 2020, with separate glass collection through community collection points, this reduced the volume of material in kerbside recycling bins in subsequent years. Since this change there has been a steady improvement in the recycling practises of our community.

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FINANCIAL PERFORMANCE INDICATORS - EFFICIENCY										
Efficiency	Results 2020	Results 2021	Results 2022	Results 2023	Forecasts				Comments	
					2024	2025	2026	2027		
Expenditure level										
E2	Expenses per property assessment	\$3,254.80	\$3,162.30	\$3,445.21	\$3,759.77	\$3,630.43	\$3,590.86	\$3,640.23	\$3,688.05	The increase in this indicator is consistent with the level of expenditure identified in the 2023 budget (\$3,524) and reflects an increase in service provision and inflation. The 2023 result has been inflated due to a \$14.9 million in other expenses related to an asset revaluation expense and landfill rehabilitation provision that are required to be recognised as an expense in the income statement.
<i>[Total expenses / Number of property assessments]</i>										
Revenue level										
E4	Average rate per property assessment	\$ 1,877.33	\$ 1,869.82	\$ 1,934.10	\$ 1,961.70	\$ 2,057.00	\$ 2,111.40	\$ 2,162.67	\$ 2,216.23	There has been no material change in this indicator and it is slightly higher than the 2023 budget of \$1,951.
<i>[General rates and Municipal charges / Number of property assessments]</i>										

FINANCIAL PERFORMANCE INDICATORS - LIQUIDITY										
Liquidity	Results 2020	Results 2021	Results 2022	Results 2023	Forecasts				Comments	
					2024	2025	2026	2027		
Working capital										
L1	Current assets compared to current liabilities	262.21%	217.31%	234.75%	237.21%	163.03%	108.21%	152.04%	167.68%	Council's closing cash balance is inflated by \$15.1 million of unspent grants. Also, Council has experienced delays in delivering the planned capital works program which will be delivered in future years. Hence the declining balance in the forecast figures. Note the cash associated with unspent grants does not necessarily give rise to a current liability.
<i>[Current assets / Current liabilities] x100</i>										
Unrestricted cash										
L2	Unrestricted cash compared to current liabilities	-68.39%	-93.93%	-33.23%	-70.07%	26.42%	26.34%	69.85%	86.25%	This indicator reflects usage of cash and cash equivalents to invest in infrastructure projects. The indicator excludes cash held in term deposits (amounts invested for longer than 90 days), as this is required to be classed as Other Financial Assets. At 30 June 2023 there was \$129.5 million of such funds invested. This indicator would total 95.23% in 2023 if these funds were included. In 2022, these figures were \$148 million and 154.31% respectively
<i>[Unrestricted cash / Current liabilities] x100</i>										

FINANCIAL PERFORMANCE INDICATORS - OBLIGATIONS										
Obligations	Results 2020	Results 2021	Results 2022	Results 2023	Forecasts				Comments	
					2024	2025	2026	2027		
Loans and borrowings										
O2	Loans and borrowings compared to rates	36.96%	31.78%	26.43%	21.73%	18.48%	31.33%	34.67%	29.61%	The trend reflects that borrowings have been repaid over recent years, without any new borrowings being undertaken. New borrowings are currently forecast for future years.
<i>[Interest bearing loans and borrowings / Rate revenue] x100</i>										
O3	Loans and borrowings repayments compared to rates	4.93%	5.52%	4.47%	4.23%	2.78%	1.92%	17.98%	5.07%	The trend reflects that borrowings have been repaid over recent years, without any new borrowings being undertaken, resulting in reduced repayments. The large ratio in 2026 relates to the planned refinancing of a \$23.1 million interest only loan.
<i>[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100</i>										
Indebtedness										
O4	Non-current liabilities compared to own source revenue	34.30%	31.28%	28.00%	25.97%	26.11%	24.01%	36.59%	32.39%	The trend reflects that borrowings have been repaid over recent years, without any new borrowings being undertaken. New borrowings are currently forecast for future years.
<i>[Non-current liabilities / Own source revenue] x100</i>										
Asset renewal and upgrade										
O5	Asset renewal and upgrade compared to depreciation	78.40%	94.76%	112.33%	99.78%	135.94%	104.43%	100.01%	92.56%	The 2023 capital program included some large new asset projects including a Community Recreation Precinct, new Landfill Cell and constructed assets associated with land development.
<i>[Asset renewal and asset upgrade expense / Asset depreciation] x100</i>										

FINANCIAL PERFORMANCE INDICATORS - OPERATING POSITION										
Operating Position	Results 2020	Results 2021	Results 2022	Results 2023	Forecasts				Comments	
					2024	2025	2026	2027		
Adjusted underlying result										
OP1	Adjusted underlying surplus (or deficit)	2.74%	5.23%	3.37%	-2.56%	4.65%	6.08%	5.86%	5.10%	This indicator has declined from 2022, primarily due to a \$13.3 million asset valuation decrease in 2023 that is required to be accounted for as an expense in the income statement.
<i>[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100</i>										

FINANCIAL PERFORMANCE INDICATORS - STABILITY										
Stability	Results 2020	Results 2021	Results 2022	Results 2023	Forecasts				Comments	
					2024	2025	2026	2027		
Rates concentration										
S1	Rates compared to adjusted underlying revenue	66.78%	66.55%	65.62%	65.05%	65.57%	67.00%	67.89%	69.25%	As Council's sources of underlying revenue is limited, this indicator should remain consistent as total revenue grows.
<i>[Rate revenue / Adjusted underlying revenue] x100</i>										
Rates effort										
S2	Rates compared to property values	0.56%	0.53%	0.51%	0.38%	0.39%	0.39%	0.39%	0.38%	This indicator has reduced significantly in 2023 due to the large increases in property values. This indicator is expected to remain consistent in future years as property values are forecast to better align with increases in total rate revenue.
<i>[Rate revenue / Capital improved value of rateable properties in the municipality] x100</i>										

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KEY TERMS	
TERMINOLOGY	DEFINITION
Aboriginal child	means a child who is an Aboriginal person
Aboriginal person	has the same meaning as in the <i>Aboriginal Heritage Act 2006</i>
Active library member	means a member of a library who has borrowed a book from the library
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 in paragraphs (a) and (b)
Adjusted underlying surplus (or deficit)	means adjusted underlying revenue less total expenditure
Annual report	means an annual report prepared by a Council under sections 98, 99 and 100 of the <i>Local Government Act 2020</i>
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
Class 1 food premises	means food premises, within the meaning of the <i>Food Act 1984</i> , 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 <i>Food Act 1984</i> , 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 <i>Food Act 1984</i> , or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health
Current assets	has the same meaning as in the Australian Accounting Standards
Current liabilities	has the same meaning as in the Australian Accounting Standards
Food premises	has the same meaning as in the <i>Food Act 1984</i>
Infrastructure	means non-current property (excluding land), plant and equipment
Local road	means a sealed or unsealed road for which the Council is the responsible road authority under the <i>Road Management Act 2004</i>
Major non-compliance outcome notification	means a notification received by a Council under section 19N(3) or (4) of the <i>Food Act 1984</i> , 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
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
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
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 Australian Accounting Standards, 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
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

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OTHER INFORMATION

Basis of preparation

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

Where applicable the results in the Performance Statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the Performance Statement are those adopted by council in its four year budget on 28 June 2023 and which forms part of the Council Plan. The four year budget document includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The four year budget can be obtained by contacting Council.

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Certification of Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

Jason Clissold

Principal Accounting Officer

Dated: 11 October 2023

In our opinion, the accompanying Performance Statement of the *City of Ballarat* for the year ended 30 June 2023 presents fairly the results of Council's performance in accordance the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

The Performance Statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the Performance Statement to be misleading or inaccurate.

We have been authorised by the council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify this performance statement in its final form.

Des Hudson

Mayor

Dated: 11 October 2023

Amy Johnson

Deputy Mayor

Dated: 11 October 2023

Evan King

Chief Executive Officer

Dated: 11 October 2023

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Ballarat City Council

Closing Report

For the financial year ended 30 June 2023

Presented to the Audit and Risk Committee
on 4 October 2023

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Background

I enclose for your information the closing report for the year ended 30 June 2023. The closing report provides a summary of results of our audit of the Ballarat City Council. This report will be discussed at the audit and risk committee meeting on 4 October 2023.

Acknowledgement

I also take this opportunity to thank your executive team and staff for the time they made available to us during our audit.

Yours sincerely



Josh Porker

VAGO Audit Service Provider: Engagement Principal

RSD Audit

28 September 2023

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Presented to the Audit and Risk Committee on 4 October 2023 | Victorian Auditor-General's Report

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Introduction

Purpose of the closing report

- Our closing report summarises the results of our audit and communicates significant findings from the final audit phase.
- Please read this document in conjunction with our Audit Strategy Memorandum presented on 1 March 2023.

Scope and purpose of the audit

- The *Audit Act 1994* requires the Auditor-General to form an opinion on your financial report and performance statement and provide a copy of the audit report to you.
- Copies of the report(s) are also provided to the Minister of Local Government, and where applicable (i.e. when modified or when the Auditor-General directs) to the Assistant Treasurer who is the minister responsible for administering Part 7 of the *Financial Management Act*.

The Auditor-General

The Auditor-General is:

- an independent officer of the Victorian Parliament
- appointed under legislation to examine on behalf of parliament and taxpayers, the management of resources within the public sector.
- not subject to the control or direction of either parliament or the government.



1 | Presented to the Audit and Risk Committee on 4 October 2023 | Victorian Auditor-General's Report

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Audit completion status

We have substantially completed our audit of the financial report and performance statement. We performed our audit in accordance with the *Audit Act 1994* and the terms of our engagement letter. We can provide reasonable assurance that the financial report and performance statement is presented fairly under the *Local Government Act 2020*.

Expected audit opinion

Based on our audit, we expect to conclude that the financial report is presented fairly.

We also expect to conclude that the performance statement is presented fairly.

We expect to issue unmodified audit opinions, pending the satisfactory resolution of key outstanding matters below.

Outstanding audit matters

We can conclude and issue our audit opinion/s when we finalise our audit process. Outstanding audit matters include:

- investment property valuation report provided by Council
- a final review of the financial report and performance statement before lodgement with VAGO
- VAGO's review of financial statements and performance statement
- review of Council and Audit & Risk Committee meeting minutes up until sign off
- a review of the signed management representation letter
- financial report and performance statement certification
- completion of the review of subsequent events.

Appendix A provides a detailed list of all outstanding audit matters.

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Areas of audit focus

Our audit focused on the financial report balances and disclosures that we rated as higher risk for material misstatement in your financial report and performance statement.

Our procedures enabled us to conclude, with reasonable assurance, whether the risks resulted in a material misstatement. The outcome of our procedures is summarised in this section.

Risk of material misstatement	Our audit response	Results of our key procedures
<p>1. Revaluation of property, infrastructure, plant and equipment</p> <p>Property, infrastructure, plant and equipment assets represents a significant part of the Council's total assets (\$2.2 billion as of 30 June 2023), with the majority of these assets carried at fair value.</p> <p>Some items experience significant and volatile changes in fair value, therefore necessitating an annual review of their value. While other assets it may be necessary to revalue the item only every 3 or 5 years.</p> <p>The market has been volatile and subject to uncertainties due to rising interest rates, supply chain issues, labour shortages, general inflation, COVID- 19, and other macro-economic factors.</p> <p>Determining the fair value of these assets is a complex process and is subject to judgement. Numerous assumptions about the assets are made (useful live, condition), valuation experts can be engaged and/or industry indices management judgement is applied.</p> <p>On an annual basis, selected asset classes are scheduled for a full revaluation.</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed management’s assessment of cumulative fair value movements since the last comprehensive revaluation reviewed any indexation calculations prepared by management assessed the valuer’s competence, skills and experience to conduct an appropriate valuation reviewed the nature and extent of management’s oversight and review of the fair value measurement by valuation experts reviewed the valuer’s report to evaluate the appropriateness of the methodology adopted and reasonableness of key assumptions and estimates used reviewed management’s impairment assessment verified the accuracy of any revaluation accounting adjustments. 	<p>During the year the Council undertook a revaluation of Artworks (including heritage collections) and infrastructure assets.</p> <p>Audit risk response testing undertaken on valuation of property, infrastructure, plant and equipment identified that a condition assessment was not performed for roads. This was reported in our interim and final management letter.</p> <p>We have also identified that condition assessment for footpaths was performed but the results of the condition assessment have not been factored in as part of the year-end valuation. We have reported this in our final management letter.</p> <p>We have concluded that property, infrastructure, plant and equipment has been correctly valued under AASB 13 and is disclosed appropriately in the financial statements.</p>

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For 2022-23 we understand all infrastructure asset classes were subject to a review of the unit rates by an independent valuer; however, condition assessments were only planned for footpaths and part of the bridge assets. The financial report may include material misstatements if the valuation is not performed in line with a suitable methodology, by unqualified experts or is based on inappropriate assumptions and judgements. Valuations may be inaccurate due to the judgement and complexities associated with applying AASB 13 *Fair Value Measurement*. Disclosures may also be incorrect or insufficient.

2. Monetary and non-monetary contributions

Council recorded monetary and non-monetary developer contributions totalling \$48.1million in its 2021-22 financial report.

The level of contributions can vary from year-to-year.

Information regarding developer contributions, namely the status of key projects and the date that the asset(s) transferred to the Council upon practical completion, can rest with staff outside of finance and may result in transactions being recorded in the wrong period.

Previously, VAGO identified asset management controls as an area for improvement by the local government sector.

Management needs to consider the requirements of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Non-for-Profit Entities* when considering the recognition of revenue and income.

We have:

- performed substantive tests to verify the recognition of revenue against the requirements of the accounting policy and AASB 15 and AASB 1058
- performed substantive tests to verify the accuracy and completeness of revenue recognised
- performed substantive tests to verify the closing balance of related contract liabilities, as applicable
- reviewed and assess the adequacy of financial report disclosures.

Audit risk response testing undertaken on monetary and non-monetary contributions did not identify any matters of concern.

We have concluded that monetary and non-monetary contributions have been correctly treated under AASB 15 and AASB 1058 and is disclosed appropriately in the Financial Statements. Results of substantive test of details indicates that the material monetary and non-monetary contributions are presented fairly.

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3. Accounting for government grants

The Council receives a significant amount of funding in the form of grants.

The application of AASB 15 and AASB 1058 requires management to exercise judgement in determining whether the funding agreement contains sufficiently specific enforceable performance obligations exist.

Restrictions introduced by the Victorian Government in response to the COVID-19 pandemic may impact the Council's ability to meet performance obligations and targets under a range of its funding agreements. A contract liability may or may not be required at balance date subject to the exercise of recall provisions or waivers by funding bodies.

Termination for Convenience (TFC) clauses within grant agreements, that require a grant recipient to refund unspent amounts upon demand by the grantor gives rise to a financial liability on any unspent amounts.

We have:

- updated our understanding of key controls over material items of revenue
- evaluated management's process to assess funding arrangements against the requirements of AASB 15 and AASB 1058
- performed substantive analytical procedures
- reviewed key grant agreements against the requirements of AASB 15 and AASB 1058
- made enquiries of management regarding funding subject to recall and if recall provisions are enacted or waived sight supporting documentation to confirm the appropriateness of the accounting treatment adopted
- verified a sample of transactions to supporting documentation
- obtained and review management's assessment of the impacts of Termination for Conveniences clauses
- reviewed the adequacy of disclosures in your financial report.

Audit risk response testing undertaken on revenue recognition for government grants did not identify any matters of concern.

We have concluded that revenue has been correctly treated as either AASB15 / AASB1058 and is disclosed appropriately in Council's financial statements.

Results of substantive test of details indicates that the material government grants are presented fairly.

4. Landfill Rehabilitation Provisions

In the 2021/22 financial report, Council had significant rehabilitation provisions related to landfill assets of \$22.3 million. These balances are subject to detailed review by experts and involve significant judgments and estimates. Council is required to regularly review inputs associated with the estimates, including unit rates applied, inflation and discount factors, and the timing of proposed rehabilitation works, which may have a significant impact on the level of the provision balance. There is a risk that the provision balance disclosed in the financial statements may be materially misstated.

We have:

- assessed the completeness of the regulated landfill assets and related liabilities
- reviewed the nature and extent of management's oversight and review of the fair value measurement
- reviewed the valuation calculations to evaluate the appropriateness of the methodology adopted, assumptions and estimates used

Audit risk response testing undertaken on the landfill airspace and provision for landfill rehabilitation did not identify any matters of concern.

We have concluded that the landfill airspace asset and provision for landfill rehabilitation have been correctly treated and disclosed in the Council's financial statements.

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	<ul style="list-style-type: none"> assessed the internal valuer’s competence, skills and experience to conduct an appropriate valuation reviewed the related journals. 	
<p>5. Management override of controls</p> <p>Management’s ability to override controls that otherwise appear to be operating effectively may result in fraud, incorrect accounting records and material misstatements in the financial report.</p> <p>Although the level of risk of management override of controls vary from entity to entity, the risk if nevertheless present in all entities.</p> <p>Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a higher risk</p>	<p>We have:</p> <ul style="list-style-type: none"> established whether we can rely on your general IT control environment reviewed management’s approval of general ledger journal adjustments tested system delegations to restrict the ability to process journals to limited personnel. reviewed the reasonableness of management’s accounting estimates examined the business rationale for significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of Ballarat City Council. 	<p>Audit risk response testing has been undertaken on the general IT environment as part of IT general controls testing.</p> <p>No issues were noted with management’s rationale for raising journal entries or the reasonableness of assumptions and estimation processes used.</p> <p>Our review of the controls around the journals processing showed that there are appropriate segregation of duties.</p> <p>The leadership structure and specifically finance team management has been stable and therefore supportive of the control environment.</p> <p>Overall, there were no significant issues identified which suggested management override of controls.</p>
<p>6. Accounting for Property, Infrastructure Plant and Equipment</p> <p>The administration and accounting of Property Infrastructure, Plant and Equipment (PIPE) is complex and requires robust planning, processes, policies and asset management systems to ensure timely, complete and accurate recording and reporting of PIPE balances.</p> <p>In 2021-22, we identified the following issues:</p> <ul style="list-style-type: none"> accounting for contributed assets, additions, disposals, revaluation of property and indexation of infrastructure assets did not occur on a sufficiently timely basis for the audit 	<p>We have reviewed:</p> <ul style="list-style-type: none"> the operating effectiveness of processes, policies and controls procedures implemented by Council the accounting of contributed assets, additions, disposal, revaluation and indexation in the fixed asset register and general ledger the fixed assets register to ensure that: <ul style="list-style-type: none"> it reconciles to the general ledger useful lives and depreciation rates are correctly set up disposals are correctly written off within the asset register. 	<p>Audit risk response testing undertaken on the Property, Infrastructure, Plant and Equipment did not identify any matters of concern.</p> <p>We noted the processes on depreciation policy set up, disposals write off and related disposal policy have since been updated.</p> <p>We identified that useful lives for certain asset classes had not been disclosed correctly in the financial report. This was subsequently corrected and updated in the financial statements.</p> <p>We identified that the following previously raised matters are yet to be addressed:</p> <ul style="list-style-type: none"> depreciation of assets not commencing when asset is available for use is yet to be resolved

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<ul style="list-style-type: none"> manually maintained offline excel based asset register fixed assets register not reconciling to the general ledger written down value of renewed assets not being fully written off from the asset register or general ledger depreciation not commencing when an asset is available for use. AASB 116 Property Plant and Equipment requires that depreciation commences when asset is available for use. <p>For 2022-23, if the previously identified issues remain unresolved there is increased risk of misstated PIPE balances.</p> <p>We understand Council's Finance and Asset Management teams are working to address the prior year identified issues and this will remain a focus area of priority for the 2023 year.</p>	<ul style="list-style-type: none"> the Council's asset disposal policy for currency and compliance with AASB 116. Council's depreciation policy to ensure consistency with AASB 116 the PIPE disclosure in the financial statements for adequacy. 	<ul style="list-style-type: none"> written down value of renewed assets not being fully written off from the asset register or general ledger. <p>This has been re-raised in our final management letter.</p> <p>Overall, PIPE reconciliation and the related disclosures are considered to have been made correctly in the financial statements.</p>
<p>7. Performance statement</p> <p>The <i>Local Government (Planning and Reporting) Regulations 2020</i> specify the indicators to be included in the performance statement.</p> <p>There is a potential risk that:</p> <ul style="list-style-type: none"> systems in place at Council may not accurately capture the data required to support service performance outcomes incomplete and/or inaccurate data due to inadequate systems may result in material misstatement of the performance statement a lack of quality assurance over the preparation of performance statement may also result in significant errors or omissions. 	<p>We have:</p> <ul style="list-style-type: none"> reviewed the systems in place to capture the financial and non-financial data determined the reliability and completeness of the available records for compiling that indicator <p>We are:</p> <ul style="list-style-type: none"> checking the calculations of reported figures assessing the reasonableness of explanations included in the performance statement for significant variations confirming that the format of the performance statement complies with legislative requirements. 	<p>Audit risk response testing is currently underway on Council's performance statement.</p>

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Audit findings—financial report

Materiality assessment

Misstatements are considered material if they individually or collectively could influence economic decisions of users of the financial report. Users could be influenced by either the amount (quantity) or the nature (quality) of the matter.

We have updated the materiality levels indicated in our audit strategy memorandum.

Final overall materiality for the financial report has been set at 4% of IPPE \$84.6 million.

Final specific materiality for particular statements, account balances or disclosures has been set at 4% of total expenditure \$8.6 million.

In our view:

- total uncorrected errors above this amount for particular statements, account balances or disclosures would mislead the users of the financial report.
 - risk that there may be material error the financial report increases with the level of accumulated uncorrected error below this threshold.
-

Adjusted audit differences

Our audit procedures did not identify any material audit differences.

We also found some minor differences in the disclosures supporting the financial report, which management adjusted.

Appendix B presents the adjusted audit differences.

Unadjusted immaterial differences

Our audit procedures did not identify any unadjusted differences.

Control environment

The Australian Auditing Standards require us to write to those charged with governance about any significant deficiencies we identified during the audit.

As part of our audit process, we consider, but do not assess or provide an opinion on, the effectiveness of your internal control framework. If we identify any significant weaknesses in internal control during our audit, we communicate them to you in our management letters.

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Audit findings—performance statement

Materiality assessment

Misstatements are considered material if they individually or collectively could influence economic decisions of users of the performance statement. Users could be influenced by either the amount (quantity) or the nature (quality) of the matter.

We set materiality for each indicator reported in a performance statement after we consider the qualitative and quantitative factors that influence each indicator. We cannot set an overall materiality level for the performance statement due to its nature.

Adjusted differences

We identified no audit differences in the performance statement. We will update if any further matters are identified upon completion.

Unadjusted immaterial differences

We identified no unadjusted immaterial differences in the performance statement.

Control environment

The Australian Auditing Standards require us to write to those charged with governance about any significant deficiencies we identified during the audit.

As part of our audit process, we consider, but do not assess or provide an opinion on, the effectiveness of your internal control framework. If we identify any significant weaknesses in internal control during our audit, we communicate them to you in our management letters.

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Other audit findings

Fraud, irregularities, or regulatory non-compliance

When performing our risk assessments and conducting our audit procedures, we consider the risk of material misstatement in the financial report and performance statement that may be due to fraud. We are not responsible for preventing or detecting fraud.

Our audit procedures did not identify any specific financial report and performance statement areas of fraud risk or regulatory non-compliance.

Waste, probity & financial prudence

Our procedures are not specifically designed to detect matters of waste, probity and financial prudence but we may detect these matters.

Our audit procedures did not identify any material issues concerning waste, probity or lack of financial prudence.

Accounting policies

Your entity's material accounting policies, material transactions and/or events that occurred during the financial year are in accordance with the Australian accounting standards.

Disagreements with management

No issues noted.

Difficulties encountered in performing the audit

No issues noted.

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Reports to Parliament

Results of the 2023 Audits: Local Government

Ballarat City Council will be included in the *Results of the 30 June 2023 Audits: Local Government*. We aim to table this report by the end of November 2023. The report will analyse the financial performance and position, and sustainability risks of each sector. The report also informs Parliament about the strengths and weaknesses in the control environments at entities within the sector and make recommendations to improve them as appropriate.

We will release an interactive dashboard to accompany the Parliamentary report. This will enable users to visualise:

- sector results over the last 5 years
- trends and composition analyses for specific entities
- compare results between entities over time.

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VAGO links and resources



VAGO's website

VAGO's role

Annual work plan

Strategic plan

Our reports

Audits in progress

Privacy policy

[Financial reporting alerts.](#)

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APPENDIX A

Outstanding audit matters

The following items are outstanding at the date of this report and need to be resolved before we can issue our audit report.

Item	Action required	Responsibility
Investment property valuation report	Valuation Report to be received from Contract Valuers.	Management
Financial report and performance statement	A final review of the financial report and performance statement before lodgement with VAGO.	RSD/Management
VAGO's review of financial statements and Performance Statements	VAGO's review of financial statements and Performance Statements.	RSD/Management/ VAGO
Council and Audit & Risk Committee meeting minutes up until sign off	Audit's review of Council and Audit & Risk Committee meeting minutes up until sign off.	RSD/Management
Subsequent events update	Provide details of significant transactions and events up to date of signing. Audit will assess for any impact on the financial report.	Management and RSD
Financial report and performance statement certification	To be signed on adoption of the accounts by the Council.	Management
Management representation letter	To be signed on same date as the certification of the financial report.	Management

After we issue our audit report, we are required to undertake the following procedures. We will report any issues we find to your accountable officer for appropriate remedial action.

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Item	Our procedure
Annual report	<p>We will review your annual report to confirm that it includes the correct version of the signed financial report, performance report and auditor's report. We will also check that all information in the annual report is materially consistent with the financial report.</p> <p>We request you provision of an electronic copy of the printers' proof of the annual report.</p>
Website publication of annual report	<p>We will review your annual report on your website to confirm that it includes the correct versions of the signed financial report, performance report and auditor's report.</p> <p>We request your notification to us of your publication of your annual report on your website.</p>

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APPENDIX B

Adjusted audit differences

Adjusted dollar differences

Financial report component(s)	Adjusted \$	Basis for the adjustment
Nil	Dr Cr	

Adjusted differences of disclosures in your financial report and indicators in your performance statement

Financial report disclosure / performance statement indicator	Adjustment	Basis for the adjustment
Note 6 – Depreciation periods of PIPE asset classes	Adjustment to disclose the appropriate useful lives in the financial report including those recently revalued.	To ensure disclosed useful lives is consistent with the asset register.
Financial statements notes	Various minor wording/ formatting changes.	Improve readability of the financial statements as well as to be in line with Local Government model accounts disclosures.

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APPENDIX C

Final management letter

We provide a final version of the year-end management letter as a separate attachment.

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APPENDIX D

Management representation letter

As part of gathering audit evidence, we obtain formal management representations about your entity's financial report and performance statement. We look at the completeness, preparation, and presentation of the information in the report and statement.

We do not rely solely on the management representations, except when they are the only evidence reasonably available.

A draft version of the management representation letter is provided as a separate attachment.

When forming our audit opinion, we did not rely solely on management representations.

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