



Colac Otway
SHIRE

COUNCIL MEETING

AGENDA

Wednesday 18 September 2024

at 4:00 PM

By videoconference



COLAC OTWAY SHIRE COUNCIL MEETING

Wednesday 18 September 2024

TABLE OF CONTENTS

1 Declaration of Opening of Meeting	3
2 Present.....	3
3 Apologies and Leave of Absence	3
4 Welcome and Acknowledgement of Country.....	3
5 Declarations of Interest	4
6 Officer Reports.....	4
6.1 Approval and Certification of in-principle Financial Statements and Performance Statement 2023-24	4
7 Close of meeting	117

COLAC OTWAY SHIRE COUNCIL MEETING

NOTICE is hereby given that the next **COUNCIL MEETING OF THE COLAC OTWAY SHIRE COUNCIL** will be held at by videoconference on Wednesday 18 September 2024 at 4:00 PM.

AGENDA

1 DECLARATION OF OPENING OF MEETING

OPENING PRAYER

Almighty God, we seek your blessing and guidance in our deliberations on behalf of the people of the Colac Otway Shire. Enable this Council's decisions to be those that contribute to the true welfare and betterment of our community.

AMEN

2 PRESENT

3 APOLOGIES AND LEAVE OF ABSENCE

4 WELCOME AND ACKNOWLEDGEMENT OF COUNTRY

Colac Otway Shire acknowledges the original custodians and law makers of this land, their elders past, present and emerging and welcomes any descendants here today.

RECORDING AND PUBLICATION OF MEETINGS

Please note: All Council meetings will be live streamed and recorded when the meeting is held either at COPACC or online. This includes the public participation sections of the meetings. When meetings are held in other locations, Council will endeavour to make an audio recording of the meeting for community access. Matters identified as confidential items in the Agenda will not be live streamed or recorded regardless of venue or mode.

By participating in open Council meetings, individuals consent to the use and disclosure of the information they share at the meeting (including any personal and/or sensitive information).

As soon as practicable following each open Council meeting, the live stream recording will be accessible on Council's website. Audio recordings are also taken to facilitate the preparation of the minutes of open Council meetings and to ensure their accuracy. Recordings will be retained by Council for a period of four years.

This meeting will be livestreamed to the public via Council's YouTube channel (search Colac Otway Shire Council at www.youtube.com).

5 DECLARATIONS OF INTEREST

A Councillor who has declared a conflict of interest, must leave the meeting and remain outside the room while the matter is being considered, or any vote is taken.

Item: 6.1

Approval and Certification of in-principle Financial Statements and Performance Statement 2023-24

OFFICER	Xavier Flanagan
GENERAL MANAGER	Andrew Tenni
DIVISION	Corporate Services
ATTACHMENTS	<ol style="list-style-type: none">2023 - 2024 Colac Otway Shire Financial Statements (Final Draft - Attachment to Council Meeting 18 [6.1.1 - 63 pages]2023-24 Colac Otway Shire Performance Statements (Final Draft) [6.1.2 - 15 pages]Closing Report - Colac Otway Shire Council 30 June 2024 [6.1.3 - 20 pages]

1. PURPOSE

The purpose of this report is to present the 2023-24 Financial Statements and Performance Statement to Council for in principle approval as recommended by the Audit and Risk Committee and in accordance with Section 99 of the *Local Government Act 2020* (the Act).

2. EXECUTIVE SUMMARY

Performance and Financial Statements are subject to a rigorous audit process to ensure their accuracy. Council's 2023-24 Financial Statements and Performance Statement were audited independently by RSD Audit as the contract agent on behalf of the Victorian Auditor-General's Office (VAGO).

The Audit and Risk Committee has a responsibility to review the statements prior to adoption in principle and to raise any matters of concern. The Audit and Risk Committee has and discussed the statements and auditing processes with RSD at its meeting on 9 September 2024 without Council's management present prior to its consideration of the statements. The Committee was provided with updated Performance and Financial Statements, along with the Auditor's Closing Report at a subsequent meeting on 12 September 2024.

The Audit and Risk Committee reviewed the final draft of statements at its 12 September 2024 meeting and recommends that Council:

- 1. Approves in principle the 2023-24 Financial Statements and Performance Statement for Colac Otway Shire Council, subject to any changes that are recommended or agreed by the Auditor in accordance with Section 98(2) of the Act.**
- 2. Makes provision, that if there is any significant change prior to certification of the 2023-24 Colac Otway Shire Council Financial Statements and Performance Statement, they be referred to the Audit and Risk Committee for information; and**
- 3. In accordance with section 98 of the Act, nominates and authorises Councillors Margaret White and Max Arnott to certify and approve the 2023-24 Financial Statements and Performance Statement in their final form, after any changes recommended or agreed with the Auditor, have been made on behalf of Council.**

The Audit and Risk Committee requested that the meeting minutes record that point 2 of its recommendation does not refer to the potential adjustment to Note 6.2 which may come through VAGO's review. The potential adjustment relates to the treatment of WIP transfers in this note and doesn't change the end of year results.

The 2023-24 results show that Council achieved an operating deficit of (\$5.41) million for the year, representing a (\$11.97) million shift from the \$6.56 million surplus in the prior year. Council's capital works delivery was \$10.84 million which is \$0.50 million greater than the prior financial year of \$10.34 million. Council has \$22.55 million of capital projects carried forward from 2023-24 that should be delivered in 2024-25 where possible (noting that the carryover reserves balance is net of income and therefore \$5.16 million). The large carryover program includes significant funding for LRCI projects and Disaster Recovery works, both of which are to be delivered over multiple financial years.

Council's 'Property, infrastructure, plant and equipment' assets have been revalued and indexed at 31 March 2024, with a net increase in fair value of \$51.10 million, bring a carrying amount of \$529.50 million at the year end. This increase reflects the significant escalation market cost experienced across the nation due to global and domestic factors as well as adjustments for additions and disposals of assets from Council's asset register. The higher asset valuation will impact Council's depreciation in future years and consequently its asset renewal ratios and indicators.

Council's 'total cash and cash equivalents' is \$15.42 million at 30 June 2024 and excludes \$14.00 million held in current term deposits. Financial Performance Indicators for 2023-24 are explained in more detail in this report.

Financial Performance Indicators have improved through 2023-24 for most measures. These are explained in more detail in this report.

3. RECOMMENDATION

That Council:

- 1. Receives the 2023-24 Financial Statements (Attachment 1) and 2023-24 Performance Statement (Attachment 2) which have been prepared in accordance with sections 98(5) and (4) of the Local Government Act 2020.**
- 2. Notes that the Audit and Risk Committee considered 2023-24 Financial Statements and 2023-24 Performance Statement, as well as the Auditor's Closing Report at its meeting held on 12 September 2024.**
- 3. Approves in principle the 2023-24 Financial Statements (Attachment 1) and 2023-24 Performance Statement (Attachment 2) and submits the Statements to the auditor reporting on the audit in accordance with section 99(2) of the Local Government Act 2020.**
- 4. Authorises Councillors Margaret White and Max Arnott to certify the 2023-24 Financial Statements and 2023-24 Performance Statement in their final form after any changes recommended or agreed by the auditor have been made in accordance with section 99(3)(a) of the Local Government Act 2020.**
- 5. Requires the 2023-24 Financial Statements and 2023-24 Performance Statement to be referred to the Audit and Risk Committee for information, if there is any significant further change prior to certification.**

4. KEY INFORMATION

Council's 2023-24 Financial Statements and Performance Statement were audited independently by RSD Audit as the contract agent on behalf of the Victorian Auditor-General's Office. Representatives of RSD undertook the final audit for 2023-24 between 22 and 24 August 2024.

Audit and Risk Committee members discussed the statements and auditing processes with RSD without Council's management present prior to its consideration of the statements at a meeting on 9 September 2024. In those discussions, it was indicated by RSD that it was anticipated that an unqualified audit would be issued. A Closing Report was received by the Audit and Risk Committee at its meeting on 12 September 2024 outlining that it was expected that an unmodified audit opinion would be issued.

Financial Performance

Council is committed to providing accurate, understandable and fair reporting on our financial performance for 2023-24 and our financial position at the end of the reporting period. The financial report enables an assessment of our ability to deliver current services and maintain existing facilities in the longer-term.

Key results include:

- Net Deficit (\$5.41) million
- Capital works program delivery of \$10.84 million, of which 67% related to asset renewal projects
- Working capital (being Current Assets less Current Liabilities) \$19.78 million (including \$3.69 million capital grant revenue and \$1.66 million operating grant revenue received in advance)

- Cash and cash equivalents balance \$15.43 million and Other financial assets balance \$14.0 million

Council ended the financial year with a total cash and cash equivalents balance of \$15.43 million. This is a decrease of \$5.64 million from the prior year. Refer to Statement of Cash Flows for more details.

Operating results

The 2023-24 results show that Council achieved an operating deficit of (\$5.41) million for the year, \$11.97 million less than the \$6.56 million surplus in the prior year. Financial Assistance Grants (FAGs) of \$7.47 million were budgeted to be received in June 2024 but were instead received in July 2024. If the FAGs had been received as per the adopted budget the 2023-24 result would have been a surplus.

It is also important to note, that the operating result includes non-recurrent items which are irregular and generally project specific. Therefore any trends and timing differences of grants received need to be assessed over a longer period than year-on-year comparisons.

Council's major challenge in future years remains that of ensuring sufficient revenue is generated to fund service delivery and infrastructure renewal requirements. Council established a Financial Plan in September 2021 for a 10-year period. This plan forecasts ongoing deficits and significant challenges to Council's financial sustainability. Operational efficiencies will need to be strongly pursued but are unlikely to have a material impact on Council's overall challenges without significant intervention.

Revenue

Total revenue for 2023-24 is \$60.28 million (budgeted \$59.45 million) compared with \$67.90 million for 2022-23. The material difference between the two years arises from the timing of the FAG payment. Further detail on income can be seen in the Comprehensive Income Statement and notes 3.1 to 3.7 of the 2023-24 Financial Statements.

An analysis of Council's revenue sources highlights that 71% of income is derived from two income categories:

- Rates and charges 59% (2022-23: 50%)
- Operating grants 12% (2022-23: 24%)

Expenditure

Total expenses for 2023-24 is \$65.69 million (budgeted \$60.88 million). Notable contributions to the higher expenditure are in the following areas:

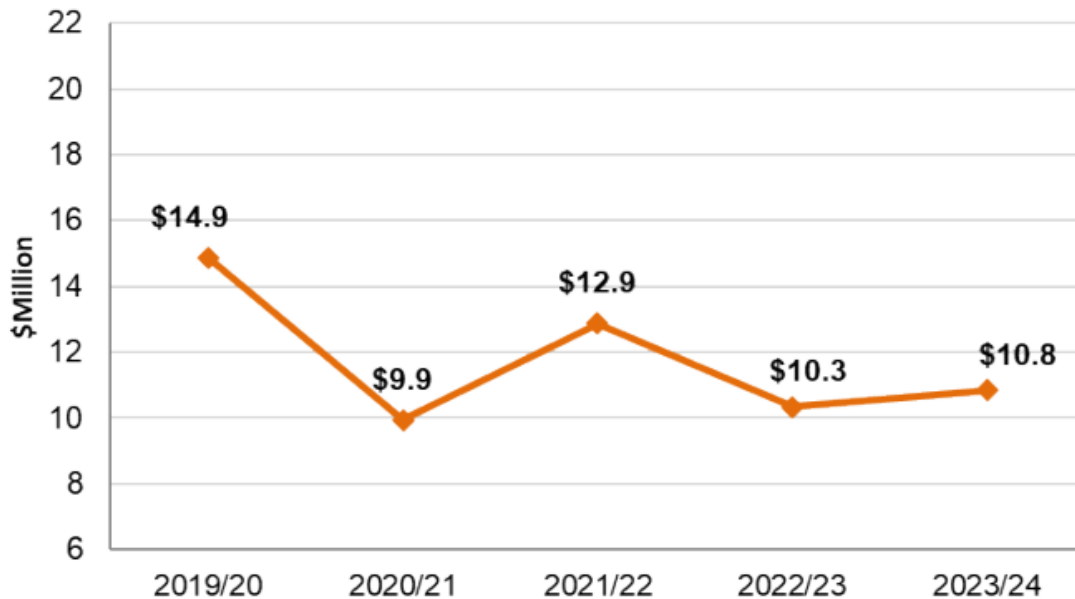
1. Employee costs unfavourable variance mainly relates to above budget costs for casuals (\$0.40) million, staff leave taken at levels greater than budget (\$0.97) million and additional salaries including allowances (\$0.72) million.
2. Materials & Services unfavourable variance mainly relates to above budget costs in consultants (\$1.93) million, Insurances (\$0.44) million and Utilities (\$0.30) million, off-set by underspend in Contractors \$0.84 million and Agency staff \$0.34 million
3. Other Expenses Additional costs for increase to the landfill rehabilitation provision movement (\$0.314) million and Auditors remuneration (\$0.083) million.

In summary, an analysis of expenses indicates that 97% were in the following three categories:

- Employee costs 40% (2022-23: 40%)
- Materials and services 36% (2022-23: 35%)
- Depreciation and amortisation 22% (2022-23: 22%)

Capital Works

In 2023-24 Council's Capital Works delivery increased by \$0.50 million compared to the prior year, to a total of \$10.84 million.



Renewal of existing assets accounted for \$7.26 million, new assets accounted for \$0.11 million and upgrade to existing assets totalled \$3.47 million. Investment in capital works is a strategic approach to maintaining or renewing the community's existing assets as they age.

Activities included:

- \$4.99 million on road works;
- \$0.35 million on drainage and storm water;
- \$33,000 on bridge works;
- \$1.13 million on renewal of Council's plant, machinery and equipment;
- \$0.34 million on footpaths and cycle ways;
- \$2.46 million on buildings; and
- \$1.52 million on other infrastructure.

Assets

Total assets are valued at \$567.71 million; primarily consisting of:

- Property, plant, equipment and infrastructure (land, buildings, roads, bridges etc.)
- Cash assets (mainly short-term investments)

The main contributor to the overall increase in the total assets was due to the revaluation of significant asset classes. These included:

- Buildings - \$19.04 million
- Land - \$12.76 million
- Other Infrastructure - \$1.69 million

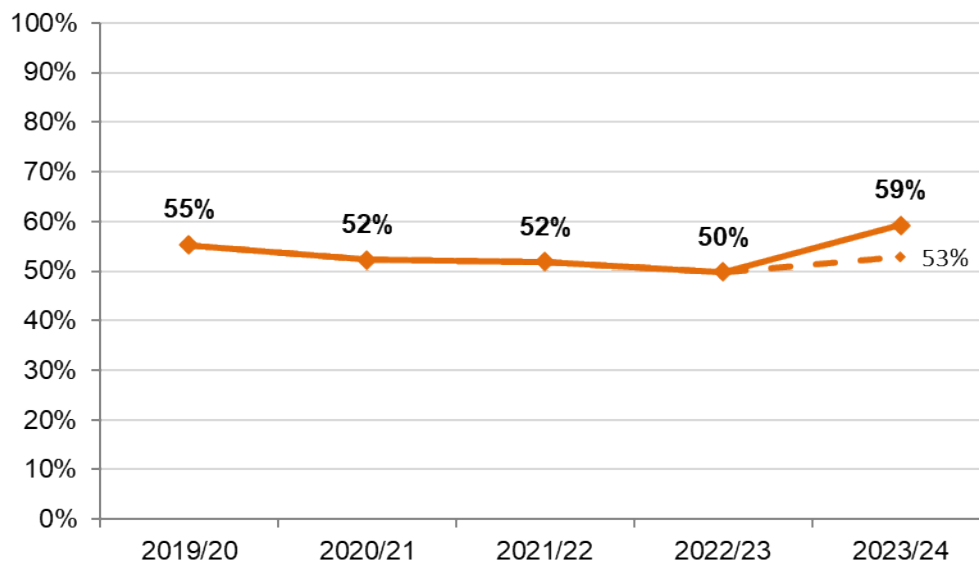
Liabilities

Total liabilities were \$19.99 million as at 30 June 2024. Liabilities include loans, lease obligations, amounts owed to suppliers, provisions for landfill rehabilitation and amounts owed to employees for leave entitlements. Liabilities decreased by \$1.04 million, in comparison with 2022-23. Unearned income has decreased from 2022-23 by \$3.63 million. This was due to amounts received in advance for specific purpose government grants for operations.

Financial Indicators

The financial indicators included in this report provide information on performance trends over time.

Revenue Ratio



The Revenue Ratio shows the level of reliance on rate revenue. It is an indication of how much total revenue comes from rates and charges. It is influenced by other revenue sources such as government grants, contributions, special charges, user fees and charges. Rate income is a secure and predictable source of revenue. A low ratio can warn of undue reliance on other forms of revenue, which may or may not be sustainable, e.g. government grants. The preferred position is for a reliance on rates and other commercial revenue, with a low dependency on government grants. Financial Assistance Grants in the amount of \$7.47 million relating to the 2023-24 financial year was received in early July of the 2024-25 financial year. When added to the 2023-24 income the revenue ratio shifts to 53%.

Financial Sustainability

Indicators Financial sustainability is defined in a number of different ways. A generally accepted definition is whether local governments have sufficient current and prospective financial capacity (inflows) to meet their current and prospective financial requirements (outflows).

To be sustainable, councils need to have some excess capacity at any point in time to be able to manage future financial risks and shocks without having to radically adjust their current revenue or expenditure policies.

The following seven indicators are utilised and published by the Victorian Auditor General annually, to assess the financial viability of councils. The figures for the prior financial years are taken from the Victorian Auditor-General's Office (VAGO) report that can be found at:

<https://www.audit.vic.gov.au/report/results-2019-20-audits-local-government>

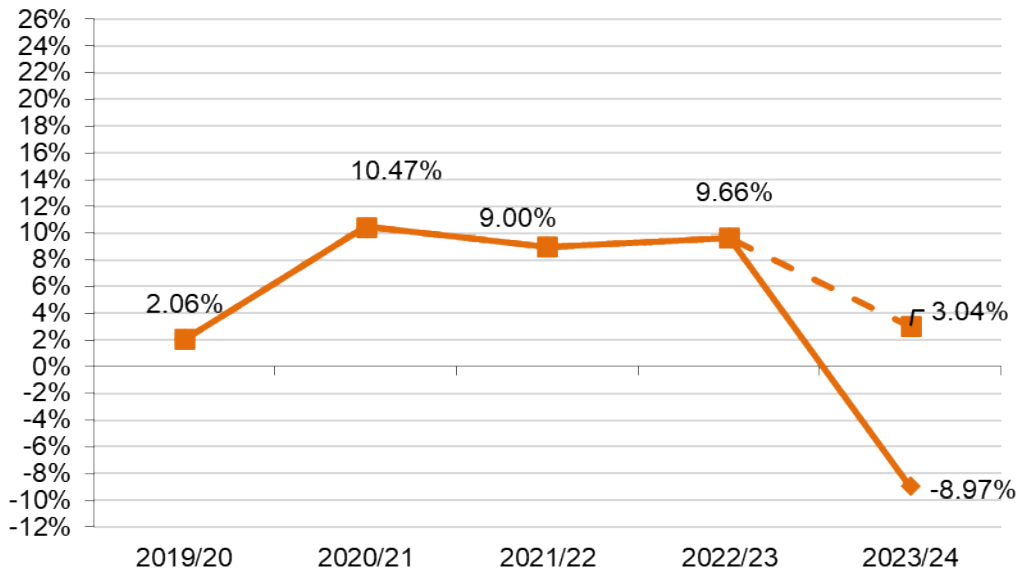
The following table summarises Colac Otway Shire Council's result for 2023-24:

Indicators	Colac Otway Result	Risk Levels		
		High	Medium	Low
Net Result Ratio	(8.97%)	Less than Negative 10%	Between negative 10% and zero	Greater than zero
Adjusted underlying result	(17.36%)	Less than 0%	Between 0% and 5%	Greater than 5%
Liquidity Ratio	229.32%	Less than 75%	Between 75% and 100%	Greater than 100%
Indebtedness Ratio	10.11%	Greater than 60%	Between 40% and 60%	Less than 40%
Internal Financing Ratio	57.20%	Less than 75%	Between 75% and 100%	Greater than 100%
Capital Replacement	75.84%	Less than 100%	Between 100% and 150%	Greater than 150%
Renewal Gap	75.08%	Less than 50%	Between 50% and 100%	Greater than 100%

The following information provides a definition for each indicator and the five-year trend for each:

Net Result Ratio

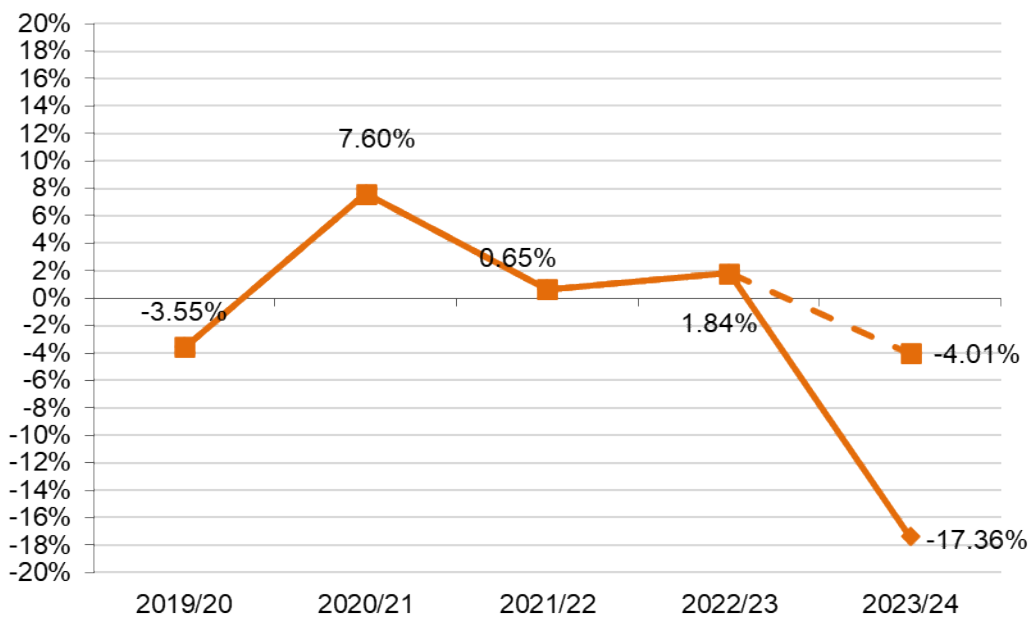
This measures how much of each dollar collected as revenue translates to net result. A positive result indicates a surplus, and the larger the percentage, the stronger the result.



This ratio includes capital grants and grants received in advance that aid in generating a surplus. This can be utilised for new assets or asset renewal. This result places Council within the ‘Medium’ risk category for financial sustainability. Slight year on year improvement in ratio driven by greater income generated, and slight improvement in surplus. Net Result with FAGs added back to the 2023-24 results shifts the indicator to 3.04%.

Adjusted Underlying Result

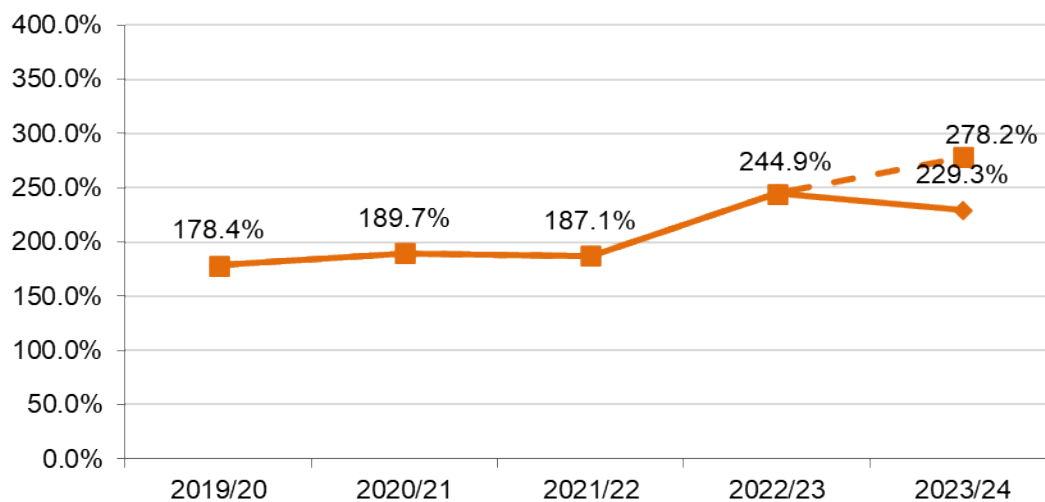
This ratio measures an entity’s ability to generate surplus, or pay for its own operations, in the ordinary course of business—excluding non-recurrent capital grants, non-monetary asset contributions, and other contributions to fund capital expenditure from the net result. A deficit suggests a reduction in the operating position.



This indicator has degraded significantly, year on year, primarily due to the timing of receipt of FAGs where \$7.47 million relating to the 2023-2024 financial year was received in early July of the 2024-2025 financial year. Adjusted Underlying Result with FAGs added back to the 2023-24 results shifts the indicator to -4.01%.

Working Capital Ratio

This measures an entity’s ability to pay existing liabilities in the next 12 months. A ratio greater than 100% means there are more cash and liquid assets than short-term liabilities.

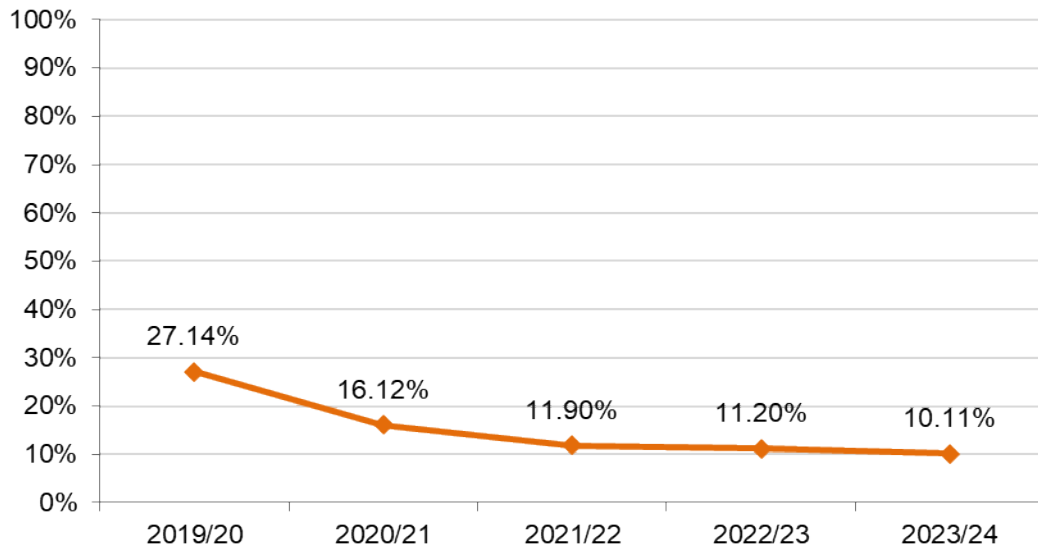


The Working Capital Ratio expresses the level of current assets, such as cash and investments, that Council has available to meet our current liabilities. This includes outstanding creditors and employee entitlements.

The current ratio of 229.3% represents a 16% year on year reduction driven in the most part by late receipt of FAGs (as mentioned above), having a \$7.47 million impact on cash held. Working Capital Ratio with FAGS added back to the 2023-24 results shifts the indicator to 278.2%.

Indebtedness Ratio

This assesses an entity’s ability to pay liabilities, as and when they fall due, from the funds it generates. The lower the ratio, the less revenue the entity is required to use to repay its total debt. Own-sourced revenue is used, rather than total revenue, because it does not include grants or contributions.

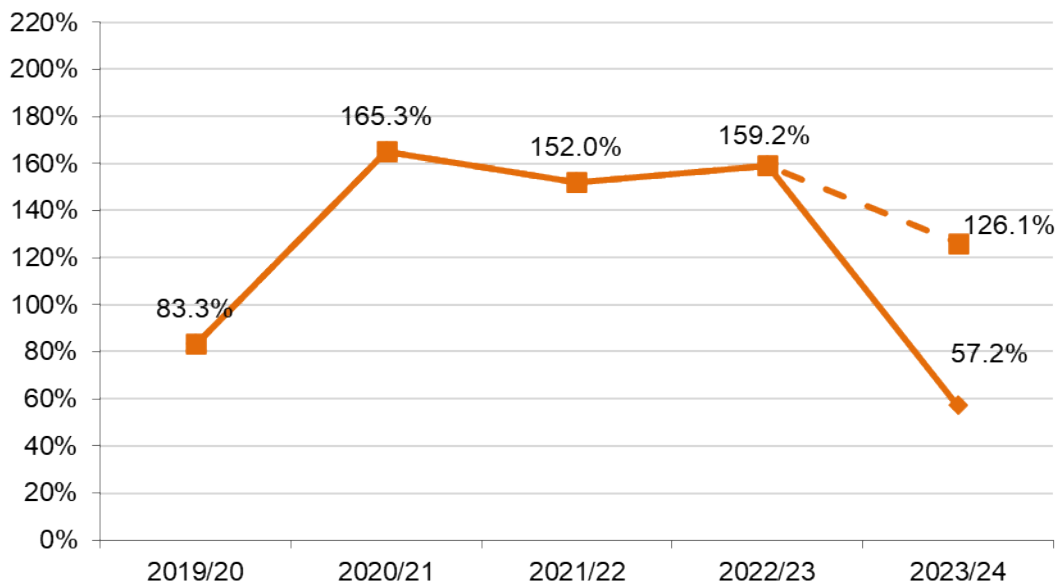


The ratio is comfortably in the low-risk category, indicating that we are generating sufficient funds to cover debt without requiring outside assistance.

This indicator has continued to reduce in 2023-24 with minor movement in non-current liabilities.

Internal Financing Ratio

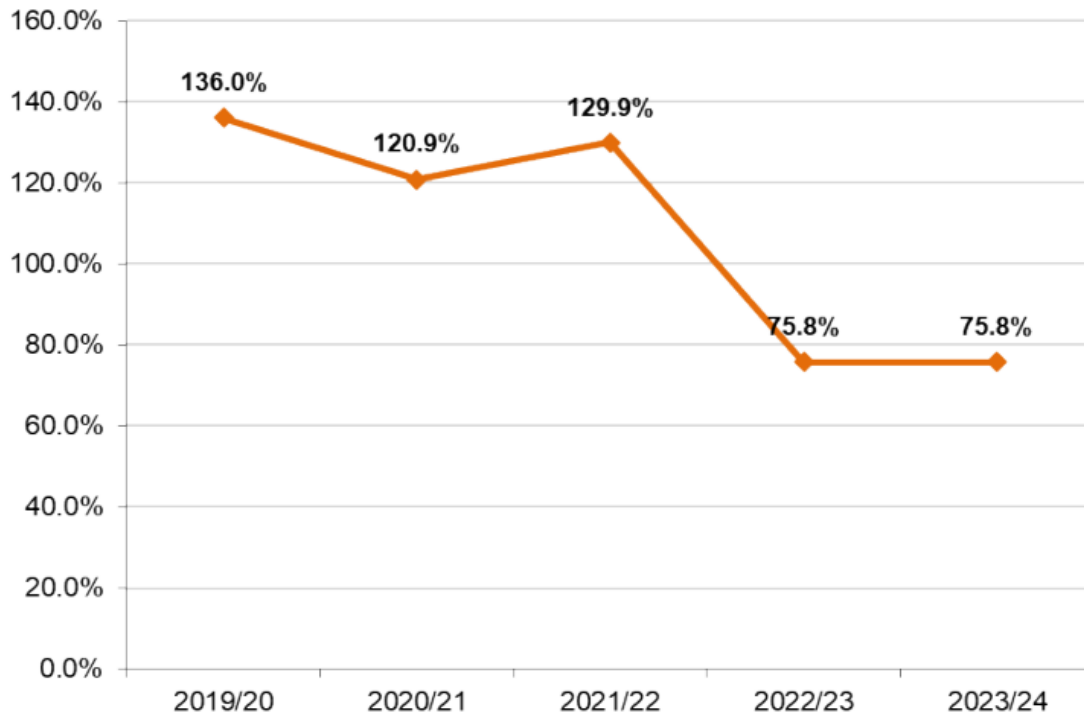
This measures an entity’s ability to finance capital works using cash generated by its operating cash flows. The higher the percentage, the greater the ability for the entity to finance capital works from its own funds.



The result indicates that Council’s ability to generate sufficient cash from operations to fund the renewal of existing assets has reduced year on year driven in the most part by late receipt of FAGs (as mentioned above), having a \$7.47 million impact on cash held. Internal Financing Ratio with FAGS added back to the 2023-24 results shifts the indicator to 126.1%.

Capital Replacement Ratio

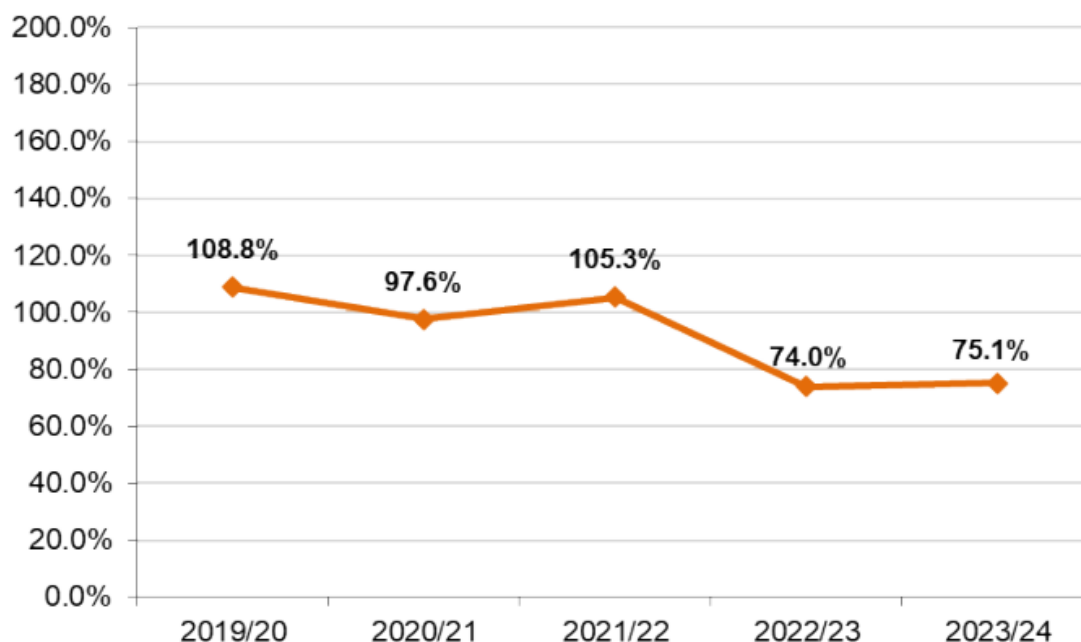
This compares the rate of spending on infrastructure, property, plant and equipment, and intangibles with its depreciation and amortisation. This is a long-term indicator, as capital expenditure can differ in the short term if there are insufficient funds available from operations, and borrowing is not an option. A ratio less than 100% means the spending on capital works has not kept pace with consumption of assets.



This ratio is about the overall spending on assets, both new and existing. The 2023-24 result is assessed as high risk and is impacted by the increase in carry forward of capital projects of \$22.55 million to 2024-25, and year-on-year increases in Plant and Equipment, and Infrastructure depreciation of \$0.65 million.

Renewal Gap Ratio

This compares the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. Ratios higher than 100% indicate that spending on existing assets is faster than the depreciation rate.



This ratio is about the renewal and upgrade of our existing assets (i.e. replacing one asset with another of the same or better quality). There has been a material improvement in the 2023-24 result, which is now in the medium-risk category, driven in the most part by a \$0.63 million increase in renew and upgrade capital expenditure.

PERFORMANCE STATEMENT

The data and indicators contained in the attached 'In Principle' Performance Statement (Attachment 2) has been carefully collated and reviewed to ensure it is consistent with the Local Government Performance Report Framework Indicator Workbook. Any material variation or commentary has been provided against each indicator.

5. CONSIDERATIONS

Overarching Governance Principles (s(9)(2) LGA 2020)

The overarching governance principles are:

- Council decisions are to be made and actions taken in accordance with the relevant law
- the ongoing financial viability of the Council is to be ensured
- the transparency of Council decisions, actions and information is to be ensured

Policies and Relevant Law (s(9)(2)(a) LGA 2020)

The 2022-23 Financial Report has been prepared in accordance with the Act and the Local Government (Planning and Reporting) Regulations 2020, Australian Accounting Standards and other mandatory professional reporting requirements.

The 2022-23 Performance Statement has been prepared to meet the requirements of the Act and Local Government (Planning and Reporting) Regulations 2020.

Environmental and Sustainability Implications (s(9)(2)(c) LGA 2020)

Not applicable.

Community Engagement (s56 LGA 2020 and Council's Community Engagement Policy)

Following inclusion of the audit opinion and statements in the Annual Report in October 2024, the Minister will be provided with an electronic copy of the Annual Report, including the audited statements. The 2023-24 Annual Report will be presented to the Council Meeting scheduled in October 2024 and published on Council's website.

Public Transparency (s58 LGA 2020)

Financial and performance statements provide transparency to the community about Council's financial situation. Data is also accessible via the council website and the "Know your Council" website providing transparency as well as comparison to other Councils.

Alignment to Plans and Strategies

Alignment to Council Plan 2021-2025:

Theme 4 – Strong Leadership and Management

Objective 2: We are a financially robust organisation

Financial Management (s101 Local Government Act 2020)

There are no direct financial implications associated with this report, rather this report presents Council's performance and position and how Council utilises ratepayer and other public funds to ensure Best Value is achieved.

Service Performance (s106 Local Government Act 2020)

Service performance indicators are reported in a standard manner in the attachments and will also be uploaded to the "Know Your Council" Website.

Risk Assessment

Council's capital works delivery was \$10.84 million which is greater than the prior financial year. Council's assets have been revalued and indexed at 30 June 2024, with a net increase in fair value of \$51.10 million, bring a carrying amount of \$529.50 million at the year end.

This increase reflects the significant escalation market cost as well as adjustments for additions and disposals of assets from Council's asset register. The higher asset valuation will impact Council's depreciation in future years and consequently its asset renewal ratios and indicators.

Communication/Implementation

Following inclusion of the audit opinion and statements in the Annual Report in late October, the Minister will be provided with an electronic copy of the Annual Report, including the audited

statements. The 2023-24 Annual Report will then be considered at the Council Meeting scheduled in October 2024 and published on Council's website.

Human Rights Charter

No impact.

Officer General or Material Interest

No officer declared an interest under the *Local Government Act 2020* in the preparation of this report.

Options

Option 1 – Approve and certify in-principle Financial Statements and Performance Statement 2023-24

This option is recommended by officers as approval and certification in-principle of the Financial Statements and Performance Statement 2023-24 will fulfil Council's obligations under the Local Government Act 2020, and the Local Government (Planning and Reporting) Regulations 2020, Australian Accounting Standards and other mandatory professional reporting requirements.

Option 2 – Approve and certify in-principle Financial Statements and Performance Statement 2023-24 with amendments

This option is not recommended by officers as implications of amendments to the statements at this meeting will not be able to be assessed by Auditors and may not meet Australian Accounting Standards and other mandatory professional reporting requirements.

Option 3 – Do not Approve and certify in-principle Financial Statements and Performance Statement 2023-24

This option is not recommended by officers as the 2023-24 Financial Report and the 2023-24 Performance Statement have been prepared in accordance with the Act and the Local Government (Planning and Reporting) Regulations 2020, Australian Accounting Standards and other mandatory professional reporting requirements. Failure to approve and certify in-principle, compromises Council's ability to comply with its obligations under the Local Government Act 2020 and Local Government Act 2020

Colac Otway Shire Council
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2024

**Colac Otway Shire Council
Financial Report
Table of Contents**

FINANCIAL REPORT	Page
Certification of the Financial Statements	1
Victorian Auditor-General's Office Audit Report	2
Financial Statements	
Comprehensive Income Statement	4
Balance Sheet	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Statement of Capital Works	8
Notes to Financial Statements	
Note 1 Overview	9
Note 2 Analysis of our results	11
2.1 Performance against budget	11
2.1.1 Income and expenditure	12
2.1.2 Capital works	14
2.2 Analysis of Council results by program	16
Note 3 Funding for the delivery of our services	18
3.1 Rates and charges	18
3.2 Statutory fees and fines	18
3.3 User fees	19
3.4 Funding from other levels of government	19
3.5 Contributions	22
3.6 Net gain / (or loss) on disposal of property, infrastructure, plant and equipment	23
3.7 Other income	23
Note 4 The cost of delivering services	24
4.1 Employee costs	24
4.2 Materials and services	25
4.3 Depreciation	25
4.4 Depreciation - right of use assets	25
4.5 Allowance for impairment losses	26
4.6 Borrowing costs	26
4.7 Finance Costs - Leases	26
4.8 Other expenses	26
Note 5 Investing in and financing our operations	27
5.1 Financial assets	27
5.2 Non-financial assets	29
5.3 Payables, trust funds and deposits and contract and other liabilities	29
5.4 Provisions	30
5.5 Financing arrangements	33
5.6 Commitments	33
5.7 Leases	34
Note 6 Assets we manage	35
6.1 Non-current assets classified as held for sale	35
6.2 Property, infrastructure plant and equipment	36
6.3 Investments in associates, joint arrangements and subsidiaries	42
Note 7 People and relationships	44
7.1 Council and key management remuneration	44
7.2 Related party disclosure	46
Note 8 Managing uncertainties	47
8.1 Contingent assets and liabilities	47
8.2 Change in accounting standards	48
8.3 Financial instruments	48
8.4 Fair value measurement	51
8.5 Events occurring after balance date	52
Note 9 Other matters	53
9.1 Reserves	53
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	56
9.3 Superannuation	56
Note 10 Change in accounting policy	61

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.

Xavier Flanagan CPA
Principal Accounting Officer

Dated : 18/09/2024
Colac

In our opinion, the accompanying financial statements present fairly the financial transactions of the Colac Otway Shire Council for the year ended 30 June 2024 and the financial position of the Council as at that date.

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

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

Cr Max Amott
Councillor

Dated : 18/09/2024
Colac

Cr Margaret White
Councillor

Dated : 18/09/2024
Colac

Anne Howard
Chief Executive Officer

Dated : 18/09/2024
Colac

Colac Otway Shire Council
2023/2024 Financial Report

<INSERT VAGO REPORT - PAGE 1>

Page 2

<INSERT VAGO REPORT - PAGE 2>

Page 3

Colac Otway Shire Council
2023/2024 Financial Report

Comprehensive Income Statement For the Year Ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Income/revenue			
Rates and charges	3.1	35,720	33,815
Statutory fees and fines	3.2	964	1,083
User fees	3.3	8,191	7,007
Grants - operating	3.4	7,069	16,472
Grants - capital	3.4	4,288	4,928
Contributions - monetary	3.5	498	518
Contributions - non monetary	3.5	2,006	1,680
Net gain / (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(444)	867
Share of net profits of associates and joint ventures	6.3	71	1
Other income	3.7	1,918	1,531
Total income/revenue		60,281	67,902
Expenses			
Employee costs	4.1	25,977	24,469
Materials and services	4.2	23,412	21,685
Depreciation	4.3	14,287	13,633
Depreciation - right of use assets	4.4	101	101
Allowance for impairment losses	4.5	58	(31)
Borrowing costs	4.6	-	32
Finance costs - leases	4.7	-	1
Other expenses	4.8	1,854	1,453
Total expenses		65,689	61,343
Surplus/(deficit) for the year		(5,408)	6,559
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation gain	9.1	53,006	43,008
Total other comprehensive income		53,006	43,008
Total comprehensive result		47,598	49,567

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

Colac Otway Shire Council
2023/2024 Financial Report

Balance Sheet
As at 30 June 2024

	Note	2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	15,422	21,069
Trade and other receivables	5.1	3,934	4,053
Other financial assets	5.1	14,000	13,000
Inventories	5.2	177	167
Prepayments	5.2	111	91
Non-current assets classified as held for sale	6.1	590	570
Other assets	5.2	832	626
Total current assets		35,066	39,576
Non-current assets			
Trade and other receivables	5.1	41	39
Property, infrastructure, plant and equipment	6.2	529,499	478,402
Investments in associates, joint arrangements and subsidiaries	6.3	218	148
Right-of-use assets	5.7	2,881	2,983
Total non-current assets		532,639	481,572
Total assets		567,705	521,148
Liabilities			
Current liabilities			
Trade and other payables	5.3	4,565	2,540
Trust funds and deposits	5.3	998	1,121
Contract and other liabilities	5.3	4,524	8,157
Provisions	5.4	5,195	4,335
Lease liabilities	5.7	9	8
Total current liabilities		15,291	16,161
Non-current liabilities			
Provisions	5.4	4,694	4,857
Lease liabilities	5.7	-	9
Total non-current liabilities		4,694	4,866
Total liabilities		19,985	21,027
Net assets		547,720	500,121
Equity			
Accumulated surplus		138,919	136,495
Reserves	9.1	408,801	363,626
Total Equity		547,720	500,121

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

Colac Otway Shire Council
2023/2024 Financial Report

Statement of Changes in Equity
For the Year Ended 30 June 2024

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2024					
Balance at beginning of the financial year		500,121	136,496	334,121	29,505
(Deficit) for the year		(5,408)	(5,408)	-	-
Net asset revaluation gain	9.1	53,006	-	53,006	-
Transfers to other reserves	9.1	-	(20,584)	-	20,584
Transfers from other reserves	9.1	-	28,415	-	(28,415)
Balance at end of the financial year		547,720	138,919	387,127	21,674

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2023					
Balance at beginning of the financial year		450,556	133,368	291,114	26,074
Surplus for the year		6,559	6,559	-	-
Net asset revaluation gain	9.1	43,008	-	43,008	-
Transfers to other reserves	9.1	-	(24,755)	-	24,755
Transfers from other reserves	9.1	-	21,324	-	(21,324)
Balance at end of the financial year		500,121	136,496	334,121	29,505

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

Colac Otway Shire Council
2023/2024 Financial Report

Statement of Cash Flows
For the Year Ended 30 June 2024

		2024 Inflows/ (Outflows) \$'000	2023 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		35,395	33,709
Statutory fees and fines		964	1,083
User fees		6,837	5,881
Grants - operating		5,284	14,346
Grants - capital		3,470	4,027
Contributions - monetary		498	518
Interest received		1,280	661
Trust funds and deposits (paid)		(123)	(10)
Other receipts		638	870
Net GST refund/(payment)		(592)	7
Employee costs		(25,511)	(24,383)
Materials and services		(21,942)	(20,255)
Net cash provided by operating activities	9.2	6,198	16,454
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(10,835)	(10,337)
Proceeds from sale of property, infrastructure, plant and equipment	3.6	-	2,798
Payments for investments		(2,000)	(2,000)
Proceeds from sale of investments		1,000	1,000
Net cash used in investing activities		(11,835)	(8,539)
Cash flows from financing activities			
Finance costs		-	(32)
Repayment of borrowings		-	(596)
Interest paid - lease liability		-	(1)
Repayment of lease liabilities		(8)	(25)
Net cash used in financing activities		(8)	(654)
Net increase (decrease) in cash and cash equivalents		(5,645)	7,261
Cash and cash equivalents at the beginning of the financial year		21,067	13,806
Cash and cash equivalents at the end of the financial year		15,422	21,067
Restrictions on cash assets	5.1		
Financing arrangements	5.5		

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

Statement of Capital Works For the Year Ended 30 June 2024

	Note	2024 \$'000	2023 \$'000
Property			
Land		-	245
Total land		<u>-</u>	<u>245</u>
Buildings		2,463	669
Total buildings		<u>2,463</u>	<u>669</u>
Total property		<u>2,463</u>	<u>914</u>
Plant and equipment			
Plant, machinery and equipment		847	684
Fixtures, fittings and furniture		3	3
Computers and telecommunications		284	338
Total plant and equipment		<u>1,134</u>	<u>1,025</u>
Infrastructure			
Roads		4,989	4,043
Bridges		33	1,329
Footpaths and cycleways		343	574
Drainage		353	214
Other infrastructure		1,520	2,239
Total infrastructure		<u>7,238</u>	<u>8,399</u>
Total capital works expenditure	6.2	<u>10,835</u>	<u>10,338</u>
Represented by:			
New asset expenditure		108	245
Asset renewal expenditure		7,256	7,045
Asset upgrade expenditure		3,470	3,048
Total capital works expenditure		<u>10,835</u>	<u>10,338</u>

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

Note 1 Overview

Introduction

The Colac Otway Shire Council was established by an Order of the Governor in Council on 23 September 1994 and is a body corporate. The Council's main office is located at 2-6 Rae Street Colac Victoria 3250.

Statement of compliance

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

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

Accounting policy information

(a) Basis of accounting

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

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

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

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

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

Note 1 Overview

(a) Basis of accounting (cont'd)

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.4)
- the determination of landfill provisions (refer to Note 5.4)
- 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 5.7)
- other areas requiring judgements

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

Goods and Services Tax (GST)

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

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 2 Analysis of our results

2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$500,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 28 June 2023. The budget was based on assumptions that were relevant at the time of adoption of the budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

2.1.1 Income/Revenue and expenditure

	Budget 2024 \$'000	Actual 2024 \$'000	Variance \$'000	Variance %	Ref
Income/Revenue					
Rates and charges	35,365	35,720	355	1	
Statutory fees and charges	917	964	47	5	
User fees and charges	6,745	8,191	1,446	21	1
Grants - Operating	11,734	7,069	(4,665)	(40)	2
Grants - Capital	4,389	4,288	(101)	(2)	
Contributions - monetary	67	498	431	643	3
Contributions - non-monetary	-	2,006	2,006	100	4
Net (loss) on disposal of property, infrastructure, plant and equipment	-	(444)	(444)	-	5
Share of net profits (or loss) of associates and joint ventures	(100)	71	171	(171)	6
Other income	333	1,918	1,585	476	7
Total income/revenue	59,450	60,281	831		
Expenses					
Employee costs	24,271	25,977	(1,706)	(7)	8
Materials and services	20,527	23,412	(2,885)	(14)	9
Depreciation	14,493	14,287	206	1	
Depreciation - right of use assets	101	101	-	-	
Allowance for impairment losses	20	58	(38)	(190)	10
Finance costs - leases	12	-	12	100	11
Other expenses	1,457	1,854	(397)	(27)	12
Total expenses	60,881	65,689	(4,808)		
Deficit for the year	(1,431)	(5,408)	(3,977)	278	

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 2 Analysis of our results

2.1 Performance against budget (cont'd)

2.1.1 Income/revenue and expenditure (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	User fees and charges	A higher than expected amount of user fees were recovered for Aged Care Services (\$1.20m), Infrastructure subdivision checks services (\$0.06m), Colac livestock selling centre (\$0.05m), Local Law Services (\$0.05m).
2	Grants - Operating	Additional Port of Apollo Bay operating funding (\$2.6m), Aged Care Services (\$0.86m), grants received for operating projects (\$0.78m), and Family and Children's Services (\$0.64m). Council budgeted to receive (\$8.2m) of Federal Assistance Grants in financial year 2023-24, however the Federal Assistance Grant of (\$7.5m) was received on 5 July 2024 and, therefore, not recognised in financial year 2023-24.
3	Contributions - monetary	Council received contributions from developers for public open space contributions (\$0.42m).
4	Contributions - non-monetary	Developer contributed assets were received relating to new subdivision infrastructure roads, drainage and footpath assets, not budgeted due to the difficulty in estimating the quantity and value of contributed assets Council may receive during the year.
5	Net (loss) on disposal of property, infrastructure, plant and equipment	Unfavourable variance relates to the written down value of buildings that were removed from Council's register during the review of assets as part of the revaluation process.
6	Share of net profits of associates and joint ventures	A favourable variance relates to increase in net equity of Geelong Regional Library due to surplus in its operations during 2023-24.
7	Other income	Favourable variance resulting from higher than budgeted interest on investments (\$1.30m)

Note 2 Analysis of our results

2.1 Performance against budget (cont'd)

2.1.1 Income/revenue and expenditure (cont'd)

(i) Explanation of material variations

8	Employee costs	The unfavourable variance mainly relates to above budget costs for casuals (\$0.40m), additional leave taken (\$0.97m) and additional salaries including allowances (\$0.72m). The increased expenditure on Employee costs has led to less reliance on the use of contractor services which has meant an underspend of (\$0.84m) for Contractors under Materials and Services.
9	Materials and services	Unfavourable variance mainly relates to above budget costs in consultants (\$1.93m), Insurances (\$0.44m) and Utilities (\$0.30m), off-set by underspend in Contractors (\$0.84m) and Agency staff (\$0.34m).
10	Allowance for impairment losses	Reduction in the amount of bad and doubtful debts council has had to write off during the year.
11	Finance costs - leases	Council budgeted for costs relating to loan repayments which were not required during the financial year which has resulted in a favourable variance.
12	Other expenses	Additional costs for Auditors remuneration (\$0.083m) due to non accrual in 2022-23 financial year and increase to the landfill rehabilitation provision movement (\$0.314m).

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 2 Analysis of our results

2.1 Performance against budget (cont'd)

2.1.2 Capital works

	Budget 2024 \$'000	Actual 2024 \$'000	Variance \$'000	Variance %	Ref
Property					
Land	-	-	-		
Buildings	1,071	2,463	1,392	130	1
Total property	1,071	2,463	1,392	130	
Plant and equipment					
Plant, machinery and equipment	800	847	47	6	2
Fixtures, fittings and furniture	20	3	(17)	(87)	
Computers and telecommunications	310	284	(26)	(8)	3
Total plant and equipment	1,130	1,134	4	0	
Infrastructure					
Roads	5,341	4,989	(352)	(7)	4
Bridges	244	33	(211)	(86)	5
Footpaths and cycleways	182	343	161	88	6
Drainage	320	353	33	10	7
Other infrastructure	1,419	1,520	101	7	8
Total infrastructure	7,506	7,238	(268)		
Total capital works expenditure	9,708	10,835	1,128		
Represented by:					
New asset expenditure	721	108	(613)		
Asset renewal expenditure	8,510	7,256	(1,254)		
Asset upgrade expenditure	477	3,470	2,993		
Total capital works expenditure	9,708	10,835	1,127		

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 2 Analysis of our results

2.1 Performance against budget (cont'd)

2.1.2 Capital works (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Projects delayed in the 2022-23 year were completed which resulted in the extra spend in this area of (\$1.39m).
2	Plant, machinery and equipment	Additional projects were added during the year including COPACC Auditorium Equipment Upgrade and new NLIS scanner at the Colac Livestock Selling Centre while some major plant items were yet to be delivered in the 2023-24 year due to supply issues.
3	Computers and telecommunications	Due to supply issues replacement of some computers will carry over to the 2024 -25 year.
4	Roads	Most road programs from financial year 2022-23 were completed during 2023-24. Major patch road slip and Kerb and Channel programs not finalised during 2023-23.
5	Bridges	Various bridge works were programmed, the majority of which will be completed in the 2024-25 financial year due to delays in the commencement of works.
6	Footpaths and cycleways	The original footpath programme was completed as scheduled. There was additional unbudgeted funding received under the Federal Government LRCI programme relating to additional works undertaken.
7	Drainage	Projects delayed in the 2022-23 year were completed . Planned Projects were commenced.
8	Other Infrastructure	Projects delayed in the 2022-23 year were completed . Planned Projects were commenced.

Note 2 Analysis of our results

2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.2.1 Chief Executive Office

Chief Executive Office provides efficient, effective and proactive support services to the Mayor and Councillors. Chief Executive Office provides effective governance oversight of the organisation. Service areas include risk management, legal services, business improvement, communications, planning and strategic focus.

Corporate Services

Corporate Services provides support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes finance services, digital information and technology, property, procurement and contract management. People and culture management provides support to the organisation and ensures council's customer focus.

Community and Economy

Community and Economy provides high quality community focused programs, service delivery and communication to residents. Community and Economy is comprised of community care, connected communities, family services, healthy and active communities and is responsible for community engagement processes. Economy services includes business enterprise management, supports local festivals and events and advocates on behalf of the community for major events, tourism, cultural opportunities and leisure management.

Infrastructure and Operations

Infrastructure and Operations is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, waste, parks and gardens, emergency management and municipal resources. Infrastructure and Operations is responsible for Port of Apollo Bay, local laws and services and operations of council assets. The planning services area includes the assessment of town development, health, planning strategy and urban growth.

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 2 Analysis of our results

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

	Income/ revenue	Expenses	Surplus/ (Deficit)	Grants included in income/ revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2024					
Chief Executive Office	1,167	5,587	(4,420)	-	2,851
Corporate Services	40,370	22,665	17,705	425	48,771
Community and Economy	9,679	13,902	(4,223)	2,922	26,374
Infrastructure and Operations	9,065	23,535	(14,470)	8,010	489,708
	60,281	65,689	(5,408)	11,357	567,705

	Income/ revenue	Expenses	Surplus/ (Deficit)	Grants included in income/ revenue	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2023					
Chief Executive Office	978	5,435	(4,457)	-	1,889
Corporate Services	50,150	21,120	29,030	10,707	49,695
Community and Economy	8,953	13,666	(4,713)	2,395	17,471
Infrastructure and Operations	7,821	21,122	(13,301)	8,298	452,093
	67,902	61,343	6,559	21,400	521,149

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 3 Funding for the delivery of our services	2024	2023
3.1 Rates and charges	\$'000	\$'000

Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is its value of the land plus buildings and other improvements.

The valuation base used to calculate general rates for 2023/24 was \$11,778 million (2022/23 \$10,342 million).

General rates residential	18,611	17,964
General rates farm / rural	6,795	6,263
General rates commercial / industrial	2,974	2,792
Municipal charge	3,121	2,981
Garbage charge	3,750	3,371
Interest on rates and charges	166	183
Special rates and charges	52	22
Revenue in lieu of rates	251	239
Total rates and charges	35,720	33,815

The date of the general revaluation of land for rating purposes within the municipal district was 1 January 2024 and the valuation was first applied in the rating year commencing 1 July 2024.

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

3.2 Statutory fees and fines

Town planning fees	448	490
Health regulations	239	245
Building permits	111	125
Infringements and costs	90	92
Engineering fees	39	97
Land information certificates	36	34
Freedom of information	1	-
Total statutory fees and fines	964	1,083

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

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 3 Funding for the delivery of our services (cont'd)	2024	2023
3.3 User fees	\$'000	\$'000
Aged services fees	4,558	3,647
Leisure centre fees	1,441	1,213
Colac livestock selling centre fees	554	471
Parking, animal control and local laws fees	287	288
Visitor information centre fees	176	196
Waste disposal fees	352	319
Council properties fees and rental	256	272
Other fees and charges	365	488
Apollo bay harbour fees	151	61
Childrens programs	51	52
Total user fees	8,191	7,007
User fees by timing of revenue recognition		
User fees recognised over time	-	25
User fees recognised at a point in time	8,191	6,982
Total user fees	8,191	7,007

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.

3.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	3,725	14,968
State funded grants	7,632	6,432
Total grants received	11,357	21,400

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

	2024	2023
	\$'000	\$'000
Note 3 Funding for the delivery of our services (cont'd)		
3.4 Funding from other levels of government (cont'd)		
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial assistance grant - untied base grant	227	6,638
Financial assistance grant - local roads	147	4,068
Family and community services	235	188
Aged and disability services	98	83
Public health	4	4
<i>Recurrent - State Government</i>		
Aged and disability services	1,266	1,243
Port management	878	878
Maternal and child health	397	446
Corporate Services	51	-
School crossing supervisors	-	66
Public health	25	30
Environment and protection services	-	21
Economic development	68	-
Recreation and culture	118	11
Total recurrent operating grants	3,514	13,676
<i>Non-recurrent - Commonwealth Government</i>		
City deal	-	744
Family and community services	4	34
Recreation and culture	-	10
<i>Non-recurrent - State Government</i>		
Aged and disability services	3	-
Port management	2,567	919
Economic development	150	613
Family and community services	11	156
Strategic planning	429	157
Emergency management	-	26
Public health	157	25
Recreation and culture	175	8
Waste management	5	104
Environment	54	-
Total non-recurrent operating grants	3,555	2,796
Total operating grants	7,069	16,472

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 3 Funding for the delivery of our services (cont'd)	2024	2023
3.4 Funding from other levels of government (cont'd)	\$'000	\$'000
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,985	1,288
Total recurrent capital grants	1,985	1,288
<i>Non-recurrent - Commonwealth Government</i>		
Roads	148	1,791
Bridges	-	75
Aerodromes	-	45
Recreation and culture	61	-
Buildings	504	-
Environment and protection services	312	-
<i>Non-recurrent - State Government</i>		
Recreation and culture	369	1,724
Roads	27	5
Buildings	642	-
Drainage	6	-
Footpaths and cycleways	60	-
Plant and equipment	174	-
Total non-recurrent capital grants	2,303	3,640
Total capital grants	4,288	4,928

(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 point in 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 of 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.

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

	2024	2023
	\$'000	\$'000
Note 3 Funding for the delivery of our services (cont'd)		
3.4 Funding from other levels of government (cont'd)		
(c) Recognition of grant income (cont'd)		
Income recognised under AASB 1058 <i>Income of Not-for-Profit Entities</i>		
General purpose	374	11,994
Specific purpose grants to acquire non-financial assets	1,985	3,640
Other specific purpose grants	3,331	2,970
Revenue recognised under AASB 15 <i>Revenue from Contracts with Customers</i>		
Specific purpose grants	5,667	2,796
	11,357	21,400
(d) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	4,475	5,675
Received during the financial year and remained unspent at balance date	405	4,475
Received in prior years and spent during the financial year	(3,221)	(5,675)
Balance at year end	1,659	4,475
Capital		
Balance at start of year	3,682	4,583
Received during the financial year and remained unspent at balance date	779	3,682
Received in prior years and spent during the financial year	(1,597)	(4,583)
Balance at year end	2,864	3,682
Unspent grants are determined and disclosed on a cash basis.		
3.5 Contributions		
Monetary	498	518
Non-monetary	2,006	1,680
Total contributions	2,504	2,198
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Drainage	849	856
Roads	900	675
Footpath	256	149
Total non-monetary contributions	2,006	1,680

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

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 3 Funding for the delivery of our services	2024	2023
3.6 Net gain / (or loss) on disposal of property, infrastructure, plant and equipment	\$'000	\$'000
Proceeds of sale	-	2,798
Written down value of assets disposed	(444)	(1,931)
Total net gain / (or loss) on disposal of property, infrastructure, plant and equipment	(444)	867

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

3.7 Other income

Interest	1,278	659
Other income	575	560
Reimbursements	55	108
Rates legal costs recovered	8	202
Scheme interest received	2	2
Total other income	1,918	1,531

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.

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 4 The cost of delivering services	2024	2023
4.1 (a) Employee costs	\$'000	\$'000
Wages and salaries	18,328	17,234
Employee leave	2,587	2,093
Superannuation	2,330	2,166
Casual staff	1,125	1,520
Sick leave	598	622
WorkCover	616	533
Fringe benefits tax	208	153
Other employee benefits	185	148
Total employee costs	<u>25,977</u>	<u>24,469</u>

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)

	95	102
	<u>95</u>	<u>102</u>

Employer contributions payable at reporting date.

	-	12
--	---	----

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)

	1,160	1,004
Employer contributions - other funds	1,420	1,217
	<u>2,580</u>	<u>2,221</u>

Employer contributions payable at reporting date.

	192	188
--	-----	-----

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

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 4 The cost of delivering services (cont'd)	2024	2023
4.2 Materials and services	\$'000	\$'000
Contract Payments	12,168	9,995
Materials	4,144	4,176
Subscriptions and memberships	2,454	2,449
Consultants	872	1,029
Utilities	990	974
Agency staff	996	1,569
Plant and equipment maintenance	187	403
Insurances	689	661
Legal costs	568	154
Training costs	322	283
Other	7	3
Hire costs	14	(12)
Permits	1	1
Total materials and services	23,412	21,685

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

4.3 Depreciation

Property	1,866	1,676
Plant and equipment	1,810	1,560
Infrastructure	10,611	10,397
Total depreciation	14,287	13,633
Intangible assets	-	-
Total depreciation	14,287	13,633

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

4.4 Depreciation - Right of use assets

Land and Buildings	82	83
Plant and Equipment	19	18
Total Depreciation - Right of use assets	101	101

Refer to note 5.7 for further information relating to depreciation - right of use assets.

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 4 The cost of delivering services (cont'd)	2024	2023
4.5 Allowance for impairment losses	\$'000	\$'000
Other debtors	58	(31)
Total allowance for impairment losses	58	(31)

Movement in allowance for impairment losses in respect of debtors

Balance at the beginning of the year	36	71
New allowances recognised during the year	84	30
Amounts already allowed for and written off as uncollectible	(2)	(65)
Amounts allowed for but recovered during the year	(26)	-
Balance at end of year	92	36

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

4.6 Borrowing costs

Interest - Borrowings	-	32
Total borrowing costs	-	32

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

4.7 Finance Costs - Leases

Interest - Lease Liabilities	-	1
Total finance costs	-	1

Refer to note 5.7 for further information relating to finance costs - leases.

4.8 Other expenses

Community grants and donations	617	622
Councillors' allowances	311	288
Landfill rehabilitation provision movement (Note 5.4)	553	229
Other	75	118
Rates and charges written off	58	47
Fire services levy	70	66
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	143	52
Animal registration levy	23	23
Royalties and commissions	4	8
Total other expenses	1,854	1,453

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 5 Investing in and financing our operations	2024	2023
5.1 Financial assets	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	5	5
Cash at bank	11,951	17,600
At Call Deposit	3,466	3,464
Total cash and cash equivalents	15,422	21,069
(b) Other financial assets		
Current		
Term deposits	14,000	13,000
Total current other financial assets	14,000	13,000
Non-current		
Term deposits	-	-
Total non-current other financial assets	-	-
Total other financial assets	14,000	13,000
Total cash and cash equivalents and other financial assets	29,422	34,069

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

- Trust funds and deposits	998	1,121
- Statutory reserves	1,830	1,408
- Conditional grants unspent (excludes Port of Apollo Bay)	3,510	4,577
- Port of Apollo Bay reserve cash held	819	3,889
Total restricted funds	7,157	10,995
Total unrestricted cash and cash equivalents	22,265	23,074

Intended allocations

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

- Other reserve funds allocated for specific future purposes.	11,978	20,585
- Carried forward works committed	7,047	3,623
Total funds subject to intended allocations	19,025	24,208

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

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

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.

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 5 Our financial position	2024	2023
5.1 Financial assets (cont'd)	\$'000	\$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates Debtor	2,585	2,260
Government operating grants	245	1,275
Net GST receivable	290	(302)
Parking infringement debtor	101	91
Other infringements	155	152
Allowance for expected credit loss - infringements	(19)	(16)
<i>Non-statutory receivables</i>		
Other debtors	650	613
Allowance for expected credit loss - other debtors	(73)	(20)
Total current trade and other receivables	3,934	4,053
Non-current		
<i>Statutory receivables</i>		
Special Charge Scheme Debtor	41	39
Total non-current trade and other receivables	41	39
Total trade and other receivables	3,975	4,092

Short term receivables are carried at invoice amount. An allowance for expected credit losses is recognised based on past experience and other objective evidence of expected losses. Long term receivables are carried at amortised cost using the effective interest rate method.

(d) Ageing of Receivables

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	151	176
Past due by up to 30 days	113	101
Past due between 31 and 180 days	135	259
Past due between 181 and 365 days	79	29
Past due by more than 1 year	99	28
Total trade and other receivables	577	593

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$73,166.05 (2023: \$20,177) were impaired. The amount of the allowance raised against these debtors was \$73,166.05 (2023: \$20,177). They individually 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 individually determined as impaired at reporting date was:

Current (not yet due)	39	-
Past due by up to 30 days	9	-
Past due between 31 and 180 days	11	-
Past due between 181 and 365 days	6	-
Past due by more than 1 year	8	20
Total trade & other receivables	73	20

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 5 Our financial position	2024	2023
5.2 Non-financial assets	\$'000	\$'000
(a) Inventories		
Inventories held for distribution	39	16
Inventories held for sale	138	151
Total inventories	177	167

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

Prepayments	111	91
Accrued income	832	626
Total other assets	943	717

5.3 Payables, trust funds and deposits and contract and other liabilities

(a) Trade and other payables

Current

Non-statutory payables

Trade payables	4,032	1,898
Accrued expenses	533	641
Total current trade and other payables	4,565	2,539

(b) Trust funds and deposits

Current

Refundable deposits	543	674
Fire services levy	363	376
Retention amounts	92	71
Total current trust funds and deposits	998	1,121

(c) Contract and other liabilities

Contract liabilities

Current

Grants received in advance - operating	1,660	4,475
Grants received in advance - capital	2,864	3,682
Total contract liabilities	4,524	8,157

Contract and other liabilities (referred to, in prior years as 'Unearned income/revenue') represents contract liabilities and reflect consideration received in advance from customers in respect of specific purpose government grants and user fees received in advance.

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 5 Our financial position (cont'd)

5.3 Payables, trust funds and deposits and contract and other liabilities (cont'd)

Trust funds and deposits

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.

Contract liabilities

Contract liabilities reflect consideration received in advance from customers in respect of grants received in advance. Contract liabilities are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

Purpose and nature of items

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

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

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

5.4 Provisions

	Employee	Landfill restoration	Total
	\$ '000	\$ '000	\$ '000
2024			
Balance at beginning of the financial year	4,581	4,609	9,190
Additional provisions	1,348	641	1,989
Amounts used	(1,558)	(239)	(1,797)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	595	(88)	507
Balance at the end of the financial year	4,966	4,923	9,889
<i>Provisions - current</i>	4,378	817	5,195
<i>Provisions - non-current</i>	588	4,106	4,694
2023			
Balance at beginning of the financial year	4,545	4,561	9,106
Additional provisions	1,572	156	1,728
Amounts used	(1,530)	(181)	(1,711)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(7)	73	66
Balance at the end of the financial year	4,581	4,609	9,190
<i>Provisions - current</i>	4,183	150	4,333
<i>Provisions - non-current</i>	397	4,460	4,857

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

	2024	2023
Note 5 Our financial position (cont'd)	\$'000	\$'000
5.4 Provisions (cont'd)		
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,288	1,287
Long service leave	214	215
Time in lieu	118	98
	1,620	1,600
Current provisions expected to be wholly settled after 12 months		
Annual leave	482	422
Long service leave	2,277	2,161
	2,759	2,583
Total current employee provisions	4,378	4,183
Non-current		
Long service leave	588	397
Total non-current employee provisions	588	397
Aggregate carrying amount of employee provisions:		
Current	4,378	4,183
Non-current	588	397
Total aggregate carrying amount of employee	4,966	4,580

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	4.35%	4.37%
- index rate	4.45%	2.75%

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 5 Our financial position (cont'd)	2024	2023
5.4 Provisions (cont'd)	\$'000	\$'000
(b) Landfill restoration		
Current	817	150
Non-current	4,106	4,460
	4,923	4,610

Council is obligated to restore various landfill sites to a particular standard, including Alvie, Birregurra, Barwon Downs, Forrest, Gellibrand, Colac (Wilson Street and Bruce Street), Beeac, Cressy and Marengo. The forecast life of the sites are based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on 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	4.73%	5.16%
- index rate	3.80%	6.25%

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 5 Our financial position (cont'd)	2024	2023
5.5 Financing arrangements	\$'000	\$'000

The Council has the following funding arrangements in place as at 30 June 2024.

Business Card Facility (balance cleared monthly)	50	50
Total facilities	50	50
Used facilities	-	-
Unused facilities	50	50

5.6 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	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
2024	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Garbage collection	4,880	5,056	1,809	-	11,744
Consultancies	521	-	-	-	521
Total	5,401	5,056	1,809	-	12,265

Capital

Civil works	3,368	-	-	-	3,368
Total	3,368	-	-	-	3,368

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
2023	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Garbage collection	4,733	4,880	1,298	-	10,911
Consultancies	67	-	-	-	67
Total	4,800	4,880	1,298	-	10,978

Capital

Civil Works	189	-	-	-	189
Total	189	-	-	-	189

Note 5 Our financial position (cont'd)

5.7 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;
- Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Council 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.

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 5 Our financial position (cont'd)

5.7 Leases (cont'd)

Right-of-Use Assets

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
Balance at 1 July 2023	2,918	65	2,983
Additions	-	-	-
Depreciation charge	(82)	(19)	(102)
Balance at 30 June 2024	2,836	46	2,881

The Colac Regional Library facility was reclassified at 1 July 2021 from land and buildings to a right-of-use asset and amortised following a review of the joint user agreement between Council and the Minister for Education.

Lease Liabilities

	2024 \$'000	2023 \$'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	9	9
One to five years	-	9
More than five years	-	-
Total undiscounted lease liabilities as at 30 June:	9	18
Lease liabilities included in the Balance Sheet at 30 June:		
Current	9	8
Non-current	-	9
Total lease liabilities	9	17

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	-	1
Total	-	1

Note 6 Assets we manage

6.1 Non-current assets classified as held for sale

Land acquisition	590	570
Total Non-current assets classified as held for sale	590	570

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

Note 6 Assets we manage

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2023	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	Carrying amount 30 June 2024
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	91,607	2,172	-	52,279	(1,867)	(414)	-	-	143,777
Plant and equipment	7,367	2,735	-	-	(1,810)	-	-	-	8,293
Infrastructure	371,222	3,407	2,006	709	(10,611)	(30)	-	-	366,703
Work in progress	8,206	10,493	-	-	-	-	-	(7,973)	10,726
	478,402	18,807	2,006	52,989	(14,287)	(444)	-	(7,973)	529,499

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	799	2,396	-	(2,064)	1,131
Plant and equipment	1,948	990	-	(2,502)	436
Infrastructure	5,459	7,107	-	(3,407)	9,159
Total	8,206	10,493	-	(7,973)	10,726

(a) Property

	Land - specialised	Land - non-specialised	Land under roads	Total Land & Land Improvements	Buildings - specialised	Buildings - non-specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2023	6,109	44,312	423	50,844	72,271	19,440	91,711	799	143,355
Accumulated depreciation at 1 July 2023	-	-	-	-	(43,097)	(7,852)	(50,949)	-	(50,949)
	6,109	44,312	423	50,844	29,174	11,588	40,762	799	92,406

Movements in fair value

Additions	-	-	-	-	1,697	476	2,172	2,396	4,568
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	6,036	6,625	98	12,758	3,912	15,138	19,049	-	31,808
Disposal	-	-	-	-	(409)	(5)	(414)	-	(414)
Write-off	-	-	-	-	-	-	-	-	-
Transfers	-	(63)	-	(63)	-	63	63	(2,064)	(2,064)
Impairment losses recognised in operating re	-	-	-	-	-	-	-	-	-
	6,036	6,561	98	12,695	5,199	15,672	20,871	332	33,898

Movements in accumulated depreciation

Depreciation and amortisation	-	-	-	-	(1,357)	(510)	(1,867)	-	(1,867)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	20,293	178	20,472	-	20,472
Transfers	-	-	-	-	-	-	-	-	-
	-	-	-	-	18,936	(331)	18,605	-	18,605

At fair value 30 June 2024

	12,145	50,874	521	63,539	77,470	35,112	112,582	1,131	177,253
Accumulated depreciation at 30 June 2024	-	-	-	-	(24,161)	(8,184)	(32,345)	-	(32,345)
Carrying amount	12,145	50,874	521	63,539	53,309	26,929	80,238	1,131	144,908

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work in Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2023	13,823	11,534	2,003	1,948	29,308
Accumulated depreciation at 1 July 2023	(9,142)	(9,237)	(1,613)	-	(19,992)
	4,681	2,296	390	1,948	9,315

Movements in fair value

Additions	627	1,968	141	990	3,725
Disposal	-	-	-	-	-
Transfers	-	-	-	(2,502)	(2,502)
	627	1,968	141	(1,512)	1,223

Movements in accumulated depreciation

Depreciation and amortisation	(1,022)	(579)	(209)	-	(1,810)
Accumulated depreciation of disposals	-	-	-	-	-
	(1,022)	(579)	(209)	-	(1,810)

At fair value 30 June 2024

	14,449	13,501	2,144	436	30,531
Accumulated depreciation at 30 June 2024	(10,163)	(9,816)	(1,823)	-	(21,802)
Carrying amount	4,286	3,685	322	436	8,729

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2023	342,456	57,347	44,102	68,751	11,556	5,459	529,671
Accumulated depreciation at 1 July 2023	(81,005)	(29,317)	(10,841)	(26,072)	(5,755)	-	(152,989)
	261,451	28,031	33,261	42,679	5,800	5,459	376,681

Movements in fair value

Additions	2,485	178	557	67	120	7,107	10,514
Contributions	900	-	256	849	-	-	2,006
Revaluation	-	-	-	-	1,687	-	1,687
Disposal	(23)	-	-	(8)	-	-	(30)
Transfers	-	-	-	-	-	(3,407)	(3,407)
	3,362	178	813	909	1,808	3,700	10,770

Movements in accumulated depreciation

Depreciation and amortisation	(6,666)	(1,483)	(624)	(690)	(1,148)	-	(10,611)
Revaluation	-	-	-	-	(978)	-	(978)
Accumulated depreciation of disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
	(6,666)	(1,483)	(624)	(690)	(2,126)	-	(11,589)

At fair value 30 June 2024

	345,818	57,525	44,915	69,659	13,363	9,159	540,441
Accumulated depreciation at 30 June 2024	(87,671)	(30,799)	(11,465)	(26,762)	(7,881)	-	(164,578)
Carrying amount	258,147	26,726	33,450	42,897	5,482	9,159	375,862

Note 6 Assets we manage

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

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. Refer also to Note 8.4 for further disclosure regarding fair value measurement.

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.

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land		
land	-	-
land under roads	-	-
land improvements	-	5
Buildings		
heritage buildings	90 - 180 years	5
buildings	10 - 120 years	5
shelters	10 - 90 years	5
building improvements	10 - 180 years	5
leasehold improvements	10 - 180 years	5
<u>Plant and Equipment</u>		
Furniture		
art work	0 - 100 years	4
indoor furniture	5 - 30 years	4
playground equipment	10 - 40 years	4
Plant		
heritage plant and equipment	-	10
fixed plant, machinery and equipment	3 - 50 years	10
fleet (vehicles)	3 - 30 years	10
major plant	3 - 50 years	10
minor plant	3 - 10 years	4

Note 6 Assets we manage

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Equipment		
appliances	3 - 60 years	4
fixed equipment / fixtures and fittings	5 - 55 years	4
computers and telecommunications	3 - 21 years	4
leased plant and equipment	-	4
<u>Infrastructure</u>		
Roads		
road and tarmac formation and earthworks	-	10
road and tarmac pavements	10 - 100 years	10
road and tarmac seals	10 - 80 years	10
road and tarmac kerb, channel and minor culverts	45 - 80 years	2.5
footpaths and cycleways	15 - 50 years	2.5
Bridges		
bridges deck	10 - 90 years	10
bridges substructure	10 - 90 years	10
bridges major culverts	50 - 90 years	10
Drainage		
open drainage network	10 - 100 years	10
pit and pipe network	40 - 100 years	10
water retention structures	80 - 100 years	10
Other Infrastructure		
gardens and landscaping	5 - 25 years	10
playing surfaces	10 - 70 years	10
retaining structures	10 - 45 years	10
off street car parks	25 - 100 years	10
aerodromes	25 - 100 years	10
<u>Intangible assets</u>		
software	5 years	4

Note 6 Assets we manage

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

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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.

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

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

Valuation of land and buildings

Valuation of land was undertaken 2023 - 2024 by a qualified independent valuer Mr Julian Wilson – Certified Practising Valuer – API Member No. 85682 of Preston Paterson Rowe, Geelong. Valuation of buildings were undertaken 2023 - 2024 by a qualified independent valuer Mr Antonio Blefari – Certified Practising Valuer – API Member No. PE0008367 of Knowledge AMS P/L. 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.

A valuation of land under roads was undertaken as at 31 March 2024 utilising an average indexation in line with the land asset class be applied from the revaluation process from that year consider to be a reasonable basis for its fair value.

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

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

The asset revaluation conducted on Buildings in the 2023-2024 financial year, was performed using a different methodology from prior years. This revised methodology, being compliant with accounting standards, was based on the Fair Value for the component parts of each building and their observed condition.

Note 6 Assets we manage

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

The asset revaluations undertaken through 2023-2024 had the impact of increasing the valuation of the Land asset class by \$12.76 million, the Buildings asset class by \$39.52 million, and the Other Infrastructure asset class by \$0.71 million. This increase in asset values increased Depreciation in the 2023-2024 financial year by \$540,000, represented by an increase of \$422,000 in Buildings and \$118,000 in Other Infrastructure. Depreciation is not applied to Land assets.

The date and type of the current valuation is detailed in the following table. An indexed based revaluation was conducted in the current year for specialised land under Roads, this valuation was based on an average indexation in line with the land asset class from the revaluation process and is considered to be a reasonable basis for its fair value.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2024 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Land	-	50,874	-	31/03/2024	Full
Specialised land / land under roads	-	-	12,666	31/03/2024	Indexed
Buildings	-	26,929	53,309	31/03/2024	Full
Total	-	77,803	65,975		

Valuation of infrastructure

The date and type of the current valuation is detailed in the following table. An index based revaluation was conducted in the current year, this valuation was based on an indexation amount of +14.60%. This amount represents the average change in the non residential building construction index (Class 3020 ABS, Victoria) and the Road and Bridge Construction index (Class 3101 ABS, Victoria) between the last indexation in June 2022 to this revaluation as of 30/03/2024. A full data recollection and condition review of Other Infrastructure is planned for 2024-25 to enable a more detailed revaluation and data recollection of this asset category.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2024 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation	Type of Valuation
Roads	-	-	258,147	30/06/2023	Full
Bridges	-	-	26,726	30/06/2021	Full
Footpaths and cycleways	-	-	33,450	30/06/2023	Full
Drainage	-	-	42,897	30/06/2023	Full
Other infrastructure	-	-	5,482	31/03/2024	Index
Total	-	-	366,702		

Note 6 Assets we manage

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

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.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$200 to \$11,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 180 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets have not been determined during this indexation process. 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.

	2024	2023
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	521	423
Parks and reserves	12,145	6,109
Total specialised land	12,666	6,532

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 6 Assets we manage	2024	2023
6.3. Investments in associates, joint arrangements and subsidiaries	\$'000	\$'000

(a) Investments in associates

Investments in associates accounted for by the equity method are:

- Geelong Regional Library Corporation

Geelong Regional Library Corporation

Background

At the 1 July 2021 the Council transitioned to the Geelong Regional Library Corporation by agreement with five (5) member councils, the results of this are shown below.

The Geelong Regional Library Corporation is a corporation owned by five (5) councils: Borough of Queenscliffe, City of Greater Geelong, Colac Otway Shire, Golden Plains Shire and Surf Coast Shire. Colac Otway Shire has a 1.36% equity interest.

Fair value of Council's investment in Geelong Regional Library	147	147
 Council's share of accumulated deficit		
Council's share of accumulated deficit at start of year	(1)	-
Reported deficit for year	-	(1)
Transfers (to) from reserves	-	-
Council's share of accumulated deficit at end of year	(1)	(1)
 Movement in carrying value of specific investment		
Carrying value of investment at start of year	147	147
Change in equity share due to population change	71	1
Carrying value of investment at end of year	218	147

Significant restrictions

The associate is not required to repay dividends, loans or advances to Council.

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 6 Assets we manage	2024	2023
6.3. Investments in associates, joint arrangements and subsidiaries	\$'000	\$'000
(b) Investments in joint ventures		

Colac Community Library and Learning Centre

Background

The Colac Community Library and Learning Centre is a joint venture between the Colac Otway Shire and Victorian Department of Education and Early Childhood Development and the Colac Secondary College, which results in Colac Otway Shire legally contributing 50% of the assets.

The venture's purpose is to construct and operate a joint use library facility.

Council's commitment to the venture is limited to providing a contribution to the construction and fitout costs.

Council's share is 50% of costs.

Council accounts for its interests in the joint venture by applying the proportionate consolidation method and by combining Council's share of each of the assets, liabilities, incomes and expenses of the jointly controlled entity with similar items line by line in council's financial statements.

Council's share of accumulated surplus/(deficit)

Council is not entitled to a share of any accumulated surplus or deficit.

Council's share of reserves

Council is not entitled to a share of any reserves

Movement in carrying value of specific investment

Carrying value of investment at start of year	2,610	2,685
Depreciation/Amortisation	(75)	(75)
Carrying value of investment at end of year	2,535	2,610

Council's share of expenditure commitments

Council is not exposed to any further expenditure commitments.

Council's share of contingent liabilities and contingent assets

There are no known contingencies outstanding as at 30 June 2024.

Significant restrictions

The joint venture is not required to repay dividends, loans or advances to Council.

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 7 People and relationships	2024	2023
7.1 Council and key management remuneration	No.	No.
(a) Related Parties		
<i>Parent entity</i>		
Colac Otway Shire Council is the parent entity.		
<i>Associates</i>		
Interests in associates are detailed in Note 6.3.		
(b) Key Management Personnel		
Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Colac Otway Shire Council. The Councillors, Chief Executive Officer and General Managers are deemed KMP.		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors	Councillor Margaret White - Mayor (01/07/23 to 30/06/24) Councillor Chris Potter (01/07/23 to 30/06/24) Councillor Stephen Hart (01/07/23 to 30/06/24) Councillor Graham Costin (01/07/23 to 30/06/24) Councillor Kate Hanson (01/07/23 to 30/06/24) Councillor Max Arnott (01/07/23 to 30/06/24) Councillor Tosh-Jake Finnigan (01/07/23 to 30/06/24)	
Chief Executive Officer and other Key Management Personnel		
Chief Executive Officer - Anne Howard		
General Manager Corporate Services - Andrew Tenni		
General Manager Infrastructure and Operations - Doug McNeill (from 31/10/2023)		
General Manager Infrastructure and Operations - Heath Chasemore (up to 01/12/23)		
General Manager Community and Economy - Ian Seuren		
Total Number of Councillors	7	9
Total of Chief Executive Officer and other Key Management Personnel	5	4
Total Number of Key Management Personnel	12	13

(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.

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 7 People and relationships	2024	2023
7.1 Council and key management remuneration (cont'd)	\$'000	\$'000

Total remuneration of Key Management Personnel was as follows:

Short-term employee benefits	1,293	1,162
Other long-term employee benefits	21	53
Post-employment benefits	149	124
Termination benefits	76	32
Total	1,539	1,370

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

\$0 - \$9,999	-	1
\$10,000 - \$19,999	-	3
\$30,000 - \$39,999	4	1
\$40,000 - \$49,999	1	3
\$50,000 - \$59,999	1	-
\$70,000 - \$79,999	2	1
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	-	2
\$230,000 - \$239,999	1	-
\$240,000 - \$249,999	1	1
\$300,000 - \$300,999	-	1
\$310,000 - \$319,999	1	-
	12	13

(d) Remuneration of other senior staff

Other senior staff are officers of Council, other than Key Management Personnel, whose total remuneration exceeds \$170,000 and who report directly to a member of the KMP.

Total remuneration of other senior staff was as follows:

Short-term employee benefits	1,121	1,130
Other long-term employee benefits	48	20
Post-employment benefits	114	113
Total	1,283	1,263

Note 7 People and relationships

7.1 Council and key management remuneration (cont'd)

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

	2024	2023
Income Range:	No.	No.
\$170,000 - \$179,999	3	3
\$180,000 - \$189,999	3	1
\$190,000 - \$199,999	-	2
\$200,000 - \$209,999	1	-
	<u>7</u>	<u>7</u>
	\$'000	\$'000

7.2 Related party disclosure

(a) Transactions with related parties

The following is the aggregate amount of transactions with Investments in associates.

Payments made to Geelong Regional Library Corporation	<u>836</u>	<u>829</u>
---	------------	------------

All transactions Council enter into with related parties are undertaken on commercial terms, within Council Policy.

(b) Outstanding balances with related parties

At the end of period, Council had no outstanding balances with related parties.

(c) Loans to/from related parties

There are no loans in existence at balance date that have been made, guaranteed or secured by the Council to any related parties.

(d) Commitments to/from related parties

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

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 liabilities

Contingent liabilities are:

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

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 9.3. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Older Persons & Ability Support Services

In September of 2021 the method by which the Federal government funds Council's Older Persons & Ability Support Services (OPASS) changed from an instalment in advance model to that of monthly reimbursement of individual plans. At the time of change to the funding method, several OPASS accounts were in surplus. This surplus is reported to the Federal Government on a monthly basis and has reduced over time as participating members draw down on their funds or leave the scheme. At balance date, these unspent funds were \$427,000.

Landfill

Council is obligated under Section 194 (2A) and 21 of the Environment Protection Act 1970 to provide financial assurance for any remedial action, rehabilitation and site aftercare costs in relation to the Alvie tip site. The purpose of this provision is to ensure that Council does not impose any undue burden on Council's ratepayers to address any of these costs during the operation or after the closure of its operating landfill sites. The amount of the financial assurance provided to the Environment Protection Authority (EPA) is \$322,500.

The provision for landfill restoration in Note 5.4(b) has been calculated based on the present value of the expected cost of works to be undertaken, as provided by the waste consultants at the time of compiling financial information. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. However, Council has engaged consultants to review the reinstatement costs (expected to be completed in 2024-25), which may increase the provision for landfill rehabilitation in financial statements for 2024-25.

(b) Guarantees for loans to other entities

Council has no guarantees in place for loans to other entities.

Note 8 Managing uncertainties (cont'd)

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2024 reporting period. Council assesses the impact of these new standards.

In December 2022 the Australian Accounting Standards Board (AASB) issued AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities to modify AASB 13 Fair Value Measurement. AASB 2022-10 amends AASB 13 Fair Value Measurement for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. The AASB 13 modifications:

- are applicable only to not-for-profit public sector entities;
- are limited to fair value measurements of non-financial assets not held primarily for their ability to generate net cash inflows;
- are to be applied prospectively for annual periods beginning on or after 1 January 2024;
- would not necessarily change practice for some not-for-profit public sector entities; and
- do not indicate that entities changing practice in how they measure relevant assets made an error in applying the existing requirements of AASB 13.

Council will assess any impact of the modifications to AASB 13 ahead of the 2024-25 reporting period.

In December 2022 the Australian Accounting Standards Board (AASB) issued AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants. AASB 2022-6 amends AASB 101 Presentation of Financial Statements to improve the information an entity provides in its financial statements about long-term liabilities with covenants where the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. The amendments in AASB 2022-6 are effective for annual periods beginning on or after 1 January 2024. Council will assess any impact of the modifications to AASB 101 ahead of the 2024-25 reporting period.

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 material accounting policy information and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

Note 8 Managing uncertainties (cont'd)

8.3 Financial instruments (cont'd)

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 have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

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

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

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

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

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

Note 8 Managing uncertainties (cont'd)

8.3 Financial instruments (cont'd)

(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and 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.

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 2.50% and -2.50% in market interest rates (AUD) from year-end rates of 4.55%.

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.

Note 8 Managing uncertainties (cont'd)

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

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

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 3 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.

Note 8 Managing uncertainties

8.4 Fair value measurement (cont'd)

Asset class	Revaluation frequency
Land	1 to 3 years
Buildings	1 to 3 years
Roads	1 to 3 years
Footpaths and cycleways	1 to 3 years
Bridges	1 to 3 years
Drainage	1 to 3 years
Other infrastructure	1 to 3 years

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

Impairment of assets

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

8.5 Events occurring after balance date

Subsequent to 30 June 2024, Council has ceased as a manager of the Port of Apollo Bay (the Port), and transferred all operations to the Great Ocean Road Coast and Parks Authority. Given this transfer of management, for the purposes of Council's operational involvement, the Port will no longer be a going concern. Council has consolidated the operations of the Port into its 2023-24 financial statements, however, due to the transfer of management, Port operations will not be consolidated in future years.

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

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 9 Other matters

9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Share of increase (decrease) on revaluation of by an associate	Balance at end of reporting period \$'000
(a) Asset revaluation reserves				
2024				
Property				
Land	43,261	12,776	-	56,037
Buildings	13,345	39,521	-	52,866
	56,606	52,297		108,903
Plant and Equipment				
Fixed plant, furniture and equipment	293	-	-	293
	293	-	-	293
Infrastructure				
Roads	199,232	-	-	199,232
Bridges	21,649	-	-	21,649
Footpaths and cycleways	21,058	-	-	21,058
Kerb and channelling	11,619	-	-	11,619
Other Infrastructure	1,000	709	-	1,709
Drainage	22,664	-	-	22,664
	277,222	709	-	277,932
Total asset revaluation reserves	334,122	53,006	-	387,127
2023				
Property				
Land	43,261	-	-	43,261
Buildings	13,375	(30)	-	13,345
	56,637	(30)		56,606
Plant and Equipment				
Fixed plant, furniture and equipment	293	-	-	293
	293	-	-	293
Infrastructure				
Roads	155,386	43,846	-	199,232
Bridges	21,649	-	-	21,649
Footpaths and cycleways	8,903	12,155	-	21,058
Kerb and channelling	11,619	-	-	11,619
Other Infrastructure	1,000	-	-	1,000
Drainage	35,627	(12,963)	-	22,664
	234,184	43,038	-	277,222
Total asset revaluation reserves	291,114	43,008	-	334,122

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

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 9

Other matters (cont'd)

9.1 Reserves (cont'd)

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
(b) Other reserves				
2024				
Carried Forward Projects	3,623	7,048	(3,624)	7,047
Port of Apollo Bay	3,889	3,846	(6,916)	819
Waste Management	2,175	3,766	(4,237)	1,704
Long Service Leave	3,013	3,079	(3,158)	2,934
Landfill rehabilitation (Alvie)	1,151	-	(173)	978
Recreational lands	1,408	422	-	1,830
Colac livestock selling centre	-	632	(533)	99
Rehabilitation	1,190	-	(75)	1,115
Plant replacement	1,683	1,721	(652)	2,752
Tirrengower Drainage Scheme	81	52	(58)	75
Water Saving Urban Design	67	18	-	85
Strategic Projects	2,804	-	(568)	2,236
Financial Assistance Grants received in advance	8,421	-	(8,421)	-
Total Other reserves	29,505	20,584	(28,415)	21,674
2023				
Carried Forward Projects	5,270	3,624	(5,271)	3,623
Port of Apollo Bay	4,137	2,102	(2,350)	3,889
Waste Management	2,748	3,389	(3,962)	2,175
Long Service Leave	2,983	3,013	(2,983)	3,013
Landfill rehabilitation (Alvie)	1,094	57	-	1,151
Recreational lands	1,160	438	(190)	1,408
Rehabilitation	1,112	143	(65)	1,190
Plant replacement	1,269	1,092	(678)	1,683
Tirrengower Drainage Scheme	55	45	(19)	81
Water Saving Urban Design	58	9	-	67
Strategic Projects	647	2,422	(265)	2,804
Financial Assistance Grants received in advance	5,535	8,421	(5,535)	8,421
Disaster Recovery	6	-	(6)	-
Total Other reserves	26,074	24,755	(21,324)	29,505

Note 9

Other matters (cont'd)

9.1 Reserves (cont'd)

Purposes for Reserves

Carried forward projects reserve

This reserve is to recognise the funds allocated and received in prior financial periods that are committed to unfinished projects. This includes grants received in advance for specific projects and funds allocated from prior financial years for projects that are still incomplete at the end of the current financial year.

Port of Apollo Bay reserve

These funds are bound by an agreement with the Department of Transport concerning the operations of the Port of Apollo Bay and are the value of cash assets owed.

Waste Management reserve

This reserve was set up as a source of funding the replacement of kerbside bins. All funds in this reserve are collected from the waste collection service charge and are to be used only in connection with the waste collection service.

Long service leave reserve

The purpose of this reserve is to ensure that the nominal long service leave balances owing to employees are maintained.

Landfill rehabilitation (Alvie) reserve

This reserve relates to the funds required to restore the Alvie landfill. The rehabilitation reserve will continue to grow until the Alvie landfill closes, at which time, the funds will be utilised to meet this obligation.

Recreational lands reserve

Statutory reserve to be used for the development of recreational reserves and public open space.

Colac livestock selling centre reserve

This reserve is for the purpose of funding works at the Colac Livestock Selling Centre and all funds are derived from any surplus made from the operations of the Colac Livestock Selling Centre.

Rehabilitation reserve

This reserve is to fund the rehabilitation of the various waste disposal sites across the Colac Otway Shire.

Plant replacement reserve

This reserve is to fund the replacement of Council's plant at the end of their useful lives. Inflows to the reserve accrue out of any plant operating surplus with the funds then being used for the changeover of plant.

Tirrengower Drainage Scheme reserve

These funds are collected via a special rate and must be expended against the purpose of the drainage scheme at Tirrengower.

Water Saving Urban Design reserve

The purpose of this reserve is for the construction of future water quality infrastructure.

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 9 Other matters (cont'd)	2024	2023
9.1 Reserves (cont'd)	\$'000	\$'000

Strategic Projects Reserve

The purpose of this reserve is for strategic projects and acquisitions of new or expanded assets that are of an intergenerational nature.

Financial Assistance Grants received in advance

The purpose of this reserve is to set aside any Commonwealth Financial Assistance Grant funding received in advance of its intended allocation.

Disaster Recovery reserve

The purpose of this reserve is to set aside funds received in advance for use in the recovery of Disaster events. The reserve may only be used in accordance with the terms of the disaster relief funding agreements.

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

Surplus/(deficit) for the year	(5,408)	6,559
Non-cash adjustments:		
Landfill rehabilitation present value movement	553	229
Depreciation/amortisation	14,388	13,734
Finance costs	-	33
Share of net profits of associate	(71)	(1)
Profit/(loss) on disposal of property, infrastructure, plant and equipment	444	(867)
Contributions - non monetary assets	(2,006)	(1,680)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	121	(958)
(Increase)/decrease in prepayments	(20)	52
(Increase)/decrease in accrued income	(206)	(360)
(Decrease)/increase in trade and other payables	1,786	1,801
(Decrease)/increase in contract and other liabilities	(3,633)	(2,101)
(Increase)/decrease in inventories	(10)	(11)
(Increase)/decrease in trust funds & deposits	(123)	(10)
(Decrease)/increase in provisions	383	34
Net cash provided by operating activities	6,198	16,454

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 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 2024, this was 11.0% as required under Superannuation Guarantee (SG) legislation (2023: 10.5%)).

Note 9

Other matters (cont'd)

9.3 Superannuation (cont'd)

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 Colac Otway Shire Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding Arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. A triennial actuarial investigation for the Defined Benefit category as at 30 June 2023 was conducted and completed by 31 December 2023. The vested benefit index (VBI) of the Defined Benefit category as at 30 June 2023 was 104.1%. Council was notified of the 30 June 2023 VBI during August 2023. The financial assumptions used to calculate the 30 June 2023 VBI were:

Net investment returns	5.7% pa
Salary inflation	3.5% pa
Price inflation (CPI)	2.8% pa

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

Employer Contributions

Regular Contributions

On the basis of the results of the 2023 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2024, this rate was 11.0% of members' salaries (10.5% in 2022/23). 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 2023 triennial valuation.

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

Note 9 Other matters (cont'd)

9.3 Superannuation (cont'd)

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 98% from 26 July 2024 (previously 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 2023 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2023.

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

	2023 (Triennial)	2022 (Interim)
	\$m	\$m
A VBI surplus	84.7	44.6
A total service liability surplus	123.6	105.8
A discounted accrued benefits surplus	141.9	111.9

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 2023.

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 2023.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2023.

Note 9 Other matters (cont'd)

9.3 Superannuation (cont'd)

The 2024 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2024 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2024.

The VBI of the Defined Benefit category was 105.4% as at 30 June 2024. The financial assumptions used to calculate the 30 June 2024 VBI were:

Net investment returns	5.6% pa
Salary inflation	3.5% pa
Price inflation (CPI)	2.7% pa

Council was notified of the 30 June 2024 VBI during August 2024.

Because the VBI was above 100%, the Defined Benefit category was in a satisfactory financial position at 30 June 2024 and it is expected that the actuarial investigation will recommend that no change will be necessary to the Defined Benefit category's funding arrangements from prior years.

The 2020 triennial investigation

The last triennial actuarial investigation conducted prior to 30 June 2023 was at 30 June 2020. This actuarial investigation was completed by 31 December 2020. The financial assumptions for the purposes of that investigation was:

	2020	2023
	Triennial investigation	Triennial investigation
Net investment returns	5.6% pa	5.7% pa
Salary inflation	2.5% pa for two years and 2.75% pa thereafter	3.5% pa
Price inflation	2.0% pa	2.8% pa

**Colac Otway Shire Council
2023/2024 Financial Report**

**Notes to the Financial Report
For the Year Ended 30 June 2024**

Note 9 Other matters (cont'd)

9.3 Superannuation (cont'd)

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2024 are detailed below:

Scheme	Type of Scheme	Rate	2024 \$'000	2023 \$'000
Vision super	Defined benefits	11.0% (2023:10.5%)	95	102
Vision super	Accumulation	11.0% (2023:10.5%)	1,160	1004
Australian Super	Accumulation	11.0% (2023:10.5%)	314	294
Aware Super	Accumulation	11.0% (2023:10.5%)	167	88
HOSTPLUS Superannuation Fund - Indust	Accumulation	11.0% (2023:10.5%)	75	84
HESTA	Accumulation	11.0% (2023:10.5%)	64	59
REST Industry Super	Accumulation	11.0% (2023:10.5%)	82	57
Australian Retirement Trust	Accumulation	11.0% (2023:10.5%)	68	54
Cbus	Accumulation	11.0% (2023:10.5%)	54	47
MTAA Superannuation Fund	Accumulation	11.0% (2023:10.5%)	26	16
Other	Accumulation	11.0% (2023:10.5%)	570	518
			2,675	2,323

In addition to the above contributions, Council had paid unfunded liability payments to Vision Super totalling \$0 during the 2023/24 year (2022/23 \$0).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2024.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2025 is \$100,000.

Colac Otway Shire Council
2023/2024 Financial Report

Notes to the Financial Report
For the Year Ended 30 June 2024

Note 10 Change in accounting policy

There have been no changes to accounting policies in the 2023-24 year.



Colac Otway

S H I R E

Colac Otway Shire Council

Performance Statement

For the year ended 30 June 2024

Table of Contents

Certification of the Performance Statement	3
Victorian Auditor – General’s Office Audit Report	4
Section 1. Description of municipality	5
Section 2. Service performance indicators	6
Section 3. Financial performance indicators	10
Section 4. Sustainable capacity indicators	12
Section 5. Notes to the accounts	13
5.1. Basis of preparation	13
5.2. Definitions	14

Certification of the 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*.

Xavier Flanagan CPA
Principal Accounting Officer
Dated: *(Date)*

In our opinion, the accompanying performance statement of the *(council name)* for the year ended 30 June 2024 presents fairly the results of council's performance in accordance with 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.

Cr. Margaret White
Councillor
Dated:

Cr. Max Arnott
Councillor
Dated:

Anne Howard
Chief Executive Officer
Dated:

Victorian Auditor – General’s Office Audit Report

Independent Auditor’s Report – VAGO – information to
be inserted

Section 1. Description of municipality

Colac Otway Shire is situated about 160 kilometres south-west of the Melbourne CBD and approximately an hour's drive to the large regional cities of Geelong to the east, Ballarat to the north and Warrnambool to the west.

Colac Otway Shire has a unique and precious natural environment containing some of the most picturesque scenery in the State. A large proportion is Forest Park and National Park but it also includes beaches, rugged coastline, rainforests, waterfalls, volcanic lakes and craters.

The municipality offers a great lifestyle, being ideally located for those looking for a rural idyll within a comfortable commuting distance to major centres.

The five major industry sectors include:

- Manufacturing
- Healthcare and Social Assistance
- Agriculture, Forestry and Fishing
- Retail Trade
- Tourism.

Colac Otway Shire Council provides many high-quality services and facilities across a wide range of areas from, community services, environmental management, customer services, health and wellbeing, family and children's services, open spaces, waste management, tourism, parks and gardens; to business development, planning for appropriate development and ensuring accountability for Council' budget.

Section 2. Service performance indicators

For the year ended 30 June 2024

Results

	2021	2022	2023	2024		Comment
Service / Indicator / Measure [Formula]	Actual	Actual	Actual	Target as per budget	Actual	
Aquatic Facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.68	1.73	4.64	N/A	6.44	This indicator has increased due to improved tracking of visits to the aquatic centre in areas such as user group bookings and swim school attendance.
Animal Management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	100%	0%	0%	N/A	0%	There were no animal management prosecutions in 2023-24.

<p>Food Safety</p> <p>Health and safety</p> <p><i>Critical and major non-compliance outcome notifications</i></p> <p>[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</p>	90.00%	88.89%	100.00%	N/A	95.24%	One of the notifications received by Council was unable to be followed up because the business ceased operating.
<p>Governance</p> <p>Satisfaction</p> <p><i>Satisfaction with community consultation and engagement</i></p> <p>[Community satisfaction rating out of 100 with how Council has performed on community consultation and engagement]</p>	60	53	47	53	48	On trend with last year's performance.
<p>Libraries</p> <p>Participation</p> <p><i>Library membership</i></p> <p>[Number of registered library members / Population] x100</p>	N/A	N/A	N/A	N/A	24.21%	New indicator for 2023-204. Apollo Bay library reported an increase in visits in 2023-24.

Maternal and Child Health (MCH) Participation <i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	75.83%	75.84%	76.62%	N/A	76.46%	Participation rate remains similar to previous years.
<i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	72.00%	79.63%	85.71%	N/A	84.44%	The continued participation of Aboriginal children in MCH services can be attributed, in part, to active engagement by MCH Nurses and New Beginnings Project.
Roads Condition <i>Sealed local roads maintained to condition standards</i> [Number of kilometres of sealed local roads below the renewal intervention level set by Council / Kilometres of sealed local roads] x100	N/A	96.00%	97.70%	100.00%	98.54%	This result is consistent with previous years. Supporting data not available for 2020-21.
Statutory Planning Service standard <i>Planning applications decided within required time frames</i> [(Number of regular planning application decisions made within 60 days) + (Number of VicSmart planning application decisions made within 10 days) / Number of planning application decisions made] x100	77.19%	78.33%	76.94%	85.00%	62.54%	The 2023-24 result is impacted by limited capacity to process applications within statutory requirements due to staff vacancies.

<p>Waste Management</p> <p>Waste diversion</p> <p><i>Kerbside collection waste diverted from landfill</i></p> <p>[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100</p>	57.53%	55.44%	57.15%	63.00%	52.12%	<p>This indicator has decreased due to the introduction of the CDS exchanges reducing the amount of plastic and glass bottles that would normally account for a larger amount of waste diverted from landfill.</p>
--	--------	--------	--------	--------	--------	--

Section 3. Financial performance indicators

For the year ended 30 June 2024

	2021	2022	2023	2024		2025	2026	2027	2028	Material Variations and Comments
Dimension / Indicator / Measure [Formula]	Actual	Actual	Actual	Target as per budget	Actual	Forecasts	Forecasts	Forecasts	Forecasts	
Efficiency										
Expenditure level										
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,500.51	\$3,668.96	\$3,825.47	\$3,810.00	\$4,088.44	\$4,019.49	\$4,117.67	\$4,217.70	\$4,317.66	
Revenue level										
<i>Average rate per property assessment</i> [Sum of all general rates and municipal charges / Number of property assessments]	\$1,827.60	\$1,831.50	\$1,871.96	N/A	\$1,960.60	\$2,020.31	\$2,076.38	\$2,128.50	\$2,181.94	
Liquidity										
Working capital										
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	189.73%	187.14%	243.91%	256.68%	229.32%	266.75%	241.78%	225.18%	206.83%	Material reduction in operating grants (Federal Assistance Grant) received by Council in financial year 2023-24 has impacted councils cash position and driven a reduction in this indicator.
Unrestricted cash										
<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	93.11%	-16.72%	64.42%	N/A	48.65%	80.56%	65.17%	55.49%	45.50%	Indicator impacted by reduced cash position driven by reduction in operating grants (Federal Assistance Grant) received by Council in financial year 2023-24. If FAG was received in 2023-24 indicator would be 97.70%.
Obligations										
Loans and borrowings										
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	2.31%	1.81%	0.00%	N/A	0.00%	1.35%	0.00%	0.00%	0.00%	Council has no interest-bearing loans and borrowing as at 30 June 2024.
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	1.06%	0.55%	1.86%	N/A	0.00%	0.00%	0.00%	0.00%	0.00%	Council has no interest-bearing loans and borrowing as at 30 June 2024.
Indebtedness										
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	16.12%	11.86%	10.98%	N/A	10.11%	11.40%	10.08%	9.87%	9.62%	
Asset renewal and upgrade										
<i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and asset upgrade expense / Asset depreciation] x100	97.61%	105.27%	74.11%	62.01%	75.08%	78.66%	77.14%	69.02%	70.06%	Favourable variance to target driven by consistent allocation of capital expenditure on Renewal and Upgrade projects.
Operating position										
Adjusted underlying result										
<i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	7.60%	0.91%	1.85%	N/A	-17.36%	-8.88%	-9.05%	-9.56%	-9.64%	Material reduction in grants (Federal Assistance Grant) received by Council in financial year 2023-24, due to being prepaid in prior year, has impacted total income and driven a reduction in this indicator.

<p>Stability</p> <p>Rates concentration</p> <p><i>Rates compared to adjusted underlying revenue</i></p> <p>[Rate revenue / Adjusted underlying revenue] x100</p>	53.83%	55.67%	54.10%	61.20%	63.72%	62.64%	62.94%	63.28%	63.40%	Rates have increased in line with Rate Cap while Council's underlying revenue has decreased in 2023-24
<p>Rates effort</p> <p><i>Rates compared to property values</i></p> <p>[Rate revenue / Capital improved value of rateable properties in the municipality] x100</p>	0.44%	0.41%	0.29%	N/A	0.29%	0.30%	0.31%	0.31%	0.32%	

Section 4. Sustainable capacity indicators

For the year ended 30 June 2024

Results

	2021	2022	2023	2024	Comment
Indicator / Measure [Formula]	Actual	Actual	Actual	Actual	
Population <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,527.05	\$2,726.33	\$2,764.44	\$2,949.31	
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$15,917.69	\$17,967.21	\$19,268.12	\$20,920.40	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	13.34	13.20	13.63	13.63	
Own-source revenue <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$2,019.76	\$1,919.00	\$1,999.37	\$2,084.14	
Recurrent grants <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$557.80	\$653.40	\$674.75	\$246.89	This significant reduction in recurrent grants is due to Federal Assistance Grants funding being provided in the 2024-25 financial year rather than 2023-24 as expected.
Disadvantage <i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	3.00	3.00	3.00	3.00	
Workforce turnover <i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	12.0%	23.1%	19.8%	19.4%	

Section 5. Notes to the accounts

5.1. 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, service performance, financial performance and sustainable capacity indicators and measures together with a description of the municipal district, an explanation of material variations in the results and notes to the accounts. 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 or the Council's satisfaction survey provider).

The performance statement presents the actual results for the current year and the previous three years, along with the current year's target, if mandated by *the Local Government (Planning and Reporting) Regulations 2020*. Additionally, for the prescribed financial performance indicators and measures, the performance statement includes the target budget for the current year and the results forecast for the period 2024-25 to 2027-28 by the council's financial 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.

5.2. Definitions

Key term	Definition
Aboriginal children	means a child who is an Aboriginal person
Aboriginal person	has the same meaning as in the Aboriginal Heritage Act 2006
adjusted underlying revenue	means total income other than: <ul style="list-style-type: none"> • non-recurrent grants used to fund capital expenditure; and • non-monetary asset contributions; and • contributions to fund capital expenditure from sources other than those referred to above
adjusted underlying surplus (or deficit)	means adjusted underlying revenue less total expenditure
annual report	means an annual report prepared by a council under section 98 of the Act
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
asset upgrade expenditure	means expenditure that— (a) enhances an existing asset to provide a higher level of service; or (b) extends the life of the asset beyond its original life
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>
intervention level	means the level set for the condition of a road beyond which a council will not allow the road to deteriorate and will need to intervene
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 liabilities	means all liabilities other than current liabilities

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
relative socio-economic disadvantage	in relation to a municipal district, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipal district is located according to the Index of Relative Socio-Economic Disadvantage of SEIFA
restricted cash	means cash, cash equivalents and financial assets, within the meaning of the Australian Accounting Standards, 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 site
unrestricted cash	means all cash and cash equivalents other than restricted cash



Colac Otway Shire Council

Closing Report

For the financial year ended 30 June 2024

Presented to the Audit & Risk Committee on 12 September 2024

Background

I enclose for your information the closing report for the year ended 30 June 2024. The closing report provides a summary of results of our audit of the Colac Otway Shire Council. This report was discussed at the Audit and Risk Committee meeting on 12 September 2024.

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



Nick Bell

Engagement Leader

RSD Audit

VAGO Audit Service Provider

Bendigo

11 September 2024

Contents

Introduction	1
Audit completion status.....	2
Areas of audit focus.....	3
Audit findings—financial report.....	6
Audit findings—performance statement.....	7
Other audit findings.....	8
Reports to Parliament.....	9
Fair value measurement amendments.....	10
VAGO links and resources.....	11
APPENDIX A Outstanding audit matters.....	12
APPENDIX B Adjusted audit differences.....	13
APPENDIX C Unadjusted audit differences.....	15
APPENDIX D Final management letter.....	16
APPENDIX E Management representation letter	17

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 issued on 7 March 2024.

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(s) to you.
- Copies of the report(s) are also provided to the Minister responsible for Local Government, and where applicable (i.e., when modified or when the AG directs) to the Assistant Treasurer.

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 & Risk Committee on 12 September 2024 | Victorian Auditor-General's Report

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 presents fairly/presents a true and fair view, in all material respects in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 2020*
- performance statement presents fairly in accordance with the requirements of the *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 2020*.

Expected audit opinion

Based on our audit, we have concluded that the financial report is presented fairly. We have also concluded that the performance statement is presented fairly. We expect to issue unmodified audit opinions.

Outstanding audit matters

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

- submission of reviewed statements and deliverables to VAGO for final review and clearance
- a review of the signed management representation letter
- completion of the review of subsequent events.

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

Areas of audit focus

Our audit focused on the financial report balances 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, plant, and equipment</p> <p>Property, infrastructure assets, plant and equipment represent a significant part of the Council's total assets (\$478 million as at 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 applied in determining fair value.</p> <p>On annual basis, selected asset classes are scheduled for a full revaluation.</p> <p>Land and Buildings are subject to a full revaluation in 2023-24, and remaining assets will subject to a managerial assessment.</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed management’s assessment as to whether the fair value, for each material asset class, is materially different from the carrying amount. assessed the reasonableness of key assumptions underlying management’s fair value assessment. reviewed any indexation calculations prepared by management and sight supporting documentation to validate the fair value. <p>Where you engage an expert we will:</p> <ul style="list-style-type: none"> assessed the valuer’s competence, skills and experience to conduct an appropriate valuation. reviewed the terms of engagement (i.e. scope) valuer's report to evaluate the appropriateness of the methodology adopted, assumptions and estimates used and the overall reasonableness of the valuation. tested the completeness and accuracy of data provided to your valuer. 	<p>We have completed a review of the detailed revaluation prepared by management and tested key assumptions back to supporting information. We are satisfied that the revaluation movements are appropriate.</p>
<p>We have completed substantive procedures including:</p>		

The financial report may include a material misstatement 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 be incorrect or insufficient.

- checked the determination of the revaluation increment or decrement.
- reviewed the journals posted by management to bring the revaluation increment or decrement to account.
- reviewed management's impairment assessment
- reviewed the adequacy of disclosures in your financial report.

2. Accounting for government grants

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

The application of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Non-for-Profit Entities 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.

Based on our review and testing of the grants register and management's AASB 15 and 1058 assessment, we have concluded that grants have been appropriately accounted for.

Risk of material misstatement	Our audit response	Results of our key procedures
<p>3. Accuracy of employee benefits expense and valuation of employee benefits provisions</p> <p>Employee benefits expense and employee benefits provision form one of the largest items on Council’s comprehensive operating statement and balance sheet.</p> <p>The calculations and financial statements disclosures of employee provisions under AASB 119 <i>Employee Benefits</i> require estimates and judgements such as:</p> <ul style="list-style-type: none"> • Inflation rates • Discount factors • Wage rate increases • Probability factors • Leave trend analysis <p>Management needs to apply judgement in classifying employee benefit obligations as short term or long term.</p>	<p>We have:</p> <ul style="list-style-type: none"> • performed data analytics and substantive analytical procedures • performed substantive procedures over employee costs and provisions • assessed the reasonableness and consistency of key assumptions, namely the DTF inflation and discount rates, wage rate increases, probability factors • reviewed management’s assessment and classification of annual leave as a short term or long-term entitlement as well as wholly settle within 12 months and after 12 months • assessed the adequacy of all disclosures 	<p>Based on our review of the employee provisions model completed by management, no disclosure issues were noted.</p> <p>The balance was determined to not be materially misstated, although an audit adjustment was processed (refer Appendix B).</p>
<p>4. The performance statement may not be prepared in accordance with applicable legislative requirements</p> <p>There is a potential risk that:</p> <ul style="list-style-type: none"> • Systems in place at the 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 • checked the calculations of report figures • assessed the reasonableness of explanations included in the report of significant variations • confirmed that the performance statement complies with legislative requirements. 	<p>Our team has reviewed the performance statement and supporting documentation. A number of changes to the content and formatting were required (refer Appendix B).</p> <p>We are satisfied that the indicators and disclosures in the performance statement are appropriate.</p>

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 5% of IPPE \$26.4M.

Final specific materiality for particular statements, account balances or disclosures has been set at 5% of total expenditure \$3.28M.

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

The effect of adjusted audit differences on the financial report is an increase of \$392,274 in the net result, and a decrease of \$800,000 in net assets.

Appendix B presents the adjusted audit differences.

Unadjusted immaterial differences

The effect of unadjusted differences on the financial report is that the net result is overstated by \$589,999, and net assets are overstated by \$589,999.

Appendix C presents the unadjusted immaterial 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.

Appendix D contains a list of the findings or the draft findings that we intend to include in our final management letter.

Audit findings—performance statement

Materiality assessment

Misstatements are considered material if they could individually or collectively 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 have identified several changes on the performance statements.

Appendix B presents the adjusted audit differences.

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.

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.

Difficulties encountered in performing the audit

There have been no significant difficulties encountered during the audit or disagreements with management. However, there has been delays in being able to finalise audit procedures and review of financial statements and the performance statement. We had initially planned with management to receive the final draft of the financial statements and finalised matching trial balance by 22nd August, with the final audit work to commence on the 23rd August. Council was not able to meet this date and the work was pushed back by a day to commence on the 24th August, resulting in a reduction in the time available to complete all audit procedures in a timely manner. In addition, in relation to the performance statement, this is also expected to be provided and ready for audit at the agreed time. However, a full and complete version of the performance statement and the supporting workbook were only provided to our team for review on 9th September.

Reports to Parliament

Results of the 2023-24 Audits Local Government

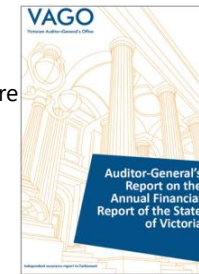
Colac Otway Shire Council will be included in the *Results of the 2023-24 Audits: Local Government Report*. We aim to table this report by the end of November 2024. The report will analyse the financial performance and position, and sustainability risks of each sector. The report also informs Parliament 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 five years
- trends and composition analyses for specific entities
- compare results between entities over time.

Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2023-24

Each year, the Auditor-General presents the Annual Financial Report of the State of Victoria to the Victorian Parliament. The report analyses and provides commentary on key aspects of the financial performance and position of the state. In line with the Act, and where appropriate, it provides information and recommendations for more effective and efficient management of public resources. We must table this report on or before 24 November 2024.



Fair value measurement amendments



AASB 13 *Fair Value Measurement* has been amended. The amendments are applicable for your entity for 2024-25.

Amendments include authoritative implementation guidance to be followed by not-for-profit public sector entities when measuring their non-financial assets not held primarily for their ability to generate cash inflows at fair value.

Key amendments include:

- assessing highest and best use of assets
- developing unobservable inputs and
- application of the cost approach to fair value.

For an overview of the amendments and our implementation recommendations refer to our tech alerts 2024-1 and 2023-1 on [our website](#).



Given your entity has material assets that are measured at fair value using the cost approach, you need to assess the impact of the amendments early in the 2024-25 reporting cycle. We recommend finance teams:

- fully understand the new requirements
- undertake an impact assessment
- prepare and present a paper to the audit and risk committee that outlines the:
 - accounting policy to measure each class of property, plant and equipment
 - approach for assessing the fair value of each class of assets, identifying amendments to valuation and/or measurement methods required
 - timeframes for obtaining evidence to support amendments and engaging with audit.



Audit and Risk committees have a key role to play in this significant accounting change. We recommend that committees:

- fully understand the new requirements
- review the finance team's impact assessment, timeframes and any accounting papers
- review existing systems and processes to ensure they can gather any additional information required by the amendments
- critically assess the reasonableness of the approach and timelines
- engage early with your valuer and auditor on any significant issues identified.

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

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(s).

Item	Action required	Responsibility
Submission of reviewed statements and deliverables to VAGO for final review and clearance	Once our team has finalised the procedures and are satisfied that management has made any necessary changes, we will upload the statements and associated deliverables to VAGO for final review and clearance.	Management and audit
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 audit
Financial report and performance statement certification	To be signed on adoption of the accounts by the Board	Management
Management representation letter	To be signed on same date as the certification of the financial report	Management

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

Item	Our procedure
Annual report	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. We request your provision to us of an electronic copy of the printers' proof of the annual report.
Website publication of annual report	We will review your annual report on your website to confirm that it includes the correct version of the signed financial report, performance report and auditor's report. We request your notification to us when you publish your annual report on your website.

APPENDIX B

Adjusted audit differences

Adjusted dollar differences

Financial report component(s)	Adjusted \$	Basis for the adjustment
Dr LSL provision current	317,347	Overstatement of LSL provisions due to the application of LSL oncost twice.
Dr LSL provision non current	74,927	
Cr LSL Expense	(392,274)	
Dr Capital grants received in advance	800,000	Audit adjustment raised for the \$800k invoice for LRCI Capital grant but unspent, funding not received, recognised in both Debtor and Contract Liability.
Cr Debtors	(800,000)	
Dr Accrued income	385,296	The \$385K invoice raised in June 2024, with a credit note issued in July 2024, was journalled incorrectly to Accrued Income instead of Debtors.
Cr General debtor	(385,296)	

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
The initial version of the performance statement submitted for audit on 2 September 2024 was incomplete, missing a substantial portion of the necessary information required for audit.	Completion of performance statement in line with prescribed model.	Information provided to audit was incomplete and not in line with the model. Data within the LGPRF was also incomplete.
Our testing of the service and sustainability indicators to supporting documents resulted in changes to a range of indicators, refer the adjustment column for a summary of items.	<ul style="list-style-type: none"> a) Capital improvement value (CIV) did not agree with the supporting documentation provided to audit b) Changes in indicator C7 - Employee data c) Changes in FS4 - Food safety data d) Changes to indicator C3 - Total Road length e) Changes to R2 Indicator f) Changes in Unrestricted cash calculations g) Discrepancy with the with current liabilities against the financial statements 	Supporting data and information provided to audit did not agree to the figures entered into the LGPRF and disclosed in the performance statement, resulting in changes to these indicators.
Various indicators	A number of formatting changes and improvements to variance explanations.	Some commentary needed to be enhanced to better reflect the movements in the indicators. Other indicators needed commentary added as the movement was material but no explanation had been included.

APPENDIX C

Unadjusted audit differences

Unadjusted dollar differences

Financial report component(s)	Adjusted \$	Basis for the difference and the reason/s for not adjusting
Dr Fair value movement asset held for sale	589,999	An unrecorded adjusting entry was identified by the audit, requiring the asset held for sale to be recorded at the lower of carrying value or fair value less selling cost (sale price) in line with the requirements of AASB 5.
Cr Asset held for sale	(589,999)	

APPENDIX D

Final management letter

We provided a draft version of the final management letter as a separate attachment.

APPENDIX E

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.

