



Moreland
City Council

SPECIAL COUNCIL AGENDA

Thursday 23 September 2021

Commencing 6 pm

The meeting will be held via video conference and livestreamed

Language Link

This is the Agenda for the Council meeting.
For assistance with any of the agenda items,
please telephone 9240 1111.

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Questo è l'ordine del giorno per la Riunione del consiglio Comunale. Se hai bisogno di aiuto sugli argomenti in discussione, sei pregato di telefonare al Language Link al numero 9280 1911.

Αυτή είναι η Ημερήσια Διάταξη για τη Συνεδρίαση του Συμβουλίου (Council Meeting). Για βοήθεια με οποιοδήποτε από τα θέματα της ημερήσιας διάταξης, παρακαλείστε να τηλεφωνήσετε στο Γλωσσικό Σύστημα (Language Link), στο 9280 1912.

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Belediye Meclisi Toplantısının gündem maddeleri burada verilmiştir. Bu gündem maddeleri ile ilgili yardıma ihtiyacınız olursa, 9280 1914 numaralı telefondan Language Link tercüme hattını arayınız.

Đây là Nghị Trình cuộc họp của Ủy Ban Quy Hoạch Đô Thị. Nếu muốn biết thêm chi tiết về đề tài thảo luận, xin gọi điện thoại cho Language Link qua số 9280 1915.

यह काँसिल की बैठक का कार्यक्रम है। कार्यक्रम के किसी भी विषय के बारे में सहायता के लिए कृपया 9280 1918 पर फोन कीजिए।

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ਇਹ ਕੌਂਸਲ ਦੀ ਮੀਟਿੰਗ ਦਾ ਏਜੰਡਾ ਹੈ। ਏਜੰਡੇ ਦੀ ਕਿਸੇ ਆਈਟਮ ਬਾਰੇ ਮਦਦ ਲਈ, ਕ੍ਰਿਪਾ ਕਰਕੇ 9280 0751 ਤੇ ਟੇਲੀਫੋਨ ਕਰੋ।

1. **WELCOME**
2. **APOLOGIES/LEAVE OF ABSENCE**
3. **DISCLOSURES OF CONFLICTS OF INTEREST**
4. **COUNCIL REPORTS**
 - 4.1 2020/21 FINANCIAL STATEMENTS AND PERFORMANCE STATEMENTS

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4. COUNCIL REPORTS

4.1 2020/21 FINANCIAL STATEMENTS AND PERFORMANCE STATEMENTS

Director Business Transformation, Sue Vujcevic

Finance Management

Officer Recommendation

That Council, in accordance with the recommendations of the Audit and Risk Management Committee, and having considered Council's Financial and Performance Statements for 2020/21 at Attachments 1 and 2 to this report:

1. Approves 'in principle' the Financial and Performance Statements 2020/21.
2. Authorises the Mayor, Cr Annalivia Carli Hannan, Deputy Mayor, Cr Mark Riley, and the Chief Executive Officer, Cathy Henderson, to certify the Financial and Performance Statements for 2020/21 in their final form.
3. Notes the unrestricted cash surplus of \$4.176 million transfers to the Local Government Funding Vehicle Reserve.
4. Carries forward the \$1.082 million of tied grant funding or contributions that were not spent at 30 June 2021.
5. Carries forward the \$0.622 million of operating projects into the 2021/22 Operating Projects Expenditure Program.
6. Carries forward the \$13.752 million of capital project funds into the 2021/22 Capital Expenditure program.
7. Authorises the repayment of the \$8.0 million interest only loan in November 2021.
8. Authorises the Principal Accounting Office to implement any minor administrative changes to the Financial and Performance Statements for 2020/21 if recommended by the Auditor-General upon final review, for approval by the Chief Executive Officer.

| |
|---------------|
| REPORT |
|---------------|

Executive Summary

Council's Financial and Performance Statements (the Statements) for the 2020/21 financial year have been prepared and reviewed by the Victorian Auditor General's Office and Council's Audit and Risk Management Committee.

This report seeks Council's 'in principle' approval of the Statements and the appointment of 2 Councillors and the Chief Executive Officer to sign the 2020/21 Statements in their final form.

Council is reporting an accounting surplus of \$29.392 million for the financial year 2020/21. This accounting surplus includes items such as non-cash contributions, capital grants, loan redemptions and committed capital or operational expenditure for future years.

After excluding non-cash items included in the accounting surplus, capital expenditure and committed funding requirements, Council had an unrestricted surplus of \$4.176 million.

It is recommended that Council commits the unrestricted surplus of \$4.176 million to the Local Government Funding Vehicle Reserve. Council has a loan that is due for renewal during the 2021-22 financial year. The additional transfer to the reserve will mean Council needs to utilise a lesser amount of the cash reserves to pay off the loan.

Previous Council Decisions

Nil.

1. Policy Context

Section 132 of the *Local Government Act 1989* (the Act) requires a Council to:

- Pass a resolution giving its approval, 'in principle', to the Financial and Performance Statements before they are submitted to the Auditor.
- Authorise 2 Councillors to certify the Statements in their final form, after any changes recommended or agreed by the Auditor have been made.

This report is in keeping with Council's commitment to accountability and sound financial management.

While the *Local Government Act 2020* is now in operation, the State Government announced that reports for the 2020/21 year should be produced under the 1989 Act.

2. Background

Preliminary audit work has been completed by the Victorian Auditor General's Office (VAGO), and Council officers have prepared a draft set of the Financial and Performance Statements for 2020/21 (the Statements) for submission to the Auditor-General in accordance with the Act (the Statements are included at **Attachments 1 and 2**). VAGO has advised the Audit and Risk Management Committee that, subject to a review of the final version, it intends to recommend to the Auditor-General that Council's 2020/21 Statements should be given confirming audit opinions without qualification.

The following process is required to ensure Council's 2020/21 Statements are submitted to the Auditor-General in a timely manner, enabling the Auditor-General to officially express his opinion prior to the statutory deadline of 30 September 2021:

- Council must review the draft Statements, approve the Statements 'in principle' and authorise 2 specific Councillors and the Chief Executive Officer to sign the Statements. The 'in principle' Statements and the Council resolution are provided to VAGO;
- VAGO checks the approved 'in principle' Statements. These Statements, the Council resolution and VAGO's recommended Audit Report are then forwarded to the Auditor-General for review;
- The Auditor-General reviews the Statements and requests changes where appropriate;
- The Principal Accounting Officer considers any changes requested by the Auditor-General and, where appropriate, incorporates them into the 'in principle' Statements;
- The Principal Accounting Officer will identify matters of significance, if any, including proposed qualification issues, not previously considered by the Council, for approval by the Chief Executive Officer in consultation with the Mayor and Deputy Mayor;
- If Council and the Auditor-General are satisfied with the Statements in their final form, the Statements are to be signed by the 2 authorised Councillors and the Chief Executive Officer, and forwarded to the Auditor-General;
- The signed Auditor-General's Audit Reports will be issued to Council once the formally signed Statements have been received and checked by VAGO; and

- Council's 2020/21 Annual Report will include the audited Statements once they have been forwarded to the Minister for Local Government by 30 September 2021.

3. Issues

Key outcomes of the 2020/21 accounts

Council is reporting an accounting surplus of \$29.392 million for the financial year 2020/21. This accounting profit includes items such as non-cash contributions, capital grants, loan redemptions and committed capital or operational expenditure for future years.

Significant income statement movements

Major differences in the income statement compared to last year include:

Revenue

- Increase in rates and charges of \$4.678 million. This was primarily driven by Council rates increasing by 2.0%, the annualised impact of supplementary rates from 2020/21, supplementary rates received in 2020/21 and an increase in the waste charge due to the roll out of the Food Organics, Green Organics (FOGO) services to the municipality.
- Decrease in statutory fees and fines of \$2.237 million. This is primarily due to the ongoing impacts of several COVID-19 lockdowns throughout the year.
- Increase in grants operating of \$11.133 million, primarily due to the Working for Victoria program as well as several other non-recurrent COVID relief grant programs.
- Increase in grants – capital by \$4.235 primarily due to the non-recurrent nature of the grants.
- Council's investment properties have increased in value by \$1.225 million in the current year which is a variance of \$2.109 million against the loss recorded in 2019/20.

Expenses

- Increase in employee costs of \$14.646 million. This is primarily due to the State Government funded Working for Victoria program. This program employed 308 FTE on a 6-month temporary basis in jobs that support the community during the coronavirus pandemic.
- Increase in materials and services of \$4.739 primarily due to higher costs relating to the closure and ongoing capacity restrictions for our six leisure centre facilities. Insurance costs also increased by \$1.015 in comparison to the 2019/20 costs.

Capital works statement

Council capitalised \$38.810 million in the 2020/21 financial year as compared to \$44.486 in 2019/20. This is largely due to the quantum of land purchased as part of the "A Park Close to Home" Framework capitalised during the 2019/20 financial year.

Cash flow statement

Council's cash and cash equivalents remained at the same levels as 2019/20 with a minor decrease of \$0.116 million. Including term deposits greater than 90 days (other financial assets) to this balance, there is an increase of \$9.884 million (\$108.925 million in 2020/21 and \$99.041 million in 2019/20).

Carry Forwards

Base carry forwards include any grants or contributions that were received during the 2020/21 financial year, which have agreed spending obligations or conditions that have not been fully completed at 30 June 2021. **Attachment 3** provides a detailed list of the \$1.083 million of grants or contributions that do not meet the conditions or materiality threshold to be treated as a liability as per accounting standards.

Operating projects have a year-end carry forward position of \$0.622 million.

Attachment 3 provides a detailed list of the projects.

The 2020/21 Capital Works Program saw a year-end carry forward position of \$13.752 million. The third quarterly forecast was endorsed at the June 2021 Council Meeting which forecasted capital carry forwards to be \$14.329 million. The year-end position was a carry forward position that was \$0.577 lower than forecast. **Attachment 3** provides a breakdown of these carry forwards, when they are anticipated to be complete and what was the main cause of the delay.

VAGO financial sustainability ratios

Council uses financial sustainability ratios, as defined by VAGO to monitor trends and performance and assess longer term financial risk. Result of Council's performance against these ratios is outlined in the table below.

| Indicator | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|---|-------------------|-------------------|------------------|------------------|------------------|
| Net result (%) Net result/Total revenue | 12.3% (Green) | 14.1% (Green) | 11.0% (Green) | 26.4% (Green) | 18.4% (Green) |
| <p>A positive result indicates a surplus, and the larger the percentage, the stronger the result.</p> <p>Council's five-year average, being 16.4% is greater than 0%, this indicates Council's ability to generate surpluses consistently.</p> <p>(Long-term risk indicator: Green)</p> | | | | | |
| Adjusted underlying result Adjusted underlying surplus/Adjusted underlying revenue | 4.7% (Amber) | 18.0% (Green) | 17.4% (Green) | 17.7% (Green) | 17.8% (Green) |
| <p>Indicator of the broad objective that an adjusted underlying surplus should be generated in the ordinary course of business.</p> <p>Council's five-year average, being 15.1% is greater than 5%, this indicates that Council generates sufficient surpluses to fund operations.</p> <p>(Long-term risk indicator: Green)</p> | | | | | |
| Liquidity (ratio) Current assets/Current liabilities | 2.41 (Green) | 2.63 (Green) | 2.13 (Green) | 3.48 (Green) | 2.67 (Green) |
| <p>A ratio of one or more means there are more cash and liquid assets than short-term liabilities. A ratio greater than 1 means an entity can sufficiently fund its short-term liabilities.</p> <p>Council's five-year average, being 2.7, suggests that there is no immediate issues with repaying short-term liabilities as they fall due.</p> <p>(Long-term risk indicator: Green)</p> | | | | | |
| Internal financing (%) Net operating cash flow/Net capital expenditure | 104.3% (Green) | 137.2% (Green) | 74% (Red) | 143% (Green) | 270% (Green) |
| <p>This measures the ability of an entity to finance capital works from generated cash flows.</p> | | | | | |

| Indicator | 2020/21 | 2019/20 | 2018/19 | 2017/18 | 2016/17 |
|---|------------------|------------------|------------------|------------------|------------------|
| As Council's five-year average, being 145.7%, is greater than 100%, this confirms that Council is generating enough cash from operations to fund new assets. (Long-term risk indicator: Green) | | | | | |
| Indebtedness (%) Non-current liabilities/own-sourced revenue | 14.1% (Green) | 13.5% (Green) | 15.7% (Green) | 21.3% (Green) | 24.7% (Green) |
| The higher the percentage, the less the entity is able to cover non-current liabilities from the revenues the entity generates. Council's five-year average, being 17.9%, is well below the benchmark of 40%. This suggests that there are no concerns over the ability to repay debt from own-source revenue: (Long-term risk indicator: Green) | | | | | |
| Capital replacement (ratio) Cash outflows for property, plant and equipment/Depreciation | 1.42 (Amber) | 1.99 (Green) | 2.95 (Green) | 2.13 (Green) | 1.28 (Amber) |
| Comparison of rate of spending on infrastructure with its depreciation. A ratio higher than 1 indicates that spending is faster than the depreciation rate. Council's five-year average, being 2.0, is well above the benchmark of 1.5, thus confirming that there is a low risk of insufficient spending on asset renewal. (Long-term risk indicator: Green) | | | | | |
| Renewal gap (ratio) Renewal and upgrade expenditure/depreciation | 0.96 (Amber) | 0.79 (Amber) | 1.31 (Green) | 1.24 (Green) | 0.80 (Amber) |
| Comparison of the rate of spending on existing assets through renewing, restoring, and replacing existing assets with depreciation. A ratio higher than 1 indicates that spending on existing assets is faster than the depreciation. Council's five-year average is 1.02, against a benchmark of 1.00. This may indicate insufficient spending on the renewal of existing assets if the focus is not maintained on this expenditure. (Long-term risk indicator: Green) | | | | | |

Unrestricted cash surplus

Council achieved an unrestricted cash surplus of \$4.176 million for the 2020/21 financial year. This surplus is primarily due to reduced employee costs and materials and services.

It is important to note that Council's restricted cash includes amounts required to complete carry-forward capital and operating projects, early payment of the 2021/22 Victoria Grants Commission allocation and other cash to be allocated to reserves.

It is recommended the unrestricted surplus of \$4.176 million be committed to the Local Government Funding Vehicle Reserve. Committing the unrestricted surplus to the Local Government Funding Vehicle will enable repayment of the loan (as detailed below). This would place Council in a better financial position by being able to apply for a new loan(s), which is likely to be required to support delivery of major projects into the future at a lower interest rate.

Loan repayment

Council has a \$8.0 million interest only loan (Local Government Funding Vehicle) which is due to be repaid on 12 November 2021. The current arrangement is an interest only repayment semi-annum (May and November). This loan is at an interest rate of 4.65 per cent and has an interest cost of \$0.372 million per annum.

Council is proposing to fund the loan repayment by:

| | |
|--|--------------------|
| Local Government Funding Vehicle – reserve balance at 30 June 2021 | \$1,405,000 |
| 2020/21 unrestricted surplus | \$4,176,000 |
| Historical cash reserves | \$2,419,000 |
| Total | \$8,000,000 |

Audit and Risk Management Committee recommendation

The Audit and Risk Management Committee met on 13 September 2021 to consider the draft Statements and recommended that:

- Council approves ‘in principle’ the Annual Statements for the year ending 30 June 2021;
- Council officers make administrative changes to the notes;
- Subject to review of the final version of the Statements, Council authorises the:
 - Chief Executive Officer, Mayor and Deputy Mayor to certify the final version of the Statements;
 - Principal Accounting Officer (Chief Financial Officer) to implement any non-material changes to the statements as recommended by the Auditor-General and provide a summary of such changes to the Audit and Risk Management Committee at its next meeting. Any material changes will be discussed with the Chair of Audit and Risk Management Committee prior to being presented to Council; and
 - Chief Executive Officer to send the statements to the Auditor-General.

Human Rights Consideration

The implications of this report have been assessed in accordance with the requirements of the Charter of Human Rights and Responsibilities.

4. Community consultation and engagement

Council’s Audit and Risk Management Committee examined the 2020/21 Statements at its meeting on 13 September 2021.

5. Officer Declaration of Conflict of Interest

Council officers involved in the preparation of this report have no conflict of interest in this matter.

6. Financial and Resources Implications

The preparation of the Statements and the associated auditing fees are included in the approved budget and therefore do not have any further financial or resource impacts.

The outcome of the Statements, in particular the Auditor-General’s assessment of Council’s long-term financial sustainability will provide useful guidance for Council’s long-term financial planning.

7. Implementation

Subject to Council's decision and receipt of the Auditor-General's official audit opinion, a copy of the audited reports will be submitted to the Minister for Local Government before 30 September 2021.

The Statements will form part of Council's Annual Report and will be published on Council's website.

The Annual Report will be submitted to the Minister by 30 September. We will then publish a public notice announcing the report's availability. It will also be formally received by Council at the October 2021 Council meeting.

Attachment/s

| | | |
|-------------------|---|------------|
| 1 | Draft Annual Financial Statements 2020/21 | D21/390329 |
| 2 | Draft Performance Statement 2020/21 | D21/389050 |
| 3 | Finalised carry forward position 2020/21 | D21/369740 |

Moreland City Council
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2021

**Moreland City Council
Financial Report
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Moreland City Council
2020/2021 Financial Report

Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Amanda Burgess - Certified Practising Accountant
Principal Accounting Officer

Date : <Date>

Coburg, Victoria

In our opinion the accompanying financial statements present fairly the financial transactions of Moreland City Council for the year ended 30 June 2021 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 2014* to certify the financial statements in their final form.

Annalivia Carli Hannan

Mayor

Date : <Date>

<Location>

Mark Riley

Deputy Mayor

Date : <Date>

<Location>

Cathy Henderson

Chief Executive Officer

Date : <Date>

<Location>

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