

MANNINGHAM

COUNCIL MEETING

AGENDA

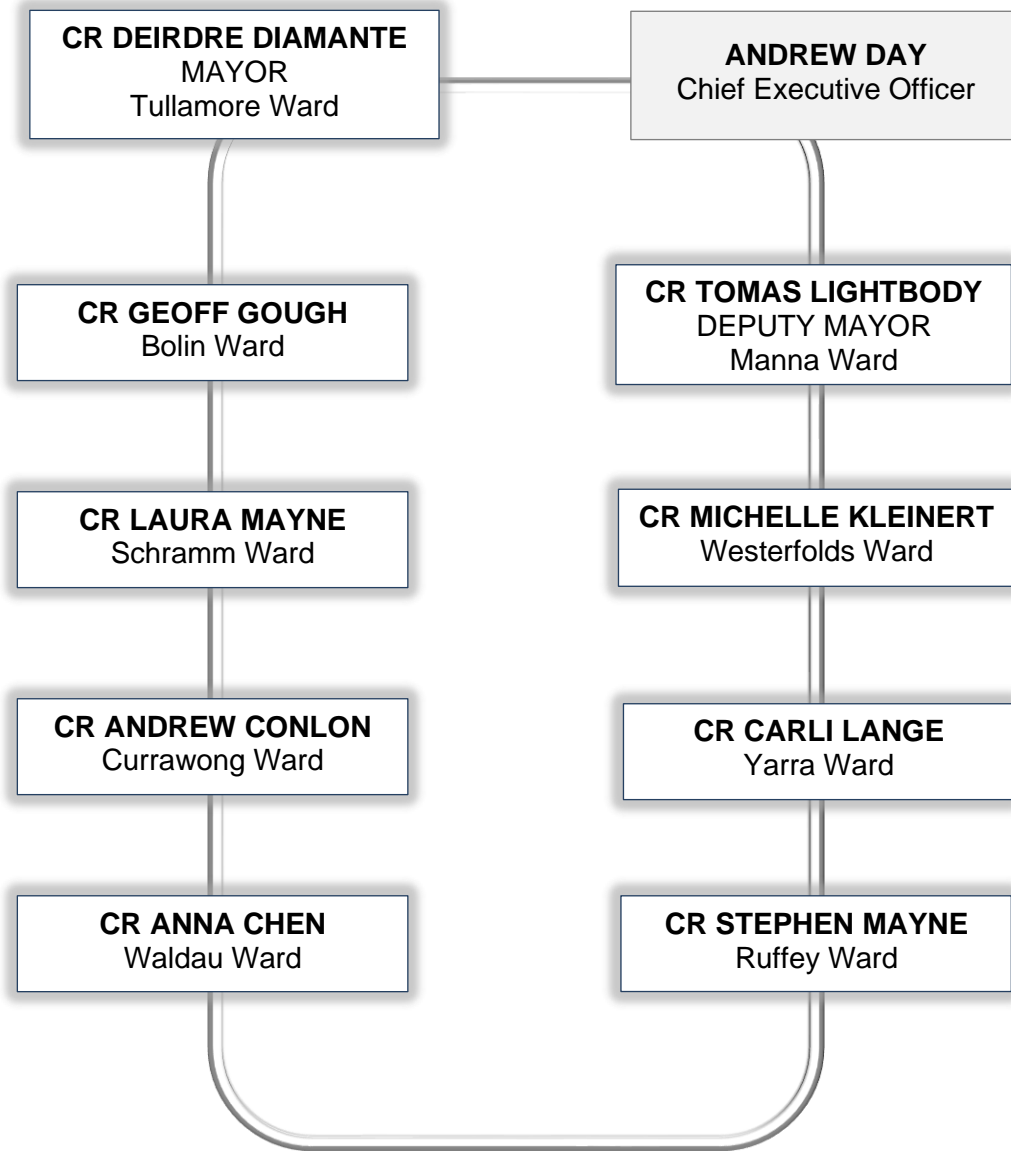
Date:	Tuesday, 12 September 2023
Time:	6:00pm
Location:	Council Chamber, Civic Centre 699 Doncaster Road, Doncaster

This meeting is convened to transact the business listed below.

Andrew Day
Chief Executive Officer

This meeting will be livestreamed. Members of the public who address Council will be heard on the live audio stream, and audio of them speaking will be recorded. All reasonable efforts will be made to avoid capturing live or recorded video footage of public attendees however there might be incidental capture.

COUNCIL MEETING SEATING PLAN



INDEX

1 OPENING PRAYER AND STATEMENTS OF ACKNOWLEDGEMENT2

2 APOLOGIES AND REQUESTS FOR LEAVE OF ABSENCE2

3 PRIOR NOTIFICATION OF CONFLICT OF INTEREST.....2

4 PUBLIC QUESTION TIME.....2

5 CHIEF EXECUTIVE OFFICER.....3

14.1 2022/23 Financial Report and Performance Statement: Approval in Principle....3

- 1 OPENING PRAYER AND STATEMENTS OF ACKNOWLEDGEMENT**

- 2 APOLOGIES AND REQUESTS FOR LEAVE OF ABSENCE**

- 3 PRIOR NOTIFICATION OF CONFLICT OF INTEREST**

- 4 PUBLIC QUESTION TIME**

5 CHIEF EXECUTIVE OFFICER

5.1 2022/23 Financial Report and Performance Statement: Approval in Principle

File Number:	IN23/567
Responsible Director:	Chief Executive Officer
Attachments:	1 Financial Report 2022/23 ↓
	2 Performance Statement 2022/23 ↓
	3 Governance and Management checklist - 2022/23 ↓

PURPOSE OF REPORT

The purpose of this report is to present the Financial Report and Performance Statement for the year ended 30 June 2023 for consideration and approval in principle by Council.

EXECUTIVE SUMMARY

The Financial Report and Performance Statement for the year ended 30 June 2023 are presented for consideration and approval in principle.

These have been prepared in accordance with the Australian Accounting Standards and Interpretations, the Local Government Act 2020 and the Local Government (Planning and Reporting) Regulations 2020.

The Financial Report and Performance Statement were reviewed by Council's Audit and Risk Committee on Friday 1 September 2023. The Audit and Risk Committee is satisfied that an appropriate external audit process has been undertaken and that the Committee's review did not identify any issues that would prevent Council from approving the Financial Report and Performance Statement "in principle" for submission to the Auditor-General.

A detailed audit of the Financial Report and Performance Statement was undertaken by the Auditor-General during August 2023. The "Draft Closing Report – Manningham City Council for the year ended 30 June 2023" prepared by the Auditor-General and his agent HLB Mann Judd concluded that the 2022/23 Financial Report (Attachment 1) and 2022/23 Performance Statement (Attachment 2) "present fairly".

The Financial Report, Performance Statement and Governance and Management checklist will be reproduced in full in Council's 2022/23 Annual Report.

1. RECOMMENDATION

That Council:

- A. Notes that the Audit and Risk Committee is satisfied that an appropriate external audit process has been undertaken on the 2022/23 Financial Report and 2022/23 Performance Statement.**

- B. Authorises Councillor Deirdre Diamante and Councillor Tomas Lightbody to certify the 2022/23 Financial Report and 2022/23 Performance Statement in their final form. In the event that either Councillor Diamante or Councillor Lightbody is not available, then any other Manningham Councillor is authorised to certify the Financial Report and Performance Statement.**
- C. Endorses in principle the 2022/23 Financial Report and 2022/23 Performance Statement.**
- D. Notes the 2022/23 Governance and Management Checklist and authorises Councillor Deirdre Diamante to certify the 2022/23 Governance and Management Checklist. In the event that Councillor Deirdre Diamante is not available, then any other Manningham Councillor is authorised to certify the checklist.**

2. BACKGROUND

- 2.1 The Auditor-General's agent (HLB Mann Judd) has completed a review of the attached Financial Report and Performance Statement and all supporting information. It is anticipated that a clear (or unmodified) audit opinion will be issued for the Financial Report and Performance Statement. However, the Financial Report and Performance Statement remain provisional until final signing by the Auditor-General.
- 2.2 The Financial Report, Performance Statement and the Auditor-General's draft closing report of the 2022/23 Audit was presented to the Audit and Risk Committee (the Committee) on 1 September 2023, and the Committee resolved:
- a) That it is satisfied that an appropriate external audit process has taken place on the proposed financial report and performance statement and is not aware of any issues that would prevent the Council from approving the financial report and performance statement; and*
- b) To recommend that Council approve the 2022/23 Financial Report and 2022/23 Performance Statement in principle for lodging with the Auditor General.*
- 2.3 The "Approved in Principle" Financial Report and Performance Statement are required to be presented to the Auditor-General following the Council Meeting. The Auditor-General is then expected to issue the final signed audit closing report prior to 30 September 2023.
- 2.4 The Financial Statements and Performance Statement will then be incorporated into Council's Annual Report. The Annual Report will then be formally presented to Council.
- 2.5 The Financial Report provides comprehensive reporting of the revenue and expenditure of Council for the 2022/23 financial year and the financial position of Council as at 30 June 2023. The notes accompanying the Financial Statements provide information relevant to Council's accountability obligations and additional information to assist users of the report to form an opinion on the financial performance of Council.

- 2.6 The Performance Statement details a range of service and financial performance indicators.

3. DISCUSSION / ISSUE

- 3.1 The Financial Report of Council is a general purpose financial report that consists of the financial statements which include a comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, statement of capital works and notes accompanying these financial statements. This general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2020.

Financial Summary

- 3.2 Overall Council is in a sound financial position with a low financial sustainability risk. This demonstrates our commitment to maintaining long-term financial sustainability while providing cost-effective services and delivering infrastructure projects to meet the needs of our community.

- 3.3 Key finance facts:

- \$7.6 million operating surplus, a decrease of \$24.5 million on the previous year, primarily due to a \$13.9 million decrease in non-monetary (asset) contributions and a \$2.2 million decrease in monetary contributions from developers. Also in 2022/23 there were significant one-off costs associated with the implementation of the new Food Organic Garden Organic (FOGO) waste service and one off restructure costs as a result of Council's decision to transition out of Commonwealth Home Support Program (CHSP) services.
- \$4.8 million adjusted underlying deficit, compared to a \$4.0 million adjusted underlying surplus in the previous year. The adjusted underlying result excludes one off specific purpose income items. The deficit was mainly driven by the one off expenditure items (FOGO, restructure costs and capital program costs that were non-capital in nature and deemed to be operational expenditure).
- Council continues to be debt-free.
- \$45.0 million capital works delivered to maintain and renew over \$2.6 billion of community assets and to create new and upgraded infrastructure for a growing community.
- \$2.7 billion in net assets, an increase of \$190 million on the previous year.

Operating position

- 3.4 An operating surplus of \$7.6 million was achieved in 2022/23, \$12.4 million lower than the adopted budget surplus of \$20.0 million.

- 3.5 The adjusted underlying result, which removes income that is tied to specific purposes, was a \$4.8 million adjusted underlying deficit for the year. The adjusted underlying result excludes open space contributions, developer contributions, non-recurrent capital grant income and other capital contributions income – which are all to be used for specific purposes.
- 3.6 General rates: Council achieved the 'Fair Go Rates' legislation rate cap of a 1.75% increase in average rates for the 2022/23 year.
- 3.7 The key favourable variances for the year included:
- Operating Grants were \$2.5 million greater than budget. A change in the timing of Financial Assistance Grants with the Federal Government bringing forward 100% of the 2023/24 grant allocation into the 2022/23 financial year (budgeted to receive 50% in 2022/23) resulted in a favourable variance of \$1.8 million. In addition, Council recognised unbudgeted grant funding for Commonwealth Home Support Program (CHSP), placemaking outdoor activation, sustainability and biodiversity programs.
 - Contributions non-monetary were \$1.5 million greater than budget – this is the value of land under roads, land, building, drainage pipes and pits and other infrastructure assets transferred to Manningham by developers.
 - Other income was \$2.9 million favourable mainly due to term deposit interest rates improving significantly in the current economic environment leading to a favourable variance of \$2.1 million. In addition, other income includes one-off items (\$0.7 million) recognised in 2022/23.

Offsetting the key favourable variances were:

- Statutory fees and fines income being \$0.8 million less than budget due to decreased enforcement activity as a result of staff shortages.
- User fees and charges income was \$1.3 million less than budget due to lower than anticipated demand for function centre & community venue facilities (\$0.8 million), art studios and child care services income utilisation lower than anticipated (\$0.2 million) and city compliance permit & registration fees (\$0.2 million).
- Contributions monetary income was \$2.2 million less than budget. Developers' cash contributions in lieu of public open space and infrastructure requirements were \$2.3 million lower than budget and relate to the level of development activity in Manningham. These funds are placed into a cash backed reserve to be used to fund recreation and open space improvements for the community. This is partly offset by higher than budgeted contributions from clubs to fund capital work projects.
- Employee costs were \$3.7 million greater than budget. This mainly relates to a provision raised in 2022/23 for one off restructure costs as a result of Council's decision to transition out of the Commonwealth funded Home Support Service provision, partly offset by savings due to a number of vacancies across the organisation.

- Materials, services and contracts were \$1.3 million greater than budget. This is mainly attributable to increased activity in Parks and Natural Environment to conduct essential maintenance work and catch up on lower than projected work during COVID outbreak. In addition, costs associated with the implementation of the new Food Organic Garden Organic (FOGO) waste service (originally budgeted in the capital works program but is operational expenditure in nature) and waste collection/transportation costs have escalated due to an increase in the fuel levy.
 - Net (gain)/loss on disposal of assets was \$1.9 million unfavourable. This was mainly attributable to write off of infrastructure assets (drainage pipes, pits, roads, footpaths and cycleways) totalling \$2.8 million and building (\$0.2 million) as part of the capital works program to replace with new and other infrastructure assets. This is partly offset by a net gain of \$0.9 million on disposal/replacement of existing assets as part of the ongoing Plant Replacement Program and sale of parcels of land within the North East Link project area to the State Government.
 - Other expenses were \$8.8 million greater than budget. This was primarily due to:
 - \$7.4 million of operational expenditure that was originally budgeted in the Capital Works Program but has been classified as non-capital in nature and transferred to Other expenses as part of the year end process;
 - software licences and software subscriptions exceeded full year budget by \$1.1 million;
 - legal expenses were unfavourable by \$0.4 million for various unanticipated legal matters.
- 3.8 Council's assets had a Net asset revaluation increment (increase) of \$182.1 million which was mainly driven by:
- A valuation increment of \$67.3 million overall to land and building assets:
 - Land assets were valued as at 30 June 2023. Land assets had a \$55.4 million increment and the valuation involved the analysis of a number of recent sales, consideration of the various characteristics displayed by the land, the constraints of requirements stipulated within the Local Government Act 2020, and the time involved in preparing land for sale.
 - The increase in the value of Council's significant land holdings are consistent with the land value increase across the municipality mainly due to limited supply of land.
 - Building assets were valued as at 30 June 2023. Buildings had an \$11.8 million increment. The values of building components have had notable increases caused by the significant increases in construction costs and the lack of supply of building materials in Victoria in general.

- An increment of \$114.8 million to infrastructure assets as a result of large increases in prices driven by supply shortages and inflation.

Net worth

3.9 Our financial strength can be assessed by net assets (what we own less what we owe). As at 30 June 2023, Council's net assets were \$2.7 billion.

Assets

3.10 Manningham has total assets of \$2.76 billion. The major components of our assets include infrastructure, property, plant and equipment valued at \$2.64 billion and cash and investments of \$90 million.

Liabilities

3.11 Our liabilities primarily include amounts owed to suppliers and amounts owed to employees for leave entitlements. Total liabilities at 30 June 2023 were \$58 million.

3.12 At 30 June 2023 Council was debt free.

Capital Works

3.13 Council aims to maintain its infrastructure assets at expected levels while continuing to deliver services needed by our community. During 2022/23, we invested \$45 million in an extensive Capital Works Program to renew and upgrade community assets throughout the municipality. This program was funded primarily through rates, with additional funds provided through grants and contributions.

3.14 The major categories of capital works included:

- roads, drainage, footpaths and cycleways \$20 million
- community and council building refurbishment and upgrades \$16 million
- parks, open space and streetscapes \$4 million; and
- land \$3 million.

Liquidity

3.15 Cash and investments at 30 June 2023 were \$90 million, a decrease of \$3 million from the previous year.

3.16 The working capital ratio, which assesses our ability to meet current commitments, is calculated by measuring our current assets as a percentage of current liabilities. Our ratio of 205% indicates that for every dollar of short-term liabilities, we have \$2.05 worth of current assets. This is a strong result.

Rate cap

3.17 This was the seventh year of the Victorian Government's 'Fair Go Rates' legislation. Manningham complied with the 1.75% rate cap for 2022/23. We continued to follow the strategies we set last year to ensure our long-term financial sustainability in a rate capping environment.

Performance Statement

3.18 The Performance Statement details a range of service and financial performance indicators. This is also audited by the Victorian Auditor-General. Key indicators include:

- Aquatic Facilities – Utilisation of the Aquatic facility was 3.4 visits per resident which was significantly higher than the previous two years (1.4 to 1.7 visits per resident during the pandemic). We are pleased to see visits increase as visitors slowly return from the impact of COVID-19 restrictions and closures.
- Health and Safety - Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up. We have again seen an increase of almost 3% compared to last year as our health team followed up non compliances identified.
- Maternal and Child Health (MCH) - Participation in the MCH service has increased to 81.3% (up from 77.9% in the previous year). We are pleased to see a positive increase in the overall participation rate in the MCH service following a concerted effort to follow up with families who missed appointments.
- Waste diversion - We have seen a positive 1.4% increase of waste diverted from landfill during 2022/23. Our landfill tonnages and recycling tonnages decreased compared to the prior year. From 1 July 2023 we introduced the food organic garden organic service which will further improve our diversion rate from 2023/24 onwards.
- Workforce turnover was 18.8% compared to last year's 17.8% turnover rate and continues to be above historical levels. This is in line with both Australian and global trends resulting from 'post-pandemic' impacts on workforce. Current low unemployment coupled with increasing interest rates has resulted in existing employees seeking other opportunities to improve remuneration. Additionally, organisational restructure activity was undertaken throughout the period. Organisational structural changes traditionally correlate with higher instances of voluntary turnover. It is anticipated that the impacts of the factors above will continue for the next two to three years.

The 2022/23 Annual Report will detail service and financial highlights from the 2022/23 year and also reproduce the Financial Report and Performance Statement in full.

4. COUNCIL PLAN / STRATEGY

4.1 The Financial Report and the Performance Statement are a historical reflection of Council's 2022/23 financial performance and performance against key initiatives identified within the 2021-2025 Council Plan.

5. IMPLEMENTATION

5.1 Finance / Resource Implications

The outcomes contained in the Financial Report will form the starting basis for the 2023/24 review of Council’s 10 Year Long Term Financial Plan.

6. IMPLEMENTATION

6.1 Communication and Engagement

The Financial Report, Performance Statement and Governance and Management Checklist will be published in Council’s 2022/23 Annual Report.

Stakeholder Groups	Council and the community
Is engagement required?	No
Where does it sit on the IAP2 spectrum?	Inform
Approach	Report to Council

6.2 Timelines

Following approval in principle by Council, the Financial Report and Performance Statement will be submitted to the Auditor-General’s Office for final audit clearance, which should be received prior to 30 September 2023.

7. DECLARATIONS OF CONFLICT OF INTEREST

No Officers involved in the preparation of this report have any general or material conflict of interest in this matter.

**MANNINGHAM CITY COUNCIL
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2023**

MANNINGHAM CITY 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	
	2.1 Performance against budget	10
	2.1.1 Income/Revenue and expenditure	10
	2.1.2 Capital works	13
	2.2 Analysis of Council results by program	16
Note 3	Funding for the delivery of our services	
	3.1 Rates and charges	17
	3.2 Statutory fees and fines	17
	3.3 User fees and charges	18
	3.4 Grants (Funding from other levels of government)	18
	3.5 Contributions	20
	3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment	20
	3.7 Other income	20
Note 4	The cost of delivering services	
	4.1 Employee costs	21
	4.2 Materials, services and contracts	21
	4.3 Depreciation	21
	4.4 Amortisation - Intangible assets	22
	4.5 Amortisation - Right of use assets	22
	4.6 Bad and doubtful debts - allowance for impairment losses	22
	4.7 Finance costs - Leases	22
	4.8 Other expenses	23
Note 5	Our financial position	
	5.1 Financial assets	24
	5.2 Non-Financial assets	26
	5.3 Payables, trust funds and deposits and unearned income/revenue	26
	5.4 Provisions	27
	5.5 Financing arrangements	29
	5.6 Commitments	29
	5.7 Leases	31
Note 6	Assets we manage	
	6.1 Property, infrastructure, plant, equipment and other fixed assets	33
	6.2 Investments in associates	40
Note 7	People and relationships	
	7.1 Council and key management remuneration	41
	7.2 Related party disclosure	43
Note 8	Managing uncertainties	
	8.1 Contingent assets and liabilities	44
	8.2 Change in accounting standards	45
	8.3 Financial instruments	45
	8.4 Fair value measurement	46
	8.5 Events occurring after balance date	47
Note 9	Other matters	
	9.1 Reserves	48
	9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	50
	9.3 Superannuation	50
Note 10	Change in accounting policy	52

Certification of the Financial Statements

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

Jon Gorst (BCom, CPA)
Principal Accounting Officer
12 September 2023
Doncaster

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

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

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

Deirdre Diamante
Mayor
12 September 2023
Doncaster

Tomas Lightbody
Deputy Mayor
12 September 2023
Doncaster

Andrew Day
Chief Executive Officer
12 September 2023
Doncaster

MANNINGHAM CITY COUNCIL
2022/23 Financial Report

< INSERT VAGO REPORT - PAGE 1 >

MANNINGHAM CITY COUNCIL
2022/23 Financial Report

< INSERT VAGO REPORT - PAGE 2 >

MANNINGHAM CITY COUNCIL
2022/23 Financial Report

**Comprehensive Income Statement
For the Year Ended 30 June 2023**

	Note	2023 \$'000	2022 \$'000
Income / Revenue			
Rates and charges	3.1	117,481	114,315
Statutory fees and fines	3.2	2,926	3,094
User fees and charges	3.3	8,749	7,016
Grants - operating	3.4 (a)	13,860	13,292
Grants - capital	3.4 (b)	7,079	6,800
Contributions - monetary	3.5	4,614	6,670
Contributions - non-monetary	3.5	2,572	16,458
Other income	3.7	3,684	1,975
Share of surplus from investment in associate	6.2	291	39
Total income / revenue		161,256	169,659
Expenses			
Employee costs	4.1	61,530	53,813
Materials, services and contracts	4.2	32,020	29,029
Depreciation	4.3	26,380	23,738
Amortisation - Intangible assets	4.4	2,397	2,311
Amortisation - Right of use assets	4.5	347	345
Bad and doubtful debts - allowance for impairment losses	4.6	267	160
Finance costs - Leases	4.7	52	55
Net (gain)/loss on disposal of property, infrastructure, plant and equipment	3.6	1,828	2,480
Other expenses	4.8	28,837	25,608
Total expenses		153,658	137,539
Surplus/(deficit) for the year		7,598	32,120
Other comprehensive income			
Item that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	9.1 (a)	182,062	225,877
Total other comprehensive income		182,062	225,877
Total comprehensive result		189,660	257,997

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

MANNINGHAM CITY COUNCIL
2022/23 Financial Report

Balance Sheet
As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1 (a)	21,501	24,623
Trade and other receivables	5.1 (c)	17,862	15,925
Other financial assets	5.1 (b)	68,500	68,679
Other assets	5.2 (a)	4,097	2,371
Total current assets		111,960	111,598
Non-current assets			
Trade and other receivables	5.1 (c)	398	374
Investments in associates	6.2	3,156	2,865
Property, infrastructure, plant, equipment and other fixed assets	6.1	2,638,064	2,444,670
Right-of-use assets	5.7	2,158	2,358
Intangible assets	5.2 (b)	4,734	6,987
Total non-current assets		2,648,510	2,457,254
Total assets		2,760,470	2,568,852
Liabilities			
Current liabilities			
Trade and other payables	5.3 (a)	20,550	16,814
Trust funds and deposits	5.3 (b)	13,389	13,890
Unearned income/revenue	5.3 (c)	5,424	7,858
Provisions	5.4	14,894	13,976
Lease liabilities	5.7	339	297
Total current liabilities		54,596	52,835
Non-current liabilities			
Provisions	5.4	1,542	1,141
Lease liabilities	5.7	1,960	2,164
Total non-current liabilities		3,502	3,305
Total liabilities		58,098	56,140
Net Assets		2,702,372	2,512,712
Equity			
Accumulated surplus		830,338	822,326
Reserves	9.1	1,872,034	1,690,386
Total Equity		2,702,372	2,512,712

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

