

Management Financial Report

Purpose

- To provide the Audit and Risk Committee with a status update on the work in progress for preparation towards the 2023-24 financial year-end and scheduled property and infrastructure valuations.

Background

- Valuations for the fair value of assets relating to the following are conducted annually:
 - Land – specialised and non-specialised,
 - Buildings – heritage, specialised, and non-specialised,
 - Infrastructure – including recreational infrastructure and trees.

Key issues

- Preparations for the 2023-24 financial year-end have commenced:
 - Draft “Shell” Financial Report (attached) for comment containing updates from the 2023-24 Model Accounts (highlighted in yellow) released by Local Government Victoria in February. This contains the full superannuation note from Vision Super, that will be reduced for final report.
 - The year-end timetable is being released across Council and to the subsidiaries on the 24th April.
 - The process for the annual valuation of fixed assets has commenced for the 2023-24 financial year. Assets being assessed, and their possible outcomes (expected % movement) are as follows:

Valuations 2023-24		
Asset Category	Type of Valuation	Expected % Movement
Infrastructure		
- Bridges	Full	
- Marine	Full	
- Outdoor Furniture	Full	
- Stormwater	Full	
- Road Carriageway	Full	
- Road Footway	Full	
- Kerb and Channel	Full	
- Street Lighting	Full	
- Street Structures	Full	
- Tram Shelter	Full	
Total Infrastructure		
Recreation Infrastructure	Full	
Trees	Full	
Land		
- Non-specialised	Full	
- Specialised	Full	
Buildings		
- Heritage	Full	
- Buildings	Full	

- Items to note from the valuation process are:
 - Land and Buildings - in general, indices have increased as expected as a result of building costs and general inflation which is sitting at 4.2% at the end of the December quarter. However, this has caused issues in values in the CBD Hoddle grid with 69 sites in City of Melbourne alone ranging

from 125 square metres to 7,800 square metres being on the “for sale” list. As a result, the following are indications (only) for land and buildings for 2023-24:

- Land – First indications are that land valuations could decrease in the vicinity of ...% to ...% which could equate to a decrease of \$.....
- Investment property – although Council has limited commercial properties, the current corporate market has shown an ...%-...% decline in value. This could equate to a decrease of between \$.....
- Secondary offices - CH1, CH2 and City Village are in a market that has suffered material reductions in value, partly due to the impact of Environmental, Social and Governance (ESG) framework that relates to “responsible investing”, or “impact investing”. This could equate to a decrease of between \$.....
- Infrastructure – the above estimates are a result of a combination of increases in indices, and a new contract of rates. This could equate to an overall increase of approximately \$.....
- Recreation Infrastructure – the above estimates are a result of condition assessments of “hard surface” assets during the year which will increase their useful life commencing 1 July. Overall impact could be a decrease in the vicinity of% or \$.....
- Trees – the annual increase in the trees contract is% which could equate to an increase of approximately \$.....
- Infrastructure – Marine assets (wharfs) have been valued on the basis of CPI increases and not a full valuation.

Recommendation from management

5. That the Audit and Risk Committee note the preparation for year end and the progress on the annual valuation of land, building and infrastructure assets, and shell accounts for the 2023-24 financial year.

ATTACHMENT 1: Shell Accounts