



# Baw Baw Shire Council Annual Financial Report.

2020-21







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# Understanding the Financial Statements

The Financial Statements compare the current 2020-21 financial year to the previous 2019-20 financial year.

They comprise two main sections mainly the financial statements and the notes to the financial statements..

There are six main statements:

- 1. Comprehensive Income Statement**
- 2. Balance Sheet**
- 3. Statement of Changes in Equity**
- 4. Cash Flow Statement**
- 5. Statement of Capital Works**
- 6. Performance Statement**

## 1. Comprehensive Income Statement

The Comprehensive Income Statement is designed to show if Council's operations were in surplus or deficit during the financial year.

The surplus/(deficit) amount is calculated as total income less total expenses. A surplus means that income was greater than expenses.

The Comprehensive Income Statement contains:

- Income – the sources of Council's income under various income headings.
- Expenses – the expenditure incurred in running the Council during the year. This expenditure relates to the 'operations' and does not include the capital costs associated with the purchase or the creation of fixed assets. While asset purchase costs are not included in the expenses they are included within 'Depreciation and amortisation'. This amount is the value of the assets 'used up' during the year.
- Other comprehensive income – this section includes items such as net asset revaluation increments and impairment of expenses. Impairment occurs when the value of Council's assets are reduced or impaired usually due to damage or obsolescence. The comprehensive result is arrived at by adjusting the net surplus/(deficit) by the other comprehensive income items. The comprehensive result is also equal to the movement in Council's net assets (total equity) from the prior year.

## 2. Balance Sheet

The Balance Sheet shows what Council owns as assets and what it owes as liabilities. It presents a one page summary which is a snapshot of the financial position as at 30 June.

The bottom line of this statement is called 'net assets' which is the net worth of Council which has been built up over many years.

Net assets = Total assets – total liabilities = Total equity

Assets and liabilities are separated into current and non-current. Generally, current means those assets or liabilities which will fall due in the next 12 months.

## 3. Statement of Changes in Equity

During the course of the year the value of total equity as set out in the Balance Sheet changes. The Statement of Changes in Equity shows the values of these changes that may include:

- The 'profit or loss' from operations, described in the statement as 'surplus/ (deficit) for the year'.
- The use of monies from Council's reserves and transfers to Council's reserves.
- The revaluation of fixed assets.
- The share of revaluations of investments in joint venture assets.
- The recognition of an asset for the first time.

## 4. Statement of Cash Flows

The Statement of Cash Flows provides a summary of Council's cash receipts and cash payments during the year. The bottom line is the cash balance at the end of the financial year.

This statement shows the movements in the bank balance during the course of the year and is dissected into the following three sections:

- Cash flows from operating activities – All receipts to and payments from Council's bank account for normal operations. Receipts include monies from rates, grants and from amounts owing to Council. Payments mainly include monies paid to suppliers and employees.
- Cash flow from investing activities – This section mainly comprises payments for the creation or purchase of fixed assets (capital items) as well as the proceeds from asset sales.
- Cash flow from financing activities – This section includes the proceeds from loan borrowing as well as loan interest and the repayment of outstanding loans.

## 5. Statement of Capital Works

Statement of capital works shows all capital expenditure of Baw Baw Shire Council in relation to non-current assets and asset expenditure type prepared in accordance with the model statement of capital works in the Local Government Financial Report.

## 6. Performance Statement

The Performance Statement provides the results of the sustainable capacity, service performance and financial performance indicators and measures required under the *Local Government Act 1989* and *Local Government (Planning and Reporting) Regulations 2014*.

# Comprehensive Income Statement

For the Year Ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Income</b>			
Rates and charges	3.1	63,478	60,464
Statutory fees and fines	3.2	3,217	2,237
User fees	3.3	2,702	3,050
Grants - operating	3.4	16,189	15,761
Grants - capital	3.4	7,075	8,504
Contributions - monetary	3.5	3,965	3,644
Contributions - non monetary	3.5	14,949	13,680
Share of net profits (or loss) of associates and joint ventures	6.3	189	164
Other income	3.7	2,852	3,108
<b>Total income</b>		<u>114,616</u>	<u>110,612</u>
<b>Expenses</b>			
Employee costs	4.1	(30,286)	(28,637)
Materials and services	4.2	(36,959)	(33,878)
Depreciation	4.3	(17,659)	(16,455)
Amortisation - intangible assets	4.4	(455)	(120)
Amortisation - right of use assets	4.5	(824)	(734)
Bad and doubtful debts	4.6	(83)	-
Borrowing costs	4.7	(358)	(401)
Finance costs - leases	4.8	(30)	(36)
Other expenses	4.9	(3,684)	(3,644)
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(940)	(5,327)
<b>Total expenses</b>		<u>(91,278)</u>	<u>(89,232)</u>
<b>Surplus for the year</b>		<u>23,338</u>	<u>21,380</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment	6.2	6,072	13,835
Share of other comprehensive income of associates and joint ventures	9.1	26	102
<b>Total comprehensive result</b>		<u>29,436</u>	<u>35,317</u>

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

# Balance Sheet

As at 30 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	39,120	29,417
Trade and other receivables	5.1	5,312	6,470
Other financial assets	5.1	31,623	19,121
Non-current assets classified as held for sale	6.1	2,070	-
Other assets	5.2	3,524	3,820
<b>Total current assets</b>		<b>81,649</b>	<b>58,828</b>
<b>Non-current assets</b>			
Investments in associates, joint arrangements and subsidiaries	6.3	2,452	2,237
Property, infrastructure, plant and equipment	6.2	820,513	799,062
Right-of-use assets	5.8	5,206	5,581
Intangible assets	5.2	874	1,261
<b>Total non-current assets</b>		<b>829,045</b>	<b>808,141</b>
<b>Total assets</b>		<b>910,694</b>	<b>866,969</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	25,563	16,445
Trust funds and deposits	5.3	5,957	4,045
Provisions	5.5	6,837	6,603
Interest-bearing liabilities	5.4	7,889	4,000
Lease liabilities	5.8	562	606
<b>Total current liabilities</b>		<b>46,808</b>	<b>31,699</b>
<b>Non-current liabilities</b>			
Provisions	5.5	11,269	12,214
Interest-bearing liabilities	5.4	7,434	7,168
Lease liabilities	5.8	1,586	1,729
<b>Total non-current liabilities</b>		<b>20,289</b>	<b>21,111</b>
<b>Total liabilities</b>		<b>67,097</b>	<b>52,810</b>
<b>Net assets</b>		<b>843,597</b>	<b>814,159</b>
<b>Equity</b>			
Accumulated surplus		407,757	387,476
Reserves	9.1	435,840	426,683
<b>Total Equity</b>		<b>843,597</b>	<b>814,159</b>

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

# Statement of Changes in Equity

For the Year Ended 30 June 2021

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2021</b>					
Balance at beginning of the financial year		814,159	387,476	418,613	8,070
Surplus/(deficit) for the year		23,338	23,338	-	-
Net asset revaluation increment - infrastructure	6.2	6,072	-	6,072	-
Net asset revaluation increment - library	9.1	26	-	26	-
Rounding increment		2	2	-	-
Transfers to other reserves	9.1	-	(4,176)	-	4,176
Transfers from other reserves	9.1	-	1,117	-	(1,117)
		29,438	20,281	6,098	3,059
<b>Balance at end of the financial year</b>		<b>843,597</b>	<b>407,757</b>	<b>424,711</b>	<b>11,129</b>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2020</b>					
Balance at beginning of the financial year		780,642	369,500	404,676	6,466
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers		(397)	(397)	-	-
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities		(1,414)	(1,414)	-	-
Adjusted Opening balance		778,831	367,689	404,676	6,466
Surplus/(deficit) for the year		21,380	21,380	-	-
Prior year adjustments net found and					
Adjustment due to change in library ownership%	6.2	12	12	-	-
Net asset revaluation increment- infrastructure	9.1	13,835	-	13,835	-
Net asset revaluation increment - library	9.1	102	-	102	-
Rounding increment	6.2	(1)	(1)	-	-
Transfers to other reserves	9.1	-	(3,689)	-	3,689
Transfers from other reserves	9.1	-	2,085	-	(2,085)
		35,328	19,787	13,937	1,604
<b>Balance at end of the financial year</b>		<b>814,159</b>	<b>387,476</b>	<b>418,613</b>	<b>8,070</b>

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



# Statement of Cash Flows

For the Year Ended 30 June 2021

		2021 Inflows/ (Outflows) \$'000	2020 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		63,767	60,363
Statutory fees and fines		2,802	2,239
User fees		2,635	3,222
Grants - operating		15,908	16,896
Grants - capital		18,608	8,310
Contributions - monetary		3,965	3,644
Interest received		416	828
Trust funds and deposits taken		12,631	10,353
Other receipts		3,169	1,211
Net GST refund/payment		2,954	2,673
Employee costs		(29,801)	(28,547)
Materials and services		(36,498)	(34,520)
Short-term, low value and variable lease payments		(3)	(27)
Trust funds and deposits repaid		(10,738)	(10,738)
Other payments		(3,782)	(3,752)
<b>Net cash provided by/(used in) operating activities</b>	9.2	<u>46,033</u>	<u>32,155</u>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(27,219)	(33,517)
Proceeds from sale of property, infrastructure, plant and equipment		257	485
Proceeds from /(payments for) investments		(12,502)	5,994
<b>Net cash provided by/(used in) investing activities</b>		<u>(39,464)</u>	<u>(27,038)</u>
<b>Cash flows from financing activities</b>			
Finance costs		(355)	(404)
Proceeds from borrowings		8,155	4,000
Repayment of borrowings		(4,000)	(4,442)
Interest paid - lease liability		(30)	(36)
Repayment of lease liabilities		(636)	(703)
<b>Net cash provided by/(used in) financing activities</b>		<u>3,134</u>	<u>(1,585)</u>
Net increase (decrease) in cash and cash equivalents		9,703	3,532
Cash and cash equivalents at the beginning of the financial year		<u>29,417</u>	<u>25,885</u>
<b>Cash and cash equivalents at the end of the financial year</b>		<u>39,120</u>	<u>29,417</u>
Financing arrangements	5.6	1,724	4,988
Restrictions on cash assets	5.1	17,959	13,070

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 2021

	Note	2021 \$'000	2020 \$'000
<b>Property</b>			
Land		984	138
<b>Total land</b>		<u>984</u>	<u>138</u>
 Buildings		 1,973	 4,148
<b>Total buildings</b>		<u>1,973</u>	<u>4,148</u>
 <b>Total property</b>		 <u>2,957</u>	 <u>4,286</u>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,364	531
Computers and telecommunications		151	121
<b>Total plant and equipment</b>		<u>1,515</u>	<u>652</u>
 <b>Infrastructure</b>			
Roads		6,543	12,906
Bridges		475	875
Footpaths and cycleways		1,039	1,764
Drainage		843	1,849
Waste management		-	-
Parks, open space and streetscapes		8,579	5,087
Other infrastructure		260	185
<b>Total infrastructure</b>		<u>17,739</u>	<u>22,666</u>
 <b>Total capital works expenditure</b>		 <u><u>22,211</u></u>	 <u><u>27,604</u></u>
 <b>Represented by:</b>			
New asset expenditure		-	-
Asset renewal expenditure		9,939	16,703
Asset expansion expenditure		6,082	4,457
Asset upgrade expenditure		6,190	6,444
<b>Total capital works expenditure</b>		<u><u>22,211</u></u>	<u><u>27,604</u></u>

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

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### OVERVIEW

#### Introduction

The Baw Baw Shire was established by an Order of the Governor in Council on 2 December 1994 and is a body corporate. The Council's main office is located at Drouin.

#### 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 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

#### Significant accounting policies

##### (a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, 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.

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.

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 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with AASB 16 *Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- 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.

##### (b) Impact of Covid-19

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. While the impacts of the pandemic have abated somewhat through the 2020/21 year, Council has noted the following impacts on its financial operations:

- Additional revenue – Council has received numerous Covid-19 grants to help our community including the Australia Day grant, Eating and entertainment grant, West Gippsland Art Centre grant, Aged Care Meals on Wheels grant, Covid Recovery grant for family day care to ensure child-care are to remain open and other community funding grants.
- Revenue reductions – The WGAC and various sporting facilities have been financially impacted and this has been reflected in the results for 2020/21. Where relevant, commentary appears throughout the financial statements
- Revenue foregone – Council has some revenue avenues during Covid-19 - these include property fees and charges, equipment hires, and animal pound fees, due to the closure of facilities and services.
- Additional costs – council has incurred additional costs in the introduction of Covid relief packages, including increased protection for our home care and family services and additional cleaning for our facilities.
- Asset valuations – The long-term impacts of Covid-19 on the value of buildings, land, open space and bridges and major culverts are unknown therefore no specific adjustments have been made to the financial statements. Other infrastructure assets are valued at fair value, with valuations taking place on bridges and major culverts and buildings. These asset values are not expected be materially impacted by Covid-19.



# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### Note 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 2014* requires explanation of any material variances. Council has adopted a materiality threshold of \$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 August 2020. 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 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

#### 1.1 Income and expenditure

	Budget 2021 \$'000	Actual 2021 \$'000	Variance 2021 \$'000	Variance 2021 %	Ref
<b>Income</b>					
Rates and charges	62,619	63,478	859	1%	1
Statutory fees and fines	2,242	3,217	975	43%	2
User fees	2,431	2,702	271	11%	
Grants - operating	14,847	16,189	1,342	9%	3
Grants - capital	7,600	7,075	(525)	-7%	4
Contributions - monetary	3,459	3,965	506	15%	5
Contributions - non monetary	6,896	14,949	8,053	117%	6
Share of net profits/(losses) of associates and joint ventures	37	189	152	411%	
Other income	1,258	2,852	1,594	127%	7
<b>Total income</b>	<b>101,389</b>	<b>114,616</b>	<b>13,227</b>	<b>13%</b>	
<b>Expenses</b>					
Employee costs	(30,146)	(30,286)	140	0%	
Materials and services	(33,714)	(36,959)	3,245	-10%	8
Depreciation	(16,348)	(17,659)	1,311	-8%	9
Amortisation - Intangible assets	(672)	(455)	(217)	32%	
Amortisation - Right of use assets	(580)	(824)	244	-42%	
Bad and doubtful debts	-	(83)	83	0%	
Borrowing costs	(445)	(358)	(87)	20%	
Finance costs - Leases	(31)	(30)	(1)	3%	
Other expenses	(4,123)	(3,684)	(439)	11%	
Net gain/(loss) on disposal of property, infrastructure, plant	(1,250)	(940)	(310)	25%	
<b>Total expenses</b>	<b>(87,309)</b>	<b>(91,278)</b>	<b>3,969</b>	<b>30%</b>	
<b>Surplus/(deficit) for the year</b>	<b>14,080</b>	<b>23,338</b>	<b>9,258</b>	<b>66%</b>	

#### (i) Explanation of material variations

1	Rates and charges	Positive variance is due to greater supplementary rates issued than expected.
2	Statutory fees and fines	Positive variance resulting from increased activity in the areas of asset protection permits, subdivision supervision, planning permits, planning checking fees and road opening permits.
3	Grants - Operating	Income for Operating Grants is ahead of budget, due to grant income being recognised according to AASB 15. Covid related grants have been received for all parts of council which wasn't budgeted which includes Eating and Entertainment grant and Covid Recovery grant for family day care. Other grants not budgeted are Streamling for Growth and Advancing Regional Strengths funding.
4	Grants - Capital	Income for Capital Grants is unfavourable to budget as income has only been recognised as performance obligations are met on the associated project (AASB 1058). Examples where budget exists but revenue has not been recognised in accordance with AASB1058 includes 4.7km Erica to Rawson project, Thorpdale and Longwarry Recreation Oval lighting upgrades.
5	Contributions - monetary	The additional contribution revenue relates to Developer Contribution Levies (DCP01 and DCP03), and Public Open Space Contributions, due to high levels of activity in the Council area. Monetary contributions revenue is transferred to Other Reserves for future allocation to capital infrastructure projects.
6	Contributions - non-monetary	Positive variance to budget due to an increased number of developer projects achieving practical completion.
7	Other Income	Variance is largely due to revenue due to be received from accepted claims in regard to reimbursement of expenses incurred in response to natural disasters.
8	Materials and services	Variance is largely due to expenses relating to capital projects being expensed in the period - related to localised pavement repairs, storm event expenditure, LED street lighting program and minor culverts renewal program. These projects were budgeted in the capital program in 2020/21, and subsequently expensed as they did not result in an asset upon completion given they were assessed to be operating expenditure in nature.
9	Depreciation	Variance is due to underbudgeting in the majority of major asset classes, which will be reviewed in 2021/22.

# Notes to the Financial Statements

For the Year Ended 30 June 2021

## 1.2 Capital works

	Budget 2021 \$'000	Actual 2021 \$'000	Variance \$'000	Variance %	Ref
<b>Property</b>					
Land	1,440	984	(456)	-32%	
<b>Total land</b>	1,440	984	(456)	-32%	
Buildings	3,573	1,973	(1,600)	-45%	1
<b>Total buildings</b>	3,573	1,973	(1,600)	-45%	
<b>Total property</b>	5,013	2,957	(2,056)	-41%	
<b>Plant and equipment</b>					
Plant, machinery and equipment	1,167	1,364	197	17%	
Computers and telecommunications	805	151	(654)	-81%	2
<b>Total plant and equipment</b>	1,972	1,515	(457)	-23%	
<b>Infrastructure</b>					
Roads	13,600	6,543	(7,057)	-52%	3
Bridges	764	475	(289)	-38%	
Footpaths and cycleways	2,863	1,039	(1,824)	-64%	4
Drainage	1,773	843	(930)	-52%	5
Waste management	-	-	-	0%	
Parks, open space and streetscapes	8,744	8,579	(165)	-2%	
Other infrastructure	1,021	260	(761)	-75%	6
<b>Total infrastructure</b>	28,765	17,739	(11,026)	-38%	
<b>Total capital works expenditure</b>	35,750	22,211	(13,539)	-38%	
<b>Represented by:</b>					
New asset expenditure	-	-	-	-	
Asset renewal expenditure	15,833	9,939	(5,894)	-37%	
Asset expansion expenditure	7,519	6,082	(1,437)	-19%	
Asset upgrade expenditure	12,398	6,190	(6,208)	-50%	
<b>Total capital works expenditure</b>	35,750	22,211	(13,539)	-38%	

### (i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Building projects which have been delayed and underspent include the Civic Place Precinct Warragul \$0.2m, Drouin Community Hub \$0.5m, Community Facilities Renewal Program \$0.4m and the Triple Interceptor Wash Down Bay \$0.33m. These projects will be carried forward into 2021/22.
2	Computers and telecommunications	Both the Information Technology Program 19-20 and Information Technology Program 20-21 are underspent and will be carried forward into 2021/22.
3	Roads	Some projects are multi year projects and the underspend will carry forward into 2021/22, including the Road Reconstruction Program 20-21 \$1.49m and Copelands Road Upgrade 20-21 \$2.65m. Localised pavement \$1.60m and sealing gravel roads program \$0.60 m were also underspent due to these projects being assessed as operational and therefore treated as expenditure in the income statement.
4	Footpaths and cycleways	A number of footpath projects have been delayed and expect completion in 2021/22. These projects will be carried forward including New Footpaths in Tourism Towns, Accelerated Footpath Program 20-21, and 4.7km Erica to Rawson Trail.
5	Drainage	The \$575k under budget in Minor Culverts mainly due to \$496k in work being expensed, as it was considered operating in nature. Works on retarding basins are slightly behind schedule, resulting in a \$205k underspend, and other minor underspend in stormwater/wetland establishment costs \$127k.
6	Other infrastructure	Some design programs have been delayed and will be carried forward into 2021/22. Underspent projects include Forward Design program 20-21, Accelerated Design Program and Drouin Township Plan.

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

#### 2(a) Community Infrastructure

Community Infrastructure is responsible for both the planning and delivery of Council's annual and long-term capital works program, and the maintenance of council's assets. This includes Infrastructure Maintenance, Infrastructure Delivery, Civil Asset planning, Road maintenance, Fleet and depot support, open space maintenance and waste.

Recreational facilities are managed by council, and include leisure and pool facilities contracts, support for committee of management of public halls and recreation reserves.

#### Strategy and Organisational Performance

Corporate and Community services provide a range of services for individuals and families within the community, including Aged and Disability Services and Family and children's services.

Safety, procurement, human resources, payroll and revenue services are performed within the organisation to ensure that council meet all statutory compliance requirements and is financially sustainable.

Performance of these functions enable Council to operate strategically to support future growth and development.

#### Chief Executive Office

The Chief Executive Office (CEO) represents the management of council, including day to day operations of the organisation in accordance with the council plan, implementation of council decisions, and advocating to government on behalf of council and the community.

The CEO directorate includes communications which inform the community of council issues.

#### Planning and Development

Planning and development is responsible for the planning services to meet day to day, and strategic planning requirements in a major growth region. This includes statutory planning, priority development, strategic and community planning and building services.

Other services that support the community and council are community compliance, public health, emergency management and Environmental Services.

#### Economic Development, Arts and Advocacy

Economic Development, Arts and Advocacy has responsibility for the management of the redeveloped iconic West Gippsland Art centre, which hosts a variety of performance and events each year. Additionally, Community Cultural Development promotes initiatives and opportunity for arts and cultural activities within the community.

Other services that support the community and council are Economic Development, Tourism, Business Support and Grants and Advocacy which brings the community together.

#### Governance and Information Services

Governance and Information Services is responsible for Risk and Insurance Management, Governance and Property to ensure all statutory compliance requirements are met.

Other services include Information Technology and Business information support the information requirements of Council, and the associated technical infrastructure, and Customer service which is the first point of external customer contact.



# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### Note 2.1 Analysis of council results by program (cont'd)

#### 2(b) Summary of revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>					
Community Infrastructure	24,768	(52,871)	(28,103)	7,445	820,513
Chief Executive Office	12	(1,521)	(1,509)	-	-
Strategy and Organisational Performance	79,886	(18,191)	61,695	13,926	84,101
Economic Development, Arts and advocacy	966	(2,738)	(1,772)	858	-
Planning and Development	8,895	(9,501)	(606)	935	-
Governance and information services	89	(6,456)	(6,367)	100	6,080
	114,616	(91,278)	23,338	23,264	910,694
<b>2020</b>					
Community Infrastructure	25,264	(51,967)	(26,703)	11,831	799,062
Chief Executive Office	317	(6,562)	(6,245)	152	6,842
Corporate & Community Services	76,438	(19,861)	56,577	12,102	61,065
Planning and Development	8,593	(10,842)	(2,249)	180	-
	110,612	(89,232)	21,380	24,265	866,969

The directorates vary to prior years due to the changes in the organisation structure in 2020/21.

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### Note 3 Funding for the delivery of our services

#### 3.1 Rates and charges

2021  
\$'000

2020  
\$'000

Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. The Capital Improved Value (CIV) of a property is its market value of land and improvements as of January 2021.

The valuation base used to calculate general rates for 2020/21 was \$15,293 million (2019/20 \$14,472 million).

General rates	53,144	51,710
Waste management charge	8,801	8,428
Supplementary rates and rate adjustments	1,384	169
Interest on rates and charges	149	157
<b>Total rates and charges</b>	<b>63,478</b>	<b>60,464</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1st January 2021, and the valuation will be first applied in the rating year commencing 1st July 2021.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued. Total rates and charges have increased due to a continued growth within the shire.

#### 3.2 Statutory fees and fines

Infringements and costs	641	304
Other fees	676	463
Town planning fees	634	446
Land information certificates	180	137
Permits	1,086	887
<b>Total statutory fees and fines</b>	<b>3,217</b>	<b>2,237</b>

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

#### 3.3 User fees

Aged and health services	878	986
Art Centre	253	613
Registration and other permits	675	629
Leases and rentals	179	178
Waste management services	423	341
Other fees and charges	294	303
<b>Total user fees</b>	<b>2,702</b>	<b>3,050</b>
<b>User fees by timing of revenue recognition</b>		
User fees recognised over time	84	111
User fees recognised at a point in time	2,618	2,939
<b>Total user fees</b>	<b>2,702</b>	<b>3,050</b>

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.

Art Centre user fees are down compared to prior years due to the temporary closure of the West Gippsland Art Centre.

# Notes to the Financial Statements

For the Year Ended 30 June 2021

<b>3.4 Funding from other levels of government</b>	<b>2021</b>	<b>2020</b>
Grants were received in respect of the following :	<b>\$'000</b>	<b>\$'000</b>
<b>Summary of grants</b>		
Commonwealth funded grants	15,208	17,543
State funded grants	8,056	6,722
<b>Total grants received</b>	<b>23,264</b>	<b>24,265</b>
<b>(a) Operating Grants</b>		
<b><i>Recurrent - Commonwealth Government</i></b>		
Financial Assistance Grants	9,086	10,055
Family day care	717	785
Aged care	2,011	1,747
<b><i>Recurrent - State Government</i></b>		
Aged care	396	213
Arts culture and events	130	130
Community safety/public health	70	68
Disability services	58	373
Immunisation	29	-
Family Children Services	83	-
Fire prevention and emergency response	159	60
Maternal and child health	683	792
Preschool and early years	-	160
Rural Access & Inclusive Communities	14	-
School crossing supervisors	187	186
Supported Playgroups	374	-
Other	62	58
<b>Total recurrent operating grants</b>	<b>14,059</b>	<b>14,627</b>
<b><i>Non-recurrent - Commonwealth Government</i></b>		
Family day care	134	80
Aged care	51	-
<b><i>Non-recurrent - State Government</i></b>		
Aged care	155	189
Arts culture and events	67	17
Community safety/public health	82	97
Planning and development	288	-
Economic development	763	153
Fire prevention and emergency response	408	301
Garbage recycling	-	192
Maternal and child health	-	61
Family day care	4	-
Family and children services	1	-
Recreation	40	4
Rural Access and inclusive communities	106	26
Waste	10	12
Supported Playgroups	21	-
Other	-	2
<b>Total non-recurrent operating grants</b>	<b>2,130</b>	<b>1,134</b>
<b>Total operating grants</b>	<b>16,189</b>	<b>15,761</b>
<b>(b) Capital Grants</b>	<b>\$'000</b>	<b>\$'000</b>
<b><i>Recurrent - Commonwealth Government</i></b>		
Roads to recovery	1,581	3,340
<b>Total recurrent capital grants</b>	<b>1,581</b>	<b>3,340</b>



# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 3.4 Funding from other levels of government (cont'd)

	2021 \$'000	2020 \$'000
<b>Recurrent - State Government</b>		
Roads	696	3,340
	<u>696</u>	<u>3,340</u>
<b>Non-recurrent - Commonwealth Government</b>		
Buildings	-	1,536
Footpaths	15	-
Recreation	598	-
Roads	319	-
<b>Non-recurrent - State Government</b>		
Local and collector roads	751	625
IT Equipment	100	-
Irrigation	277	-
Waste	-	40
Bridges	94	-
Sports facilities	641	-
Recreation	1,872	1,916
Buildings	131	1,047
<b>Total non-recurrent capital grants</b>	<u>4,798</u>	<u>5,164</u>
<b>Total capital grants</b>	<u>7,075</u>	<u>8,504</u>

### (c) Unspent grants received on condition that they be spent in a specific manner

<b>Operating</b>		
Balance at start of year	955	1,021
Impact of change in Accounting Policy - AASB 15	-	(397)
Received during the financial year and remained unspent at balance date	851	443
Received in prior years and spent during the financial year	(933)	(112)
Balance at year end	<u>873</u>	<u>955</u>
<b>Capital</b>		
Balance at start of year	-	1,414
Impact of change in Accounting Policy - AASB 1058	-	(1,414)
Received during the financial year and remained unspent at balance date	-	-
Received in prior years and spent during the financial year	-	-
Balance at year end	<u>-</u>	<u>-</u>

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

### 3.5 Contributions

Monetary	3,965	3,644
Non-monetary	14,949	13,680
<b>Total contributions</b>	<u>18,914</u>	<u>17,324</u>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	2,526	2,091
Other infrastructure	12,423	11,589
<b>Total non-monetary contributions</b>	<u>14,949</u>	<u>13,680</u>

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

### 3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	257	485
Written down value of assets disposed *	(1,197)	(5,812)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<u>(940)</u>	<u>(5,327)</u>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer. \* The \$1.197m written down value of assets disposed comprises of: the disposal of \$253k of plant and equipment plus building and infrastructure disposals of \$944k.

# Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>3.7 Other income</b>		
Interest	194	671
Other rent	229	249
Capital contributions	138	279
Operating contributions	10	-
Natural disaster funding	1,024	1,406
Found and derecognised assets	677	-
Other	580	503
<b>Total other income</b>	<b>2,852</b>	<b>3,108</b>

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.

## Note 4 The cost of delivering services

### 4.1(a) Employee costs

Wages and salaries	25,927	24,582
WorkCover	338	344
Casual staff	928	956
Superannuation	2,411	2,275
Fringe benefits tax	178	200
Other	504	280
<b>Total employee costs</b>	<b>30,286</b>	<b>28,637</b>

### (b) Superannuation

Council made contributions to the following funds:

#### Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	87	71
	87	71
Employer contributions payable at reporting date.	13	5

#### Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super - Clearing House)	2,324	2,204
	2,324	2,204
Employer contributions payable at reporting date.	76	155

Refer to note 9.3 for further information relating to Council's superannuation obligations.

### 4.2 Materials and services

Art and Culture	235	358
Repairs and maintenance	75	71
Building maintenance	786	854
Consultants	1,290	1,135
Delivered meals	316	247
Family day care	729	705
Fleet vehicles and plant costs	778	889
General maintenance	1,369	1,340
Information technology	1,269	1,235
Insurance	769	756
Legal	763	737
Marketing costs	667	630
Office administration	1,207	954
Recreation services	2,513	1,339
Roads and infrastructure	11,927	7,026
Training	354	342
Utilities	613	701
Waste	6,801	9,909
Other contract payments	3,914	3,306
Other	584	1,344
<b>Total materials and services</b>	<b>36,959</b>	<b>33,878</b>

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>4.3 Depreciation</b>		
Property	2,240	2,309
Plant and equipment	709	585
Infrastructure	14,711	13,561
<b>Total depreciation</b>	<b>17,660</b>	<b>16,455</b>

Refer to note 5.2 (b), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

### 4.4 Amortisation - Intangible assets

Software	455	120
<b>Total Amortisation - Intangible assets</b>	<b>455</b>	<b>120</b>

### 4.5 Amortisation - Right of use assets

IT Equipment	335	343
Fleet	103	175
Property	380	210
Art Centre	6	6
<b>Total Amortisation - Right of use assets</b>	<b>824</b>	<b>734</b>

### 4.6 Bad and doubtful debts

Fines Victoria Debtors	83	-
<b>Total bad and doubtful debts</b>	<b>83</b>	<b>-</b>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

### 4.7 Borrowing costs

Interest - Borrowings	358	401
<b>Total borrowing costs</b>	<b>358</b>	<b>401</b>

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.

### 4.8 Finance Costs - Leases

Interest - Lease Liabilities	30	36
<b>Total finance costs</b>	<b>30</b>	<b>36</b>

### 4.9 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	51	44
Auditors' remuneration - Internal Audit	55	34
Councillors' allowances	345	360
Operating lease rentals	36	48
Bank charges	168	164
Contributions - West Gippsland Regional Library Corporation	1,932	1,894
Council grants	638	597
Others	459	503
<b>Total other expenses</b>	<b>3,684</b>	<b>3,644</b>



# Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>Note 5 Our financial position</b>		
<b>5.1 Financial assets</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	7	10
Cash at bank	29,113	15,407
Term deposits	10,000	14,000
<b>Total cash and cash equivalents</b>	<b>39,120</b>	<b>29,417</b>
<b>(b) Other financial assets</b>		
Term deposits - current	31,623	19,121
<b>Total other financial assets</b>	<b>31,623</b>	<b>19,121</b>
<b>Total financial assets</b>	<b>70,743</b>	<b>48,538</b>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 5.3)	5,957	4,045
- Reserve funds allocated due to external restrictions	11,129	8,070
- Unspent grants	873	955
<b>Total restricted funds</b>	<b>17,959</b>	<b>13,070</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>21,161</b>	<b>16,347</b>
<b>Intended allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- cash held to fund carried forward capital works	13,539	6,283
<b>Total funds subject to intended allocations</b>	<b>13,539</b>	<b>6,283</b>
Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.		
Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.		
<b>(c) Trade and other receivables</b>		
<b>Current</b>		
Rates debtors	2,984	3,187
Sundry & other debtors	1,218	2,144
<i>Statutory receivables</i>		
Net GST receivable	1,110	1,139
<b>Total current trade and other receivables</b>	<b>5,312</b>	<b>6,470</b>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. As at 30 June 2021 no provision exist. Long term receivables are carried at amortised cost using the effective interest rate method.

# Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021	2020
5.1 Financial Assets (cont'd)	\$'000	\$'000

**(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)	846	1,732
Past due by up to 30 days	73	164
Past due between 31 and 180 days	70	104
Past due between 181 and 365 days	128	20
Past due by more than 1 year	101	124
Total trade and other receivables	<u>1,218</u>	<u>2,144</u>

**(e) Ageing of individually impaired Receivables**

At balance date, other debtors representing financial assets with a nominal value of \$11k (2020: \$3k) were impaired.

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

<b>5.2 Non-financial assets</b>	<b>2021</b>	<b>2020</b>
<b>(a) Other assets</b>	<b>\$'000</b>	<b>\$'000</b>
Prepayments	909	1,279
Accrued income	2,583	2,509
Other	32	32
<b>Total other assets</b>	<b>3,524</b>	<b>3,820</b>

### (b) Intangible assets

Software	874	1,261
<b>Total intangible assets</b>	<b>874</b>	<b>1,261</b>

	<b>Software</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>

#### Gross carrying amount

Balance at 1 July 2020	6,195	6,195
Other additions	68	68
<b>Balance at 1 July 2021</b>	<b>6,263</b>	<b>6,263</b>

#### Accumulated amortisation and impairment

Balance at 1 July 2020	4,934	4,934
Amortisation expense	455	455
<b>Balance at 1 July 2021</b>	<b>5,389</b>	<b>5,389</b>

Net book value at 30 June 2020	1,261	1,261
<b>Net book value at 30 June 2021</b>	<b>874</b>	<b>874</b>

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

<b>5.3 Payables</b>	<b>2021</b>	<b>2020</b>
<b>(a) Trade and other payables</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables	8,815	10,503
Accrued expenses	3,554	3,081
<b>Total trade and other payables</b>	<b>12,369</b>	<b>13,584</b>

### (b) Unearned income

Grants received in advance - operating	1,208	1,536
Grants received in advance - capital	11,986	1,325
<b>Total unearned income</b>	<b>13,194</b>	<b>2,861</b>
	<b>25,563</b>	<b>16,445</b>

### (c) Trust funds and deposits

Refundable deposits	778	509
Fire services levy	-	94
Retention amounts	5,049	3,297
Other refundable deposits	130	145
<b>Total trust funds and deposits</b>	<b>5,957</b>	<b>4,045</b>

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.

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 5.3 Payables (cont'd)

#### *Purpose and nature of items*

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relations 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 Interest-bearing liabilities

	2021 \$'000	2020 \$'000
<b>Current</b>		
Borrowings - secured	7,889	4,000
	<u>7,889</u>	<u>4,000</u>
<b>Non-current</b>		
Borrowings - secured	7,434	7,168
	<u>7,434</u>	<u>7,168</u>
<b>Total</b>	<u>15,323</u>	<u>11,168</u>

Borrowings are secured by registered charge over general rates revenue of council.

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

Not later than one year	7,889	4,000
Later than one year and not later than five years	7,434	7,168
Later than five years	-	-
	<u>15,323</u>	<u>11,168</u>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

### 5.5 Provisions

	Employee	Landfill restoration	Total
2021	\$ '000	\$ '000	\$ '000
Balance at beginning of the financial year	6,752	12,063	18,815
Additional provisions	3,969	-	3,969
Amounts used	(3,327)	(331)	(3,658)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(220)	(802)	(1,022)
Balance at the end of the financial year	<u>7,174</u>	<u>10,930</u>	<u>18,104</u>
<b>2020</b>			
Balance at beginning of the financial year	6,611	9,845	16,456
Additional provisions	3,553	2,034	5,587
Amounts used	(3,229)	(399)	(3,628)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(183)	583	400
Balance at the end of the financial year	<u>6,752</u>	<u>12,063</u>	<u>18,815</u>



# Notes to the Financial Statements

For the Year Ended 30 June 2021

5.5 Provisions (cont'd)	2021	2020
(a) Employee provisions	\$'000	\$'000
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,799	1,551
Long service leave	694	699
Other	319	291
	<u>2,812</u>	<u>2,541</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	924	866
Long service leave	2,719	2,740
	<u>3,643</u>	<u>3,606</u>
Total current employee provisions	<u>6,455</u>	<u>6,147</u>
Non-current		
Long service leave	720	607
Annual leave	-	-
Total non-current employee provisions	<u>720</u>	<u>607</u>
Aggregate carrying amount of employee provisions:		
Current	6,455	6,147
Non-current	720	607
Total aggregate carrying amount of employee provisions	<u>7,175</u>	<u>6,754</u>

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

#### Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

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. LSL is measured at present value. Unconditional LSL is

Key assumptions:	2021	2020
- discount rate	1.49%	0.87%
- index rate	2.00%	2.00%
(b) Landfill restoration	2021	2020
	\$'000	\$'000
Current	382	456
Non-current	10,549	11,607
	<u>10,931</u>	<u>12,063</u>

Council is obligated to restore the Trafalgar site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration 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.

Key assumptions:	2021	2020
- discount rate	1.49%	0.87%
- index rate	2.00%	2.00%

(c) Summary of provisions	2021	2020
	\$'000	\$'000
Current	6,837	6,603
Non-current	11,269	12,214
	<u>18,106</u>	<u>18,817</u>

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 5.6 Financing arrangements

	2021 \$'000	2020 \$'000
The Council has the following funding arrangements in place as at 30 June 2021.		
Bank overdraft	1,500	1,500
Credit card facilities	250	250
Other facilities	15,323	14,418
Total facilities	17,073	16,168
Used facilities		
Bank overdraft	-	-
Credit card facilities	(26)	(12)
Borrowings	(15,323)	(11,168)
Total used facilities	(15,349)	(11,180)
Unused facilities	1,724	4,988

### 5.7 Commitments

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

	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
2021	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Recycling	1,842	1,878	53	-	3,773
Garbage collection	7,521	4,734	2,732	-	14,987
Roads	8,980	9,159	9,342	9,529	37,010
Meals for delivery	254	-	-	-	254
Consultancies	41	41	41	-	123
Open Space Management	267	-	-	-	267
Cleaning contracts for council buildings	504	86	-	-	590
Other	1,926	1,965	125	-	4,016
Total	21,335	17,863	12,293	9,529	61,020
<b>Capital</b>					
Buildings	1,695	-	-	-	1,695
Roads	3,878	-	-	-	3,878
Consultancies	400	-	-	-	400
Other	1,429	-	-	-	1,429
Total	7,402	-	-	-	7,402
	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
2020	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Recycling	1,829	-	-	-	1,829
Garbage collection	7,312	2,964	-	-	10,276
Roads	8,899	9,046	9,227	9,412	36,584
Meals for delivery	298	285	-	-	583
Consultancies	490	-	-	-	490
Home care services	24	-	-	-	24
Cleaning contracts for council buildings	400	65	-	-	465
Other	1,364	1,333	1,342	1,364	5,403
Total	20,616	13,693	10,569	10,776	55,654
<b>Capital</b>					
Buildings	574	-	-	-	574
Roads	1,122	-	-	-	1,122
Consultancies	280	-	-	-	280
Other	1,694	-	-	-	1,694
Total	3,670	-	-	-	3,670

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 5.8 Leases

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

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

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

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

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

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

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

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

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

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

Council has elected to apply the temporary option available under AASB 16 *Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms. There are no significant leases of this nature.

#### 2021

##### Right-of-Use Assets

	IT \$'000	Fleet \$'000	Property \$'000	Art Centre \$'000	Total \$'000
Balance at 1 July 2020	618	258	4,683	22	5,581
Additions	66	383	-	-	449
Amortisation charge	(335)	(103)	(380)	(6)	(824)
Balance at 30 June 2021	349	538	4,303	16	5,206

#### 2020

##### Right-of-Use Assets

	IT \$'000	Fleet \$'000	Property \$'000	Art Centre \$'000	Total \$'000
Balance at 1 July 2020	961	433	1,615	28	3,037
Additions	-	-	3,278	-	3,278
Amortisation charge	(343)	(175)	(210)	(6)	(734)
Balance at 30 June 2021	618	258	4,683	22	5,581

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 5.8 Leases (cont'd)

#### Lease Liabilities

Maturity analysis - contractual undiscounted cash flows

Less than one year

One to five years

More than five years

Total undiscounted lease liabilities as at 30 June:

	2021	2020
	\$'000	\$'000
Less than one year	585	635
One to five years	1,650	1,318
More than five years	-	485
Total undiscounted lease liabilities as at 30 June:	2,235	2,438

Lease liabilities included in the Balance Sheet at 30 June:

	Total undiscounted lease liability as at 30 June 2021	Interest due to discounting	Total discounted lease liability at 30 June 2021
Current	585	(23)	562
Non-current	1,650	(64)	1,586
Total lease liabilities	2,235	(87)	2,148

#### 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.

	2021	2020
	\$'000	\$'000
Expenses relating to:		
Short-term leases	-	2
Leases of low value assets	3	3
Total	3	5

#### Non-cancellable lease commitments - Short-term and low-value leases

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

Payable:

Within one year

Later than one year but not later than five years

Total lease commitments

	1	2
	2	3
Total lease commitments	3	5

### Note 6 Assets we manage

#### 6.1 Non current assets classified as held for sale

Held at carrying value

Total non current assets classified as held for sale

	2,070	-
Total non current assets classified as held for sale	2,070	-

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.



# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 6.2 Property, infrastructure, plant and equipment

#### Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2020 \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Found/Loss	Write-off \$'000	Transfers \$'000	At Fair Value 30 June 2021 \$'000
Building	86,214	2,077	-	(16,962)	(2,240)	(109)	50	-	-	69,030
Land	133,739	-	2,608	18,861	-	-	15	-	(2,070)	153,153
Plant and equipment	2,475	2,080	-	-	(709)	(253)	-	-	-	3,593
Infrastructure	547,341	12,149	12,341	4,173	(14,711)	(835)	612	-	4	561,074
Work in progress	29,292	22,211	-	-	-	-	-	(1,491)	(16,349)	33,663
	799,061	38,517	14,949	6,072	(17,660)	(1,197)	677	(1,491)	(18,415)	820,513

Summary of Work in Progress	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Building	5,577	1,973	(740)	(929)	5,881
Land	185	984	-	-	1,169
Plant and equipment	1,116	1,515	-	(2,323)	308
Infrastructure	22,414	17,739	(751)	(13,097)	26,305
Total	29,292	22,211	(1,491)	(16,349)	33,663

# Notes to the Financial Statements

For the Year Ended 30 June 2021

(a) Property

	Land - specialised \$'000	Land - non specialised \$'000	Total Land & Land Improvements \$'000	Buildings - specialised \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2020	66,831	66,908	133,739	140,296	5,762	279,797
Accumulated depreciation at 1 July 2020	-	-	-	(54,081)	-	(54,081)
	66,831	66,908	133,739	86,215	5,762	225,716
<b>Movements in fair value</b>						
Additions	-	-	-	2,077	2,957	5,034
Contributions	82	2,526	2,608	-	-	2,608
Found Assets at valuation	-	16	16	100	-	116
Derecognised asset at valuation	-	(1)	(1)	-	-	(1)
Revaluation	4,580	14,281	18,861	(11,461)	-	7,400
Disposal	-	-	-	(384)	-	(384)
Write-off	-	-	-	-	(740)	(740)
Transfers	-	(2,070)	(2,070)	-	(929)	(2,999)
	4,662	14,752	19,414	(9,668)	1,288	11,034
<b>Movements in accumulated depreciation</b>						
Depreciation and amortisation	-	-	-	(2,240)	-	(2,240)
Accumulated depreciation of disposals	-	-	-	275	-	275
Found asset accumulated depreciation at valuation	-	-	-	(50)	-	(50)
Derecognised asset accumulated depreciation at valuation	-	-	-	-	-	-
Revaluation depreciation movements	-	-	-	(5,501)	-	(5,501)
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
	-	-	-	(7,516)	-	(7,516)
At fair value 30 June 2021	71,493	81,660	153,153	130,628	7,050	290,831
Accumulated depreciation at 30 June 2021	-	-	-	(61,598)	-	(61,598)
	71,493	81,660	153,153	69,030	7,050	229,233

# Notes to the Financial Statements

For the Year Ended 30 June 2021

(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Work in progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2020	5,757	4,262	1,116	11,135
Accumulated depreciation at 1 July 2020	(3,442)	(4,102)	-	(7,544)
	2,315	160	1,116	3,591
<b>Movements in fair value</b>				
Additions	1,953	127	1,515	3,595
Contributions	-	-	-	-
Revaluation	-	-	-	-
Disposal	(686)	-	-	(686)
Write-off	-	-	-	-
Transfers	-	-	(2,323)	(2,323)
Impairment losses recognised in operating result	-	-	-	-
	1,267	127	(808)	586
<b>Movements in accumulated depreciation</b>				
Depreciation and amortisation	(680)	(29)	-	(709)
Accumulated depreciation of disposals	433	-	-	433
Impairment losses recognised in operating result	-	-	-	-
Transfers	-	-	-	-
	(247)	(29)	-	(276)
At fair value 30 June 2021	7,024	4,389	308	11,721
Accumulated depreciation at 30 June 2021	(3,689)	(4,131)	-	(7,820)
	3,335	258	308	3,901

# Notes to the Financial Statements

For the Year Ended 30 June 2021

## (c) Infrastructure

	Roads	Bridges & major culverts	Footpaths and cycleways	Drainage	Parks, open spaces and streetscapes	Off street car parks	Work in Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2020	454,459	30,647	46,633	93,488	31,118	12,343	22,414	691,102
Accumulated depreciation at 1 July 2020	(85,281)	(6,054)	(6,222)	(16,553)	(4,194)	(3,043)	-	(121,347)
	369,178	24,593	40,411	76,935	26,924	9,300	22,414	569,755
<b>Movements in fair value</b>								
Additions	8,229	120	1,843	401	1,343	213	17,739	29,888
Contributions	5,766	119	2,261	4,195	-	-	-	12,341
Found Assets at valuation	1,116	128	69	175	-	53	-	1,541
Revaluation	-	21,664	-	-	-	-	-	21,664
Disposal	(1,109)	-	(96)	-	-	(78)	-	(1,283)
Derecognised asset at valuation	(276)	-	-	(62)	-	-	-	(338)
Write-off	-	-	-	-	-	-	(751)	(751)
Transfers	-	-	-	4	-	-	(13,096)	(13,092)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
	13,726	22,031	4,077	4,713	1,343	188	3,892	49,970
<b>Movements in accumulated depreciation</b>								
Depreciation and amortisation	(11,303)	(373)	(739)	(1,136)	(824)	(336)	-	(14,711)
Derecognised asset accumulated depreciation at valuation	104	-	-	17	-	-	-	121
Accumulated depreciation of disposals	361	-	68	-	-	19	-	448
Found asset accumulated depreciation at valuation	(508)	(64)	(34)	(83)	-	(23)	-	(712)
Revaluation increments/decrements	-	(17,491)	-	-	-	-	-	(17,491)
Transfers	-	-	-	-	-	-	-	-
	(11,346)	(17,928)	(705)	(1,202)	(824)	(340)	-	(32,345)
At fair value 30 June 2021	468,185	52,678	50,710	98,201	32,461	12,531	26,306	741,072
Accumulated depreciation at 30 June 2021	(96,627)	(23,982)	(6,927)	(17,755)	(5,018)	(3,383)	-	(153,692)
	371,558	28,696	43,783	80,446	27,443	9,148	26,306	587,380

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 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.

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 improvements		
land	-	All
land improvements	-	All
Buildings		
buildings	30-80 years	25
Plant and Equipment		
plant, machinery and equipment	2-7 years	All
fixture fittings and furniture	1-20 years	10
computer and telecommunications	1-20 years	10
Infrastructure		
roads - pavements and seals	10-85 years	10
roads - formation and earthworks	-	10
roads - kerbs, channel and minor culverts	80 years	5
road bridges	60-100 years	20
pedestrian bridges	60-100 years	10
major culverts	60-100 years	20
footpaths	10-80 years	10
drainage	100 years	10
waste management	10 years	10
open space and recreational facilities	10-100 years	5
off street car parks	25-85 years	10
Intangible assets		
intangible assets	2-10 years	100

#### 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.



# Notes to the Financial Statements

## For the Year Ended 30 June 2021

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

#### **Valuation of land and buildings**

Valuation of land and buildings were undertaken by a qualified independent valuer Gippsland Property Valuations (Jonathan Barnett AAPI registration number 63207.) 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. The market is being impacted by the uncertainty caused by the COVID-19 pandemic. As at the date of valuation, we consider that there is a market uncertainty resulting in significant valuation uncertainty.

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 date of the current valuation is detailed in the following table. A full revaluation of these assets was conducted in the current year 2020/21.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2021 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	81,660	-	Jun-21
Specialised land	-	-	71,493	Jun-21
Specialised buildings	-	-	69,030	Jun-21
Total	-	81,660	140,523	

#### **Valuation of infrastructure**

Valuation of infrastructure assets has been determined in accordance with an independent valuation undertaken by MU Group.

The date of the current valuation is detailed in the following table. A full revaluation of Bridges and major culverts assets was conducted in the current year.

The valuation is at fair value based on 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 2021 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	371,558	Mar-19
Bridges and major culverts	-	-	28,696	Jun-21
Footpaths and cycleways	-	-	43,783	Mar-19
Drainage	-	-	80,446	Mar-20
Parks, open space and streetscapes	-	-	27,443	Mar-14
Off street car parks	-	-	9,148	Mar-20
Total	-	-	561,074	

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 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 depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 30 years to 80 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2021	2020
Reconciliation of specialised land	\$'000	\$'000
Land under roads	17,693	18,254
Parks and reserves	18,679	18,912
Other	35,121	29,665
Total specialised land	71,493	66,831

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>6.3 Investments in associates, joint arrangements and subsidiaries</b>		
<b>(a) Investments in associates</b>		
- West Gippsland Regional Library Corporation	2,452	2,237
<b>West Gippsland Regional Library Corporation</b>		
<i>Background</i>		
The West Gippsland Regional Library Corporation was established by an order of the Governor in Council on the 11th December 1995 and is a Body Corporate. The corporations' main office is located at 64 Victoria Street Warragul. Council holds 44.31% equity (2020 44.31%) in the West Gippsland Regional Library Corporation.		
<b>Fair value of Council's investment in West Gippsland Library Corporation</b>	2,452	2,237
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	1,736	1,508
Reported surplus/(deficit) for year	189	164
Share of movement due to change in percentage in ownership	-	10
Transfers (to) from reserves	(207)	54
Rounding increment/(decrement)	1	-
Council's share of accumulated surplus/(deficit) at end of year	1,719	1,736
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	500	451
Share of movement due to change in percentage in ownership for other	-	1
Share of movement due to change in percentage in ownership for asset	-	2
Share of asset revaluation	26	102
Transfers to/from reserves	180	(54)
Rounding increment/(decrement)	-	(2)
Council's share of reserves at end of year	706	500
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	2,237	1,959
Share of surplus/(deficit) for year	189	164
Share of asset revaluation	26	102
Share of movement due to change in percentage in ownership	-	12
Carrying value of investment at end of year	2,452	2,237

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

For joint operations, Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations.

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2021, and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Council. They are deconsolidated from the date that control ceases. Council currently has no subsidiaries.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Due to the changes to the Local Government Act 2020 (the act) the West Gippsland Regional Library Corporation (WGRLC) must transition from a body corporate, to a Not-For-Profit (NFP) entity. This transition will occur on 30 June 2022, with the formation of a new entity to be known as Myli – My Community Library Limited (Myli Ltd), and the West Gippsland Regional Library Corporation will be wound up on the 30 June 2022. This will entail the Council gifting its share of the Library assets to the new entity Myli, as at 30 June 2022 and will extinguish any claim Baw Baw Shire Council has to its share of the Library net assets at 30 June 2022. The Council adopted this decision in a resolution after year end, on 28 July 2021 (as disclosed in note 8.5 Events occurring after balance date). As the decision was made after 30 June 2021, no adjustments were required to be made to the fair value of the Council's share of the Library's net assets at 30 June 2021.

### Community Asset Committees

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as community asset committees, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### Note 7 People and relationships

#### 7.1 Council and key management remuneration

	2021 No.	2020 No.
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##### (a) Related Parties

###### Parent entity

Baw Baw Shire Council has no subsidiaries.

##### (b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

	Date From	Date to
<b>Councillors</b>		
Mayor D Goss		
Deputy Mayor M Leaney		
Councillor P Kostos		
Councillor T Jones		
Councillor D Wallace		
Councillor J Gauci		
Councillor M Power	1/07/2020	24/10/2020
Councillor J O'Donnell	1/07/2020	24/10/2020
Councillor K Cook	1/07/2020	24/10/2020
Councillor B Lucas	24/10/2021	18/06/2021
Councillor A McCabe	24/10/2021	
Councillor J Tauru	24/10/2021	

**Key management personnel** Chief Executive Officer  
 Director - Strategy and Organisational Performance  
 Director - Community Infrastructure  
 Director - Planning and Development  
 Director - Governance and Information Services  
 Director - Economic Development, Arts and Advocacy

<b>Total Number of Councillors</b>	12	9
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	6	7
<b>Total Number of Key Management Personnel</b>	18	16

##### (c) Remuneration of Key Management Personnel

	2021 \$'000	2020 \$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,639	1,781
Long-term benefits	28	35
Post employment benefits	139	154
Termination benefits	75	-
<b>Total</b>	<b>1,881</b>	<b>1,970</b>

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

	2021 No.	2020 No.
< \$9,999	3	-
\$10,000 - \$19,999	4	-
\$20,000 - \$29,999	5	7
\$60,000 - \$69,999	-	1
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	1	-
\$120,000 - \$129,999	1	-
\$130,000 - \$139,999	1	-
\$160,000 - \$169,999	-	1
\$210,000 - \$219,999	1	2
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	2	1
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	-	1
\$290,000 - \$299,999	-	1
\$310,000 - \$319,999	1	-
	<b>20</b>	<b>16</b>

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### Note 7 People and relationships (cont'd)

#### (d) Senior officer remuneration

A Senior officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

\*Note that it is the total annual remuneration that determines if an officer is a senior officer, regardless of the actual remuneration paid in the period.

The number of Senior Officers are shown below in their relevant income bands:

Income Range:	2021 No.	2020 No.
< \$159,999 (Including the prior year annual remuneration range of \$151k)	6	6
\$160,000 - \$169,999 *	10	7
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	2	1
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	-	1
\$210,000 - \$219,999	1	-
	<u>20</u>	<u>17</u>
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	<u>3,311</u>	<u>2,822</u>

\* Note: the 2020-21 senior officer remuneration includes one-off redundancies (comprising redundancy payments, leave entitlements and normal pays) for two senior officer, range \$160,000 - \$169,999.

### 7.2 Related party disclosure

#### (a) Transactions with related parties

During the period Council entered into the following transactions with related parties, on normal commercial terms and conditions.

Councillor Joe Gauci	Gauci Electrics Pty Ltd	43,206	70,587
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During the year the following key management personnel, were board members of the West Gippsland Regional Library Corporation to which the shire made the following contributions as per the Regional Library Agreement.

Mr Mark Dupe	Cr. Keith Cook	Mr Martin Hopley	1,932,362	1,894,658
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#### (b) Outstanding balances with related parties

No outstanding balances with related parties are in existence as at balance date.

#### (c) Loans to/from related parties

No loans have been made, guaranteed or secured by the council to a related party.

#### (d) Commitments to/from related parties

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:



# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### Note 8 Managing uncertainties

#### 8.1 Contingent assets and liabilities

##### (a) Contingent Assets

###### Development Contributions Plan (DCPs)

Council has 3 Development Contributions Plans (DCP01 - whole of municipal district, DCP02 Warragul and DCP03 Drouin) which have been designed to fund the construction of designated infrastructure assets. As at balance date the estimated income for the balance projects in each DCP are

- a) DCP01 - \$13.55m
- b) DCP02 - \$180.10m
- c) DCP03 - \$94.84m.

##### (b) Contingent 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 payment, respectively.

###### Development Contributions Plans (DCPs)

In DCP01 the levy income collected will be insufficient to fully fund the construction of designated infrastructure assets. The balance of works not fully funded by DCP01 are to be met by council. As at balance date the estimated value of infrastructure works to be funded by council is \$20.56m.

DCP02 has been designed to collect 99.45% of all projects on average and DCP03 is expected to fully fund all projects. The balance of such works which are not fully funded by DCP02 are expected to be met by Council. As at balance date the estimated value of infrastructure works in DCP02 to be funded by council is \$0.5m.

###### Superannuation

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

###### Future superannuation contributions

In addition to the disclosed contributions, Council has paid unfunded liability payments to Vision Super totalling \$76,075 (2019/20 \$163,623). The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 are \$53,679.

###### Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

##### (c) Guarantees for loans to other entities

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

Number and Favouree	Amount	Issue Date	Status
303398 - State Victoria Environment Protection Authority (Trafalgar Landfill)	\$446,688	24/06/2008	Active
Total	\$446,688		

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

#### 8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. Council assesses the impact of these new standards. As at 30 June 2021 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2022 that are expected to impact Council.

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 8.3 Financial instruments

#### (a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes 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.

##### **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/Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure 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 1989*. 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

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 provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

#### (d) Liquidity risk

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

To help reduce these risks Council:

- have 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. Details of the maturity profile for borrowings are disclosed at Note 5.4.

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

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 8.3 Financial instruments (Cont'd)

#### (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 + 0.5% and -0.25% in market interest rates (AUD) from year-end rates of 1.5%.

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.

### 8.4 Fair value measurement

#### *Fair value hierarchy*

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

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

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

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly

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

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### *Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced Council officers or independent experts.

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

#### *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

- (a) Since 30 June 2021 there has been an increase in COVID-19 cases in Victoria. This has led to the Victorian Government reintroducing state-wide lockdowns on two occasions to date, to contain the spread of the virus. This includes local and interstate travel restrictions, quarantines, social distancing, mask mandates and closures of non-essential services, which impacts heavily on the States economy.

Council has determined these events are non-adjusting subsequent events and will continue to monitor the non-financial and financial impacts of COVID-19 in its operations. The implementation of Stage 6 restrictions, with an unknown ending date, will pose further financial challenges.

- (b) The Council has an 44.31% equity in the West Gippsland Regional Library Corporation. Which is accounted for as an Investment in associates, joint arrangements and subsidiaries (refer to note 6.3). Due to the changes to the Local Government Act 2020 (the act) the West Gippsland Regional Library Corporation (WGRLC) must transition from a body corporate, to a Not-For-Profit (NFP) entity. The Council adopted a decision after year end, on the 28<sup>th</sup> July 2021, that Baw Baw Shire Council participate in the formation of a new entity to be known as Myli – My Community Library Limited (Myli Ltd), and agree to the West Gippsland Regional Library Corporation being wound up on 30 June 2022. This will entail the Council gifting its share of the Library assets to the new entity MyLi, as at 30 June 2022. This will extinguish any claim Baw Baw Shire Council has to its share of the Library net assets at 30 June 2022. As the decision was made after 30 June 2021, no adjustments were required to be made to the fair value of the Council's share of the Library's net assets at 30 June 2021.

The Council is not aware of any other after reporting date events.

# Notes to the Financial Statements

For the Year Ended 30 June 2021

## 9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
<b>2021</b>			
<b>Property</b>			
Land and land improvements	73,692	18,861	92,553
Buildings	51,430	(16,962)	34,468
	125,122	1,899	127,021
<b>Infrastructure</b>			
Infrastructure assets	293,109	4,173	297,282
	293,109	4,173	297,282
<b>Other revaluation assets</b>			
West Gippsland Regional Library Corporation	382	26	408
	382	26	408
<b>Total asset revaluation reserves</b>	418,613	6,098	424,711
<b>2020</b>			
<b>Property</b>			
Land and land improvements	73,692	-	73,692
Buildings	51,430	-	51,430
	125,122	-	125,122
<b>Infrastructure</b>			
Infrastructure assets	279,274	13,835	293,109
	279,274	13,835	293,109
<b>Other revaluation assets</b>			
West Gippsland Regional Library Corporation	280	102	382
	280	102	382
<b>Total asset revaluation reserves</b>	404,676	13,937	418,613

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

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer within Reserves \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>					
<b>2021</b>					
Open Space	2,896	658	(421)	-	3,133
Development contribution levy DCP01	1,966	1,380	-	(412)	2,934
Development contribution levy DCP02	2,482	1,260	-	(679)	3,063
Development contribution levy DCP03	-	414	-	-	414
Land Sales	151	-	-	-	151
Native vegetation offset scheme	326	34	-	(26)	334
West Gippsland Regional Library Corporation	118	180	-	-	298
Open Space PSP	131	250	421	-	802
<b>Total Other reserves</b>	8,070	4,176	-	(1,117)	11,129
<b>2020</b>					
Open Space	2,337	559	-	-	2,896
Development contribution levy DCP01	1,443	848	-	(325)	1,966
Development contribution levy DCP02	1,485	2,106	-	(1,109)	2,482
Land Sales	713	-	-	(562)	151
Native vegetation offset scheme	316	45	-	(35)	326
West Gippsland Regional Library Corporation	172	-	-	(54)	118
Open Space PSP	-	131	-	-	131
<b>Total Other reserves</b>	6,466	3,689	-	(2,085)	8,070

# Notes to the Financial Statements

For the Year Ended 30 June 2021

## Note 9.1 (b) Other matters

### Public Open Space Reserve 1 (non PSP)

The reserve retains funds contributed by property developers outside the Precinct Structure Plan areas of Warragul and Drouin for work associated with developing and improving open space and recreational facilities within the Shire. Funds are contributed in accordance with Section 18 of the Subdivision Act 1988 and transfers are restricted to the purpose of creating open space such as parks, playgrounds, pavilions and other such items where it is deemed that these works should occur at a later point than the initial development.

### DCPO1 – Baw Baw Shire Development Contribution Plan (Overlay 1)

The DCP reserve retains funds received from developers for infrastructure provision related to the Baw Baw Shire Council Development Contribution Plan introduced in March 2007. Transfers from this reserve will be nominated capital works for development infrastructure projects and community infrastructure projects as listed out in DCP. Funds held in this reserve are tied directly to the income received from property developers within the Shire.

### DCP02 - Warragul Development Contribution Plan (Overlay 2)

The DCP reserve retains funds received from developers for infrastructure provision related to the Warragul Development Contribution Plan introduced in September 2014. Transfers from this reserve will be nominated capital works for development infrastructure projects and community infrastructure projects as listed out in the Warragul DCP. Funds held in this reserve are tied directly to the income received from property developers within the areas defined in the Warragul DCP. Payments to developers for excess Works in Kind will be as detailed out in the Baw Baw Shire DCP Implementation Policy.

### DCP03 - Drouin Development Contribution Plan (Overlay 3)

The DCP reserve retains funds received from developers for infrastructure provision related to the Drouin Development Contribution Plan introduced in September 2014. Transfers from this reserve will be nominated capital works for development infrastructure projects and community infrastructure projects as listed out in the Drouin DCP. Funds held in this reserve are tied directly to the income received from property developers within the areas defined in the Drouin DCP. Payments to developers for excess Works in Kind will be as detailed out in the Baw Baw Shire DCP Implementation Policy.

### Land sales

This reserve comprises sale proceeds from land previously identified as open space land that, at the time of acquisition, would qualify for funding from the open space reserve.

### Native Vegetation Offset Scheme Reserve

The Native Vegetation Offset Scheme Reserve retains funds received from holders of approved planning permits received under the Planning and Environment Act 1987 for the removal of native vegetation. The Reserve is also used to implement land management actions listed in Council's 10-year Offset Management Plans for each of its offset sites located at Lardner and Trafalgar Transfer Stations and at Nangara Reserve. These Offset Management Plans are enforced through an on-title Landowner Agreement (Section 69) with the Department of Environment, Water and Planning (DELWP) under the Conservation, Forests and Lands Act 1987. The Reserve also pays for the processing of DELWP Trade Agreements (Native Vegetation Offset Register) between Council and the permit holder to facilitate the transfer of native vegetation credits (offsets). Council's Native Vegetation Offset Scheme policy outlines objectives and principles for operation and governance of the Scheme.

### West Gippsland Regional Library Corporation

This reserve comprises Council's share of the Regional Library Corporation Facilities Reserve. Refer to Note 6.3 that reports council's share of library reserves.

### Public Open Space Reserve 2 (PSP)

The reserve retains funds contributed by property developers within the Precinct Structure Plan areas of Warragul and Drouin. The funds are held to pay land developers who are obligated to provide land in excess 4.5% for neighbourhood parks as defined in the PSPs. Funds are contributed in accordance with Section 18 of the Subdivision Act 1988. Payments to developers from this reserve will be as detailed out in the Baw Baw Shire DCP Implementation Policy.

## (c) Summary of Reserves

	2021	2020
	\$'000	\$'000
Asset revaluation reserve	424,711	418,613
Other reserves	11,129	8,070
	<u>435,840</u>	<u>426,683</u>

Reconciliation to balance sheet for asset revaluation reserve and other reserves.

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

	2021 \$'000	2020 \$'000
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	23,338	21,380
Depreciation/amortisation	18,938	17,309
Net loss on disposal of property, infrastructure, plant and equipment	940	5,327
Share of net profits of associates accounted for by the equity method	(189)	(164)
Finance costs	388	437
Contributions - Non-monetary assets	(14,949)	(13,680)
Capital WIP Expensed	5,583	72
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	1,159	499
(Increase)/decrease in prepayments	370	(572)
Increase/(decrease) in accrued income	74	(2,256)
Increase/(decrease) in trade and other payables	9,179	1,872
(Decrease)/increase in other liabilities	1,912	(437)
(Increase)/decrease in inventories	-	7
Increase/(decrease) in provisions	(710)	2,361
Net cash provided by/(used in) operating activities	46,033	32,155

### 9.3 Superannuation

Council makes majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (Vision Superannuation). 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 Operating Statement when they are made or due.

#### Accumulation

Council makes both employer and employee contributions to the Fund's accumulation category, Vision MySuper/Vision Super Saver, on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2021, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

#### 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 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 review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

- Net investment returns 5.6% pa
- Salary information 2.5% pa for two years and 2.75% pa thereafter
- Price inflation (CPI) 2.0% pa.

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category.

Vision Super has advised that the estimated VBI at 30 June 2021 was 109.7%. The financial assumptions used to calculate this VBI were:

- Net investment Returns 4.8% pa
- Salary information 2.75% pa
- Price inflation (CPI) 2.25% pa.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 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.



# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### 9.3 Superannuation (cont'd)

#### **Employer contributions**

##### *Regular contributions*

On the basis of the results of the 2020 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 2021, this rate was 9.5% of members' salaries (9.5% in 2019/2020). 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 2020 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.

##### **Funding calls**

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

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

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

##### **The 2020 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 2020.

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

	2020	2019
	\$m	\$m
- A VBI Surplus	100.0	151.3
- A total service liability surplus	200.0	233.4
- A discounted accrued benefits surplus	217.8	256.7

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 2020.

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 2020.

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 2020.

Council was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

##### **The 2021 interim actuarial investigation**

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2021. Council was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020).

##### **Superannuation contributions**

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2021 are detailed below:

Scheme	Type of Scheme	Rate	2021 \$'000	2020 \$'000
Vision super	Defined benefit	9.50%	87	71
Vision super	Accumulation fund	9.50%	2,324	2,204

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 is \$53k.

# Notes to the Financial Statements

## For the Year Ended 30 June 2021

### <sup>10</sup> Change in accounting policy

#### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)**

Council has adopted AASB 1059 *Service Concession Arrangements: Grantors*, from 1 July 2020. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there has been no material impact on the transactions and balances recognised in the financial statements.

#### **AASB2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)**

The Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. Council has adopted and there has been no significant impact.

#### **AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)**

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal. Council has adopted and there has been no significant impact.

# 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.

  
Jane Watson  
Principal Accounting Officer

Date : 13th October 2021

Warragul

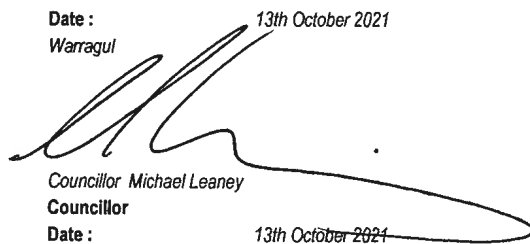
In our opinion the accompanying financial statements present fairly the financial transactions of the Baw Baw Shire Council for the year ended 30 June 2021 and the financial position of the Council as at that date.

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.

  
Mayor Danny Goss  
Councillor

Date : 13th October 2021  
Warragul

  
Councillor Michael Leaney  
Councillor

Date : 13th October 2021  
Warragul



Mark Dupe  
Chief Executive Officer

Date : 13th October 2021  
Warragul

# Independent Auditor's Report

## To the Councillors of Baw Baw Shire Council

<b>Opinion</b>	<p>I have audited the financial report of Baw Baw Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2021</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cashflows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2021 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Councillors' responsibilities for the financial report</b>	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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MELBOURNE  
19 October 2021



Sanchu Chummar

*as delegate for the Auditor-General of Victoria*



# Baw Baw Shire Council Performance Statement





# Performance Statement

**For the Year Ended 30 June 2021**

## Description of municipality

Baw Baw Shire Council is approximately 100 kilometres east of Melbourne in West Gippsland. The council covers an area of 4,027 square kilometres and has an estimated resident population of 54,884 people (as at 30 June 2020).

The shire was formed in 1994 from the amalgamation of the former Buln Buln and Narracan Shires, the Rural City of Warragul and some parts of the Shire of Upper Yarra.

The northern half of the shire is heavily forested and lies in the Great Dividing Range and its foothills, including parts of the Mt Baw Baw National Park, while the shire is bounded by the Strzelecki Range and its foothills to the south. The middle part of the shire is more densely populated, particularly in areas close to the Princes Highway and the Gippsland railway line, but still retains its rural environment.

Baw Baw's main industries (in terms of the economic value of output) include manufacturing; construction; rental, hiring and real estate; agriculture, forestry and fishing; and health care and social assistance.

## Overview of 2021

Over the 2020-21 year, Baw Baw Shire Council has continued to respond and deliver its services while responding to the changing COVID-19 environment.

The impact of COVID-19 has been felt across Council operations. The key services reported in this Performance Statement which have been impacted include utilisation of libraries and aquatic facilities where those facilities have been closed or restricted during the year.

Despite the challenges posed by the pandemic, Council has maintained a high level of service. This includes direct care services such as Maternal and Child Health where access has been maintained in a COVID safe manner, and as a result participation in the service remains high. Council has also experienced an increase in community satisfaction levels across all measures assessed.

# Sustainable Capacity Indicators

<i>Indicator / measure / [formula]</i>	Results				Comments
	2018	2019	2020	2021	
<b>Population</b>					
C1 <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,570	\$1,647	\$1,671	\$1,663	Expenses per head of population remains consistent with previous years, as Council maintains expenditure levels in accordance with revenue raised, in particular, rates revenue consistent with the "Fair Go Rates" system.
C2 <i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$11,076	\$12,290	\$12,460	\$12,159	Infrastructure per head of population remains constant as investment in infrastructure is maintaining pace with population growth.
C3 <i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	28	29	30	30	Council manages a 1,818 km local road network, resulting in a ratio of approximately 30 people for each kilometre of local road.
<b>Own-source revenue</b>					
C4 <i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,205	\$1,247	\$1,293	\$1,320	Council has increased the proportion of income from its own sources of revenue in the year, which demonstrates Council's long term financial sustainability.
<b>Recurrent grants</b>					
C5 <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$339	\$260	\$336	\$298	Grants are recognised in accordance with accounting standards AAS15 and AASB1058. Recurrent Grants are lower in 2020/21 as less Commonwealth Financial Assistance Grants were received in the year, as they were prepaid in 2019/20.
<b>Disadvantage</b>					
C6 <i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	6	6	6	6	The Australian Bureau of Statistics (ABS) prepares an index of relative socio-economic disadvantage. The result for the municipality is six, where one is the most and ten is the least disadvantaged and remains unchanged for four years.
<b>Workforce turnover</b>					
C7 <i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	20.1%	14.2%	19.6%	14.8%	Workforce turnover has decreased by 24.1% since the previous year, indicating a strong result and significant improvement in staff retention in 2020/21.

# Service Performance Indicators

Service / indicator / measure		Results				Comment
		2018	2019	2020	2021	
AF6	<b>Aquatic Facilities</b>					
	<b>Utilisation</b>					
	<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	5.2	5.0	3.7	2.3	<p>Council pools include those at Drouin, Neerim South, Rawson, Trafalgar, Thorpdale, and the Warragul Leisure Centre.</p> <p>Use of pools continued to be impacted by COVID-19 closures and restrictions during the year, in addition to cooler than normal summer weather. Closure of facilities came into effect in March 2020, February 2021 and June 2021, significantly reducing community access to the facilities.</p>
AM7	<b>Animal Management</b>					
	<b>Health and safety</b>					
	<i>Animal management prosecutions</i> [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	New in 2020	New in 2020	100%	100%	<p>There were seven animal management prosecutions, and Council was successful with all seven cases.</p> <p>Prosecutions are conducted on an as needs basis or when required under the Domestic Animals Act 1994. Council's primary strategy remains focused on community safety, communication, education, and promotion of responsible pet ownership.</p>
FS4	<b>Food Safety</b>					
	<b>Health and safety</b>					
	<i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100	76.7%	100%	100%	94%	<p>During the year there were a total of 17 notifications, of which 16 were followed up during the year. All critical, and the majority of major non-compliances, were followed up by Council.</p> <p>Council issued directives to change food handling processes to address the one notification not followed up, and no subsequent notifications were received by Council for that business.</p>

# Service Performance Indicators

Service / indicator / measure	Results				Comment
	2018	2019	2020	2021	
<b>Governance</b> <b>Satisfaction</b> G5 <i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	48	43	46	52	The annual Community Satisfaction Survey assesses the community's satisfaction with Council's performance. Satisfaction with Council making decisions in the interest of the community has increased to 52 out of 100.
<b>Libraries</b> <b>Participation</b> LB4 <i>Active library borrowers in municipality</i> [Number of active library borrowers in the last three years / The sum of the population for the last three years] x100	14.9%	14.5%	14.3%	12.9%	The percentage of active borrowers has decreased compared to previous years due to libraries being closed for considerable time during the year due to COVID-19. The number of active borrowers has decreased by 11.1% over the 2020/21 year.
<b>Maternal and Child Health (MCH)</b> <b>Participation</b> MC4 <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	72.1%	70.6%	70.9%	70.9%	Participation remains consistent year on year, with 2,733 children were enrolled in the Maternal and Child Health service and 1,938 of those children attended the service at least once during the year.
<b>Participation</b> MC5 <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	81.5%	78.5%	84.3%	73.1%	Participation in the Maternal and Child Health by Aboriginal children remains relatively high. There were 74 Aboriginal children enrolled in the Maternal and Child Health service, of which 54 attended the service at least once during the year.
<b>Roads</b> <b>Satisfaction</b> R5 <i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	42	40	41	45	The annual Community Satisfaction Survey assesses the community's satisfaction with Council's performance. Satisfaction with sealed local roads increased to 45 out of 100.

# Service Performance Indicators

Service / indicator / measure		Results				Comment
		2018	2019	2020	2021	
SP4	<b>Statutory Planning</b> <b>Decision making</b> <i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	90.0%	50.0%	50.0%	57.1%	Seven of Council's planning decisions were appealed to VCAT, of which four were upheld.
WC5	<b>Waste Collection</b> <b>Waste diversion</b> <i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	52.5%	53.2%	55.6%	54.3%	Waste diverted from landfill remains consistently high, with more than half of waste collected being recycled or processed as green organics. In collaboration with its waste contractors, Council continues to implement and develop waste recycling education programs and initiatives.
AM4	<b>Retired indicators</b> <b>Animal Management</b> <b>Health and safety</b> <i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	3	15	Retired in 2020	Retired in 2020	This measure was replaced by AM7 from 1 July 2019.

# Financial Performance Indicators

Dimension / Indicator / measure		Results				Forecasts				Material Variations and Comments
		2018	2019	2020	2021	2022	2023	2024	2025	
E2	<b>Efficiency</b>									
	<b>Expenditure level</b> <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,043	\$3,245	\$3,378	\$3,381	\$3,244	\$3,250	\$3,373	\$3,430	Council's total expenses in 2020/21 were \$91.3 million, resulting in a cost to deliver Council services per property assessment of \$3,380, which is consistent with the previous year.
E4	<b>Revenue level</b>									
	<b>Average rate per property assessment</b> [Total rate revenue (general rates and municipal charges) / Number of property assessments]	New in 2020	New in 2020	\$1,969	\$2,020	\$1,998	\$1,985	\$2,053	\$2,062	The average rates payable for each property in 2020/21 was \$2,019. This is higher than the prior year due to rates increase consistent with "Fair Go Rates" system (2% in 2020/21), and additional supplementary charges being higher than the prior year.
L1	<b>Liquidity</b>									
	<b>Working capital</b> <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	209.3%	195.0%	185.6%	174.4%	149.3%	138.9%	135.4%	96.7%	Council has current assets of \$81.7 million and current liabilities of \$46.8 million. Whilst working capital decreased on the previous year, due to an increase in grants received in advance. Council remains able to meet liabilities as and when they are due.
L2	<b>Unrestricted cash</b>									
	<b>Unrestricted cash compared to current liabilities</b> [Unrestricted cash / Current liabilities] x100	21.0%	17.3%	28.9%	45.2%	20.1%	21.0%	22.5%	19.1%	Unrestricted cash has increased from the prior year due to a higher cash base in 2020/21 of \$39.1 million, compared to \$29.4 million in 2019/20.

# Financial Performance Indicators

Dimension / Indicator / measure		Results				Forecasts				Material Variations and Comments
		2018	2019	2020	2021	2022	2023	2024	2025	
<b>Obligations</b>										
<b>Loans and borrowings</b>										
O2	Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	22.9%	20.2%	18.5%	24.1%	21.3%	28.2%	34.5%	33.3%	Total debt as a percentage of rates for the 2020/21 years is 24.1% and is well within Council's Borrowing Policy that allows for a maximum of 40% debt to rates. The increase in the year is due to an additional loan of \$4.5 million.
O3	Loans and borrowings repayments compared to rates [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	3.9%	9.3%	8.0%	6.9%	6.7%	0.9%	1.1%	1.3%	Council paid \$4.4 million in principal and interest against its borrowings compared to rates and charges revenue received of \$63.5 million. The result indicates Council's ability to meet debt commitments from rate revenue. There are no principal repayments due in 2022/23 – 2024/25, therefore the forecasted amount is decreasing.
O4	Indebtedness Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100	24.5%	26.3%	30.6%	28.0%	36.9%	41.4%	45.3%	35.5%	The Victorian Auditor General (VAGO) has identified 40% or less as low risk. Council's result of 28.0% is well within the VAGO threshold of low risk for indebtedness and has reduced from last year mainly due to an increase in own source revenue. Indebtedness is forecast to increase in future years in line with borrowings included in the Long Term Infrastructure Plan to fund infrastructure projects such as the Drouin Indoor Stadium, Logan Park Pavilion and Warragul Library.



# Financial Performance Indicators

Dimension / indicator / measure		Results				Forecasts				Material Variations and Comments
		2018	2019	2020	2021	2022	2023	2024	2025	
O5	<b>Asset renewal and upgrade</b>									The result for 2020/21 has decreased from the prior year due to several factors including \$4 million in renewal expenditure being considered as operational, and therefore not included in the Capital Works Statement, in addition to other external events impacting the capital program such as extreme weather events, COVID-19 and Council elections. Asset renewal and upgrade is forecast to increase in future years in line with projects listed in the Long Term Infrastructure Plan for years 2021/22 – 2024/25.
	Asset renewal and upgrade compared to depreciation [Asset renewal and asset upgrade expense / Asset depreciation] x100	New in 2020	New in 2020	140.7%	91.3%	190.2%	144.4%	115.7%	162.1%	
OPI	<b>Operating position</b>									The adjusted underlying result has increased from -1.3% to -0.4%, mainly due to the higher rates revenue. This shows a decreased reliance (albeit small) on external funding. The result is forecast to decrease in future years as average underlying revenue is increasing by 2.73% where average underlying expenses is increasing by 3.80%.
	Adjusted underlying result Adjusted underlying surplus (or deficit) / [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	-1.3%	-2.6%	-1.3%	-0.4%	-3.0%	-4.3%	-5.1%	-7.0%	
SI	<b>Stability</b>									Council received \$63.5 million in rates and charges revenue during 2020/21 out of total adjusted underlying revenue of \$90.9 million and remains consistent with previous years. The result is forecast to increase in future years as the current year adjusted underlying revenue includes
	Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	69.5%	69.0%	68.6%	69.8%	74.1%	74.3%	74.5%	74.8%	

# Financial Performance Indicators

Dimension / Indicator / measure		Results					Forecasts			Material Variations and Comments	
		2018	2019	2020	2021	2022	2023	2024	2025		
S2	<b>Rates effort</b>										
	<i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.53%	0.46%	0.42%	0.42%	0.36%	0.35%	0.34%	0.33%		other revenue \$2.85 million (such as natural disasters and found assets) that decreases the ratio in 2020/21, but is not budgeted, thereby reducing the ratio in future years.
											Council received \$63.5 million in rates and charges revenue in 2020/21. This result has remained consistent with the prior year, noting that property values continue to increase as rates increase.
EI	<b>Retired indicators</b>										
	<b>Efficiency</b>										
	<b>Revenue level</b>										
	<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,876	\$1,899	Retired in 2020	Retired in 2020	Retired in 2020	Retired in 2020	Retired in 2020	Retired in 2020		This measure was replaced by E4 from 1 July 2019.
OI	<b>Obligations</b>										
	<b>Asset renewal</b>										
	<i>Asset renewal compared to depreciation</i> [Asset renewal expense / Asset depreciation] x100	80.6%	77.5%	Retired in 2020	Retired in 2020	Retired in 2020	Retired in 2020	Retired in 2020	Retired in 2020		This measure was replaced by O5 from 1 July 2019.

# Other information

## Basis of preparation

Council is required to prepare and include a performance statement within its Annual Report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and *Local Government (Planning and Reporting) Regulations 2014* (as per the transitional provisions of the *Local Government Act 2020*).

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

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the Council's strategic resource plan. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variations in the results contained in the performance statement.

The forecast figures included in the performance statement are those adopted by council in its Annual Budget on 23 June 2021 and which informs the upcoming Council Plan. The Annual Budget (incorporating the strategic resource plan) includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements (Annual Budget). The Council Plan, Strategic Resource Plan and Annual Budget can be obtained from Council's website.

# Certification of the Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014* (as per the transitional provisions of the *Local Government Act 2020*).




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Jane Watson  
**Principal Accounting Officer**  
**Dated:**

In our opinion, the accompanying performance statement of the Baw Baw Shire Council for the year ended 30 June 2021 presents fairly the results of Council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014* (as per the transitional provisions of the *Local Government Act 2020*).

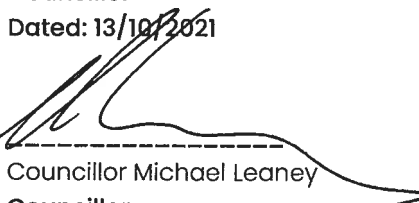
The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

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.

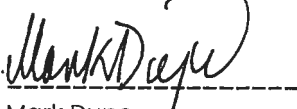
We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify this performance statement in its final form.



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Mayor Danny Goss  
**Councillor**  
**Dated: 13/10/2021**



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Councillor Michael Leaney  
**Councillor**  
**Dated: 13/10/2021**



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Mark Dupe  
**Chief Executive Officer**  
**Dated: 13/10/2021**

# Independent Auditor's Report

## To the Councillors of Baw Baw Shire Council

<b>Opinion</b>	<p>I have audited the accompanying performance statement of Baw Baw Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• description of municipality for the year ended 30 June 2021</li> <li>• sustainable capacity indicators for the year ended 30 June 2021</li> <li>• service performance indicators for the year ended 30 June 2021</li> <li>• financial performance indicators for the year ended 30 June 2021</li> <li>• other information and</li> <li>• certification of the performance statement.</li> </ul> <p>In my opinion, the performance statement presents fairly, in all material respects, the performance of the council for the year ended 30 June 2021 in accordance with the performance reporting requirements of Part 6 of the <i>Local Government Act 1989</i>.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the performance statement</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. I and my staff are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the performance statement in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Councillors' responsibilities for the performance statement</b>	<p>The Councillors are responsible for the preparation and fair presentation of the performance statement in accordance with the performance reporting requirements of the <i>Local Government Act 1989</i> and for such internal control as the Councillors determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.</p>

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<b>Auditor's responsibilities for the audit of the performance statement</b>	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the performance statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement.</p>
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As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the overall presentation, structure and content of the performance statement, including the disclosures, and whether performance statement represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
19 October 2021

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Sanchu Chummar  
*as delegate for the Auditor-General of Victoria*



