



Baw Baw Shire Council Annual Financial Report.

2021-22





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Understanding the Financial Statements

The Financial Statements compare the current 2021/22 financial year to the previous 2020/21 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 2020* and *Local Government (Planning and Reporting) Regulations 2020*.

Comprehensive Income Statement

For the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Rates and charges	3.1	65,810	63,478
Statutory fees and fines	3.2	2,679	3,217
User fees	3.3	3,170	2,702
Grants - operating	3.4	19,669	16,189
Grants - capital	3.4	7,786	7,075
Contributions - monetary	3.5	3,710	3,965
Contributions - non monetary	3.5	10,636	14,949
Share of net profits of associates and joint ventures	6.3	-	189
Other income	3.7	34,317	2,852
Total income		<u>147,777</u>	<u>114,616</u>
Expenses			
Employee costs	4.1	(31,872)	(30,286)
Materials and services	4.2	(48,745)	(36,959)
Depreciation	4.3	(19,016)	(17,659)
Amortisation - intangible assets	4.4	(456)	(455)
Amortisation - right of use assets	4.5	(753)	(824)
Bad and doubtful debts	4.6	-	(83)
Borrowing costs	4.7	(253)	(358)
Finance costs - leases	4.8	(23)	(30)
Chattel Mortgage - Interest	4.9	(14)	-
Other expenses	4.10	(5,674)	(3,684)
Net loss on disposal of property, infrastructure, plant and equipment	3.6	(3,269)	(940)
Total expenses		<u>(110,075)</u>	<u>(91,278)</u>
Surplus for the year		<u>37,702</u>	<u>23,338</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	9.1	41,788	6,072
Share of other comprehensive income of associates and joint ventures	6.3	-	26
Total other comprehensive income		<u>41,788</u>	<u>6,098</u>
Total comprehensive result		<u>79,490</u>	<u>29,436</u>

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

Balance Sheet

As at 30 June 2022

	Note	2022	2021
			Restated
			Refer Note 9.2
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	40,076	39,120
Trade and other receivables	5.1	6,197	5,312
Other financial assets	5.1	31,624	31,623
Non-current assets classified as held for sale	6.1	-	2,070
Other assets	5.2	7,273	3,524
Total current assets		85,170	81,649
Non-current assets			
Investments in associates and joint arrangements	6.3	-	2,452
Property, infrastructure, plant and equipment	6.2	892,348	809,028
Right-of-use assets	5.8	4,353	5,206
Intangible assets	5.2	418	874
Total non-current assets		897,119	817,560
Total assets		982,289	899,209
Liabilities			
Current liabilities			
Trade and other payables	5.3	13,241	12,369
Trust funds and deposits	5.3	7,087	5,957
Unearned income/revenue	5.3	16,803	13,194
Provisions	5.5	6,109	6,837
Interest-bearing liabilities	5.4	4,000	7,889
Chattel Mortgage liabilities	5.9	41	-
Lease liabilities	5.8	436	562
Total current liabilities		47,717	46,808
Non-current liabilities			
Provisions	5.5	12,088	11,269
Interest-bearing liabilities	5.4	9,908	7,434
Chattel Mortgage liabilities	5.9	278	-
Lease liabilities	5.8	993	1,586
Total non-current liabilities		23,267	20,289
Total liabilities		70,984	67,097
Net assets		911,305	832,112
Equity			
Accumulated surplus		432,888	396,272
Reserves	9.1	478,417	435,840
Total Equity		911,305	832,112

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

Statement of Changes in Equity

For the Year Ended 30 June 2022

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2022					
Balance at beginning of the financial year		843,597	407,757	424,711	11,129
Revaluation of fair value assessment of Open Space	9.2	(11,485)	(11,485)	-	-
Restated opening balance		832,112	396,272	424,711	11,129
Surplus for the year		37,702	37,702	-	-
Gift of Investment of library reserve	9.1	(299)	(299)	-	-
Net asset revaluation increment - infrastructure and land	9.1	41,788	-	41,788	-
Rounding increment		2	2	-	-
Transfers to other reserves	9.1	-	(4,530)	-	4,530
Transfers from other reserves	9.1	-	3,741	-	(3,741)
		911,305	432,888	466,499	11,918
Balance at end of the financial year		911,305	432,888	466,499	11,918

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2021					
Balance at beginning of the financial year		814,159	387,476	418,613	8,070
Surplus for the year		23,338	23,338	-	-
Net asset revaluation increment - Infrastructure and Land	9.1	6,072	-	6,072	-
Net Asset revaluation increment - library		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)
		843,597	407,757	424,711	11,129
Balance at end of the financial year		843,597	407,757	424,711	11,129

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 2022

	Note	2022 Inflows/ (Outflows) \$'000	2021 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		66,050	63,767
Statutory fees and fines		2,611	2,802
User fees		2,968	2,635
Grants - operating		21,071	15,908
Grants - capital		9,756	18,608
Contributions - monetary		3,710	3,965
Interest received		91	416
Trust funds and deposits taken		8,230	12,631
Other receipts		3,245	3,169
Net GST refund/(payment)		3,434	2,954
Employee costs		(32,642)	(29,801)
Materials and services		(48,654)	(36,498)
Short-term, low value and variable lease payments		(6)	(3)
Trust funds and deposits repaid		(7,100)	(10,738)
Other payments		(4,030)	(3,782)
Net cash provided by operating activities	9.3	<u>28,734</u>	<u>46,033</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(25,949)	(27,219)
Proceeds from sale of property, infrastructure, plant and equipment		625	257
Proceeds from sale of investments		-	(12,502)
Net cash used in investing activities		<u>(25,324)</u>	<u>(39,464)</u>
Cash flows from financing activities			
Finance costs		(297)	(355)
Proceeds from borrowings		6,474	8,155
Repayment of borrowings		(7,889)	(4,000)
Interest paid - lease liability		(23)	(30)
Repayment of lease liabilities		(719)	(636)
Net cash from/(used in) financing activities		<u>(2,454)</u>	<u>3,134</u>
Net increase in cash and cash equivalents		956	9,703
Cash and cash equivalents at the beginning of the financial year		39,120	29,417
Cash and cash equivalents at the end of the financial year		<u>40,076</u>	<u>39,120</u>
Financing arrangements	5.6	1,730	1,724
Restrictions on cash assets	5.1	19,905	17,959

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 2022

	Note	2022 \$'000	2021 \$'000
Property			
Land		412	984
Total land		<u>412</u>	<u>984</u>
Buildings		3,243	1,973
Total buildings		<u>3,243</u>	<u>1,973</u>
Total property		<u>3,655</u>	<u>2,957</u>
Plant and equipment			
Plant, machinery and equipment		1,425	1,364
Computers and telecommunications		-	151
Total plant and equipment		<u>1,425</u>	<u>1,515</u>
Infrastructure			
Roads		9,665	6,543
Bridges		318	475
Footpaths and cycleways		2,031	1,039
Drainage		715	843
Parks, open space and streetscapes		5,322	8,579
Other infrastructure		2,818	260
Total infrastructure		<u>20,869</u>	<u>17,739</u>
Total capital works expenditure		<u>25,949</u>	<u>22,211</u>
Represented by:			
Asset renewal expenditure		12,258	9,939
Asset expansion expenditure		6,330	6,082
Asset upgrade expenditure		7,361	6,190
Total capital works expenditure		<u>25,949</u>	<u>22,211</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 2022

Note 1 OVERVIEW

Introduction

The Baw Baw Shire Council 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 33 Young Street, Drouin, Victoria 3818.

Statement of compliance

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

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

Significant accounting policies

(a) Basis of accounting

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

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

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.

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

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)
- whether or not AASB 1059 *Service Concession Arrangements: Grantors* is applicable
- 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

This financial year the council faced another year under the global pandemic Covid-19 virus, known as coronavirus. Progressing from last year, this financial year brought challenges and impacts as the council has adapted to service delivery under the global pandemic. Council has noted the following impacts on its financial operations:

- Additional revenue – Council received Covid safe outdoor activation grant to help local businesses to operate outdoors including but not limited to new street furniture, landscaping, marquees, planter boxes and public art, as well as entertainment to bring outdoor precincts to life. Council also received Covid Vaccination and Immunisation grant, Covid Emergency service grant and Australia day Covid grant to ensure safety for the public during Australia day celebrations.
- Revenue reductions – The WGAC & YMCA and various sporting facilities have been impacted by lockdown days and density limits that applied once the facilities were reopened for public. Staffing challenges and reduced capacity limits in YMCA has led to revenue reduction in the financial year.
- Revenue foregone – Property fees and charges revenue forgone was not materially impacted this financial year.
- Additional costs – Council has incurred additional costs across its service delivery in cleaning expenditure to maintain compliance with the National health standards implied due to Covid 19.
- Asset valuations – No material impact of Covid 19 has affected the council's asset revaluation process. The long term impact of Covid 19 on the value of council assets is still unknown. Council infrastructure assets are valued at Fair value, with valuations taking place on roads asset class this financial year.

Notes to the Financial Statements

For the Year Ended 30 June 2022

Note 2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold \$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.

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

2.1.1 Income and expenditure

	Budget 2022 \$'000	Actual 2022 \$'000	Variance 2022 \$'000	Variance %	Ref
Income					
Rates and charges	65,355	65,810	455	0.70%	
Statutory fees and fines	2,609	2,679	70	2.68%	
User fees	2,735	3,170	435	15.90%	
Grants - operating	15,317	19,669	4,352	28.41%	1
Grants - capital	21,826	7,786	(14,040)	-64.33%	2
Contributions - monetary	3,459	3,710	251	7.26%	
Contributions - non monetary	7,103	10,636	3,533	49.74%	3
Share of net profits/(losses) of associates and joint ventures	37	-	(37)	-100.00%	
Other income	1,035	34,317	33,282	3215.65%	4
Total income	119,476	147,777	28,301	23.69%	
Expenses					
Employee costs	(34,006)	(31,872)	(2,134)	6.28%	5
Materials and services	(36,648)	(48,745)	12,097	-33.01%	6
Depreciation	(17,030)	(19,016)	1,986	-11.66%	7
Amortisation - intangible assets	-	(456)	456	0.00%	
Amortisation - right of use assets	(830)	(753)	(77)	9.28%	
Bad and doubtful debts	-	-	-	0.00%	
Borrowing costs	(516)	(253)	(263)	50.97%	
Finance costs - leases	(81)	(37)	(44)	54.32%	
Other expenses	(4,133)	(5,674)	1,541	-37.29%	8
Net (loss) on disposal of property, infrastructure, plant and equipment	(250)	(3,269)	(3,019)	1207.60%	9
Total expenses	(93,494)	(110,075)	10,543	-11.28%	
Surplus/(deficit) for the year	25,982	37,702	38,844	149.50%	

(i) Explanation of material variations

1	Grants - operating	Operating grants are higher than budget by \$4.35M, due to 75% payments received in advance from the Department of Jobs, Precincts and Regions (DJPR) and the Victorian Grants Commission.
2	Grants - Capital	Capital grants are lower than budget by \$14.04M due to delays in completion of capital projects, which have resulted in the carryover of capital grants to next financial year. The grants will be recognised by Council at the point when Council satisfies the project performance obligations as specified in the agreement.
3	Contributions - non monetary	Contributions - non monetary are higher than budget by \$3.53M due to works in kind asset contribution of \$3.81M for the financial year.
4	Other Income	Other income are higher than budget by \$33.28M, this relates to the reimbursement of capital works flood/storm events of \$5.38M and the life to date reconciliation of found assets (Site inspections and data capture of all Open Space assets was conducted. A collection of assets were recorded in an asset register for improved asset management and enhanced reporting) of \$27.5M
5	Employee costs	Employee costs are lower than budget by \$2.13M due to vacancy's across Council. This variance has been impacted by the use of agency staff to cover the vacancies.
6	Materials and services	Materials and service costs are higher than budget by \$12.10M, these costs were determined to be operational costs as they will not form part of the capital works assets.
7	Depreciation	Depreciation and Amortisation is higher than budget by \$1.99M due to an increase in the value of Council assets.
8	Other Expenses	Other expenses are higher than budget by \$1.54M due to the net write off of the investment in the West Gippsland Library of \$1.75M.
9	Disposal of property	Disposal of property is higher than budget by \$3.01M due to the disposal of various Bridges (\$1.44M), Roads sealed pavement (\$0.66M) and Roads sealed surface (\$0.81M).

Notes to the Financial Statements

For the Year Ended 30 June 2022

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
Property					
Land	2,262	412	(1,850)	-81.79%	1
Total land	2,262	412	(1,850)	-81.79%	
Total buildings	4,731	3,243	(1,488)	-31.45%	2
Total property	6,993	3,655	(3,338)	-47.73%	
Plant and equipment					
Plant, machinery and equipment	1,165	1,425	260	22.32%	
Computers and telecommunications	877	-	(877)	-100.00%	3
Total plant and equipment	2,042	1,425	(617)	-30.22%	
Infrastructure					
Roads	20,531	9,665	(10,866)	-52.92%	4
Bridges	2,048	318	(1,730)	-84.47%	5
Footpaths and cycleways	3,696	2,031	(1,665)	-45.05%	6
Drainage	2,556	715	(1,841)	-72.03%	7
Parks, open space and streetscapes	6,865	5,322	(1,543)	-22.48%	8
Other infrastructure	16,004	2,818	(13,186)	-82.39%	9
Total infrastructure	51,700	20,869	(30,831)	-59.63%	
Total capital works expenditure	60,735	25,949	(34,786)	-57.28%	
Represented by:					
Asset renewal expenditure	22,889	12,258	(10,631)	-46.45%	
Asset expansion expenditure	20,583	6,330	(14,253)	-69.25%	
Asset upgrade expenditure	17,263	7,361	(9,902)	-57.36%	
Total capital works expenditure	60,735	25,949	(34,786)	-57.28%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Land acquisition costs are lower than budget by \$1.85M mainly due to the delays with the Yarragon retardation, Cromie Drive Warragul & South Road/Weebar Road. These projects have been carried over to the next financial year.
2	Buildings	Building costs are lower than budget by \$1.48M due to delays mainly associated with the Civic Place Precinct, Warragul Depot project and the Noojee public toilets project. These projects have been carried over to the next financial year.
3	Computers and telecommunications	Computers and telecommunications costs are lower than budget by \$0.88M, project costs of \$0.08M have been carried forward to the next financial year and will be recognised on completion of the projects.
4	Roads	Road projects are lower than budget by \$10.87M due to delays on the Copelands Road upgrade, the road reconstruction program and the Drouin townscape works. These projects have been carried over to the next financial year.
5	Bridges	Variance comprised of underspend in Vehicle bridge renewal programs relating to 20-21 FY. These amounts carried over to FY23.
6	Footpaths and cycleways	Delays in multiple renewal projects leading to favourable variance. Notable projects underspent this year are new footpaths in tourist towns & Longwarry bicycle and walking paths project.
7	Drainage	Delays in multiple renewal projects leading to favourable variance. Notable projects underspent this year are Yarragon drainage project, Copelands road pipe project, Roadside drains and flanking project.
8	Recreational, leisure and community facilities	Variance comprised of multiple projects which have been delayed or underspent this financial year - Western park netball facilities redevelopment, Sports lighting renewal program, Recreation and Open space forward design program.
9	Other infrastructure	Delays in multiple infrastructure projects leading to favourable variance. Notable projects underspent this financial year are Rokeby Noojee trail, Warragul leisure centre indoor stadium and Trafalgar recreation reserve.

Notes to the Financial Statements

For the Year Ended 30 June 2022

Note 2.2 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 environment sustainability.

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 service 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, finance, community planning, 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 communication 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 planning and building services.

Other services that support the community and council are community compliance, public health, emergency management and Environment 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 requirement 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 2022

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2022					
Community Infrastructure	22,450	(67,060)	(44,610)	8,314	892,348
Chief Executive Office	6	(903)	(897)	-	-
Strategy and Organisational Performance	112,994	(14,449)	98,545	18,126	85,170
Economic Development, Arts and advocacy	1,148	(4,723)	(3,575)	520	-
Planning and Development	7,775	(9,386)	(1,611)	475	-
Governance and information services	136	(10,286)	(10,150)	20	4,771
	144,509	(106,807)	37,702	27,455	982,289

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Restated Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2021					
Community Infrastructure	24,768	(52,871)	(28,103)	7,445	809,028
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	899,209

Notes to the Financial Statements

For the Year Ended 30 June 2022

Note 3 Funding for the delivery of our services

2022
\$'000

2021
\$'000

3.1 Rates and charges

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 2022.

The valuation base used to calculate general rates for 2021/22 was \$16,869 million (2020/21 \$15,293 million).

General rates	54,998	53,144
Waste management charge	9,419	8,801
Supplementary rates and rate adjustments	1,250	1,384
Interest	143	149
Total rates and charges	65,810	63,478

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2022, and the valuation will be first applied in the rating year commencing 1st July 2022.

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.

3.2 Statutory fees and fines

Infringements and costs	414	641
Other fees	474	676
Town planning fees	764	634
Land information certificates	169	180
Permits	858	1,086
Total statutory fees and fines	2,679	3,217

Statutory fees and fines (including parking fees and fines) 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	932	878
Art Centre	559	253
Registration and other permits	772	675
Leases and permits	115	179
Waste management services	459	423
Other fees and charges	333	294
Total user fees	3,170	2,702
User fees by timing of revenue recognition		
User fees recognised over time	95	84
User fees recognised at a point in time	3,075	2,618
Total user fees	3,170	2,702

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.

Notes to the Financial Statements

For the Year Ended 30 June 2022

3.4 Funding from other levels of government	2022	2021
Grants were received in respect of the following :	\$'000	\$'000
Summary of grants		
Commonwealth funded grants	19,571	15,208
State funded grants	7,884	8,056
Total grants received	27,455	23,264
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	14,103	9,086
Family day care	589	717
Aged Care	1,727	2,011
<i>Recurrent - State Government</i>		
Aged Care	406	396
Arts culture and events	130	130
Community safety/public health	70	70
Disability services	60	58
Immunisation	5	29
Family children services	115	83
Fire prevention and emergency response	78	159
Maternal and child health	859	683
Waste	20	-
Rural access and inclusive communities	27	14
School crossing supervisors	191	187
Supported playgroups	84	374
Other	-	62
Total recurrent operating grants	18,464	14,059
<i>Non-recurrent - Commonwealth Government</i>		
Family day care	-	134
Aged care	-	51
<i>Non-recurrent - State Government</i>		
Aged care	48	155
Arts culture and events	44	67
Community safety/public health	81	82
Planning and development	-	288
Economic development	341	763
Fire prevention and emergency response	442	408
Community events	20	-
Weeds	54	-
Family day care	-	4
Family and children services	-	1
Recreation	-	40
Rural access and inclusive communities	26	106
Waste	65	10
Supported playgroups	-	21
Other	84	-
Total non-recurrent operating grants	1,205	2,130
Total operating grants	19,669	16,189
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	748	1,581
Total recurrent capital grants	748	1,581
<i>Recurrent - State Government</i>		
Roads	375	696
	375	696
Total recurrent capital grants	1,123	2,277
<i>Non-recurrent - Commonwealth Government</i>		
LRCI	2,280	-
Footpaths and cycleways	-	15
Recreation	-	598
Roads	75	319
Bridges	49	-

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022 \$'000	2021 \$'000
3.4 Funding from other levels of government (cont'd)		
Non-recurrent - State Government		
Local and collector roads	206	751
IT Equipment	-	100
Irrigation	-	277
Bridges	-	94
Sports facilities	3	641
Recreation	1,742	1,872
Buildings	2,308	131
Total non-recurrent capital grants	6,663	4,798
Total capital grants	7,786	7,075
(c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	873	955
Received during the financial year and remained unspent at balance date	332	851
Received in prior years and spent during the financial year	(305)	(933)
Balance at year end	900	873

(d) Recognition of grant income

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with *AASB 15 Revenue from Contracts with Customers*. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement
- determines the transaction price
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies *AASB 1058 Income for Not-for-Profit Entities*.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

Income recognised under AASB 1058 Income of Not-for-Profit Entities

General purpose	14,574	9,311
Other specific purpose grants	145	2,703

Revenue recognised under AASB 15 Revenue from Contracts with Customers

Specific purpose grants	12,736	11,250
	27,455	23,264

3.5 Contributions

Monetary	3,710	3,965
Non-monetary	10,636	14,949
Total contributions	14,346	18,914

Contributions of non monetary assets were received in relation to the following asset classes.

Land	3,910	2,526
Other infrastructure	6,726	12,423
Total non-monetary contributions	10,636	14,949

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

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

Proceeds of sale	625	257
Written down value of assets disposed	(3,894)	(1,197)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(3,269)	(940)

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

3.7 Other income	2022 \$'000	2021 \$'000
Interest	156	194
Other rent	281	229
Capital contributions	19	138
Operating contributions	-	10
Natural disaster funding	5,684	1,024
Found assets	27,588	677
Other	589	580
Total other income	34,317	2,852

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. Found assets is a collection of assets that were recorded in an asset register for improved asset management and enhanced reporting. Site inspections and data capture of all open space assets were conducted.

Note 4 The cost of delivering services

4.1(a) Employee costs

Wages and salaries	27,132	25,927
Workcover	436	338
Casual staff	920	928
Superannuation	2,692	2,411
Fringe benefits tax	202	178
Other	490	504
Total employee costs	31,872	30,286

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	36	87
	<u>36</u>	<u>87</u>
Employer contributions payable at reporting date.	19	13

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,655	2,324
	<u>2,655</u>	<u>2,324</u>
Employer contributions payable at reporting date.	47	76

Refer to note 9.4 for further information relating to Council's superannuation obligations.

4.2 Materials and services

Art and culture	306	235
Repairs and maintenance	2,185	75
Building maintenance	743	786
Consultants	2,347	1,290
Delivered meals	370	316
Family day care	538	729
Fleet vehicles and plant costs	959	778
General maintenance	2,768	1,369
Information technology	1,473	1,269
Insurance	831	769
Legal	628	763
Marketing costs	1,496	667
Office administration	1,248	1,207
Recreation services	2,085	2,513
Roads and infrastructure	16,827	11,927
Training	406	354
Utilities	660	613
Waste	10,209	6,801
Other contract payments	2,492	3,914
Other	174	584
Total materials and services	48,745	36,959

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

4.3 Depreciation	2022	2021
	\$'000	\$'000
Property	2,451	2,240
Plant and equipment	829	709
Infrastructure	15,736	14,711
Total depreciation	19,016	17,660

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

4.4 Amortisation - Intangible assets

Software	456	455
Total Amortisation - Intangible assets	456	455

4.5 Amortisation - Right of use assets

IT equipment	228	335
Fleet	151	103
Property	368	380
Art centre	6	6
Total Amortisation - Right of use assets	753	824

4.6 Bad and doubtful debts

Fines Victoria Debtors	-	83
Total bad and doubtful debts	-	83

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	253	358
Total borrowing costs	253	358

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	23	30
Total finance costs	23	30

4.9 Chattel Mortgage - Interest

Interest - Chattel Mortgage	14	-
Total Interest Chattel Mortgage	14	-

4.10 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	54	51
Auditors' remuneration - Internal Audit	53	55
Councillors' allowances	396	345
Operating lease rentals	118	36
Bank charges	152	168
Contribution - West Gippsland Regional Library Corporation	1,961	1,932
Council grants & sponsorships	674	638
Gift of Investment to Library	1,746	-
Others	520	459
Total other expenses	5,674	3,684

Notes to the Financial Statements

For the Year Ended 30 June 2022

Note 5 Our financial position

5.1 Financial assets

(a) Cash and cash equivalents

	2022 \$'000	2021 \$'000
Cash on hand	7	7
Cash at bank	30,069	29,113
Term deposits	10,000	10,000
Total cash and cash equivalents	40,076	39,120

(b) Other financial assets

Term deposits - current	31,624	31,623
Total other financial assets	31,624	31,623
Total financial assets	71,700	70,743

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

- Reserve funds allocated due to external restrictions	11,918	11,129
- Trust funds and deposits (Note 5.3)	7,087	5,957
- Unspent grants	900	873
Total restricted funds	19,905	17,959
Total unrestricted cash and cash equivalents	20,171	21,161

Intended allocations

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

- cash held to fund carried forward capital works	34,786	13,539
Total funds subject to intended allocations	34,786	13,539

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.

Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

Other financial assets include term deposits and those with original maturity dates of three to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

(c) Trade and other receivables

Current

Rates Debtors	3,156	2,984
Sundry & other debtors	2,087	1,218
<i>Statutory receivables</i>		
Net GST receivable	954	1,110
Total current trade and other receivables	6,197	5,312

Short term receivables are carried at invoice amount. 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 2022

	2022 \$'000	2021 \$'000
5.1 Financial Assets (cont'd)		
(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)	1,796	846
Past due by up to 30 days	104	73
Past due between 31 and 180 days	53	70
Past due between 181 and 365 days	113	128
Past due by more than 1 year	21	101
Total trade and other receivables	<u>2,087</u>	<u>1,218</u>

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$10k (2021: \$11k) were impaired.

Notes to the Financial Statements

For the Year Ended 30 June 2022

5.2 Non-financial assets	2022	2021
(a) Other assets	\$'000	\$'000
Prepayments	1,369	909
Accrued income	5,872	2,583
Other	32	32
Total other assets	7,273	3,524

(b) Intangible assets

Software	418	874
Total intangible assets	418	874

(c) Gross carrying amount

Balance at 1 July 2021	6,263	6,263
Additions from internal developments	-	-
Other additions	-	-
Balance at 30 June 2022	6,263	6,263

(d) Accumulated amortisation and impairment

Balance at 1 July 2021	5,389	5,389
Amortisation expense	456	456
Balance at 30 June 2022	5,845	5,845

Net book value at 30 June 2021	874	874
Net book value at 30 June 2022	418	418

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.

5.3 Payables, trust funds and deposits and unearned income/revenue	2022	2021
	\$'000	\$'000
(a) Trade and other payables		
<i>Non-statutory payables</i>		
Trade payables	8,360	8,815
Accrued expenses	4,881	3,554
Total trade and other payables	13,241	12,369

(b) Trust funds and deposits

Refundable deposits	737	778
Retention amounts	6,152	5,049
Other refundable deposits	198	130
Total trust funds and deposits	7,087	5,957

(c) Unearned income

Grants received in advance - operating	2,555	1,208
Grants received in advance - capital	14,248	11,986
Total unearned income	16,803	13,194

Unearned income represents contract liabilities and reflect consideration received in advance from customers in respect of operating and capital grants. Unearned income are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3(d).

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 2022

5.3 Payables (cont'd)

Purpose and nature of items

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.

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.

5.4 Interest-bearing liabilities

	2022 \$'000	2021 \$'000
Current		
Borrowings - secured	4,000	7,889
	<u>4,000</u>	<u>7,889</u>
Non-current		
Borrowings - secured	9,908	7,434
	<u>9,908</u>	<u>7,434</u>
Total	<u>13,908</u>	<u>15,323</u>

Borrowings are secured by registered charge over general rates revenue of council. \$2.474M of the Non-current borrowings relates to Treasury Corporation of Victoria variable interest only loan over 10 years.

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

Not later than one year	4,000	7,889
Later than one year and not later than five years	9,908	7,434
	<u>13,908</u>	<u>15,323</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 \$ '000	Landfill restoration \$ '000	Total \$ '000
2022			
Balance at beginning of the financial year	7,174	10,930	18,104
Additional provisions	2,932	-	2,932
Amounts used	(4,836)	(198)	(5,034)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	1,114	1,081	2,195
Balance at the end of the financial year	<u>6,384</u>	<u>11,813</u>	<u>18,197</u>
2021			
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>

Notes to the Financial Statements

For the Year Ended 30 June 2022

5.5 Provisions (cont'd)	2022	2021
(a) Employee provisions	\$'000	\$'000
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,573	1,799
Long service leave	548	694
Other	335	319
	<u>2,456</u>	<u>2,812</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	965	924
Long service leave	2,219	2,719
	<u>3,184</u>	<u>3,643</u>
Total current employee provisions	<u>5,640</u>	<u>6,455</u>
Non-current		
Long service leave	744	720
Annual leave	-	-
Total non-current employee provisions	<u>744</u>	<u>720</u>
Aggregate carrying amount of employee provisions:		
Current	5,640	6,455
Non-current	744	720
Total aggregate carrying amount of employee provisions	<u>6,384</u>	<u>7,175</u>

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

Annual leave

A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:

- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability and measured at present value.

Key assumptions:	2022	2021
- discount rate	3.69%	1.49%
- index rate	2.00%	2.00%

(b) Landfill restoration	2022	2021
	\$'000	\$'000
Current	469	382
Non-current	11,344	10,549
Total	<u>11,813</u>	<u>10,931</u>

Council is obligated to restore the Trafalgar landfill site to a defined 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:	2022	2021
- discount rate	3.69%	1.49%
- index rate	5.10%	2.00%

(c) Summary of provisions	2022	2021
	\$'000	\$'000
Current		
Employee provisions	5,640	6,455
Landfill restoration	469	382
	<u>6,109</u>	<u>6,837</u>
Non-current		
Employee provisions	744	720
Landfill restoration	11,344	10,549
	<u>12,088</u>	<u>11,269</u>
Total	<u>18,197</u>	<u>18,106</u>

Notes to the Financial Statements

For the Year Ended 30 June 2022

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2022.

	2022	2021
	\$'000	\$'000
Bank overdraft	1,500	1,500
Credit card facilities	250	250
Other facilities	13,908	15,323
Total facilities	15,658	17,073
Used facilities		
Credit card facilities	(20)	(26)
Borrowings	(13,908)	(15,323)
Total Used facilities	(13,928)	(15,349)
Unused facilities	1,730	1,724

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.

(a) Commitments for expenditure

2022	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
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	1,900	-	-	-	1,900
Garbage collection	9,377	1,517	1,435	1,464	13,793
Roads	7,199	7,536	7,686	-	22,421
Meals for delivery	9	-	-	-	9
Consultancies	526	-	-	-	526
Open space management	92	-	-	-	92
Cleaning contracts for council buildings	84	-	-	-	84
Buildings	17	-	-	-	17
Drainage	71	-	-	-	71
Recreation	1,606	1,387	1,486	1,486	5,965
Other	364	-	-	-	364
Total	21,245	10,440	10,607	2,950	45,242
Capital					
Buildings	5,001	-	-	-	5,001
Roads	1,874	-	-	-	1,874
Consultancies	653	-	-	-	653
Drainage	112	-	-	-	112
Open Space	17	-	-	-	17
Other	2,689	-	-	-	2,689
Total	10,346	-	-	-	10,346
2021	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
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
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
Capital					
Buildings	1,695	-	-	-	1,695
Roads	3,878	-	-	-	3,878
Consultancies	400	-	-	-	400
Other	1,429	-	-	-	1,429
Total	7,402	-	-	-	7,402

Notes to the Financial Statements

For the Year Ended 30 June 2022

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.

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, 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.

2022

Right-of-Use Assets	IT \$'000	Fleet \$'000	Property \$'000	Art Centre \$'000	Total \$'000
Balance at 1 July 2021	349	538	4,303	16	5,206
Additions	191	-	(279)	-	(88)
Amortisation charge	(242)	(151)	(367)	(5)	(765)
Balance at 30 June 2022	298	387	3,657	11	4,353

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

Lease Liabilities

Maturity analysis - contractual discounted cash flows

	2022 \$'000	2021 \$'000
Less than one year	436	562
One to five years	993	1586
More than five years	-	-
Total discounted lease liabilities as at 30 June:	1,429	2,148

Lease liabilities included in the Balance Sheet at 30 June:

	Total lease liability as at June 2022	undiscounted Interest due at 30 discounting	to Total discounted lease liability as at 30 June 2022
Current	451	(15)	436
Non-current	1,020	(27)	993
Total lease liabilities	1,471	(42)	1,429
	Total lease liability as at June 2021	undiscounted Interest due at 30 discounting	to Total discounted lease liability as at 30 June 2021
Current	585	(23)	562
Non-current	1,650	(64)	1,586
Total lease liabilities	2,235	(87)	2,148

Notes to the Financial Statements

For the Year Ended 30 June 2022

5.8 Leases (cont'd)

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.

	2022	2021
	\$'000	\$'000
Expenses relating to:		
Short-term leases	5	-
Leases of low value assets	2	3
Total	7	3

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	6	1
Later than one year but not later than five years	1	2
Total lease commitments	7	3

5.9 Chattel Mortgage

Chattel mortgage liability as at 30 June 2022

Current	41	-
Non Current	278	-
Total	319	-

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

	2022	2021
	\$'000	\$'000
Held at carrying value	-	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 2022

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Restated at Fair Value 30 June 2021	Additions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	Found 30 June 2022 \$'000	Carrying amount 30 June 2022 \$'000
Building	69,030	1,973	-	-	(2,451)	(242)	-	-	-	68,310
Land	153,153	432	3,910	36,635	-	-	-	2,070	-	196,200
Plant and equipment	3,593	1,720	-	-	(829)	(253)	-	-	-	4,231
Infrastructure	549,589	8,438	6,726	5,560	(15,736)	(3,398)	-	-	27,588	578,767
Work in progress	33,663	13,386	-	-	-	-	(2,209)	-	-	44,840
	809,028	25,949	10,636	42,195	(19,016)	(3,893)	(2,209)	2,070	27,588	892,348

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Write-off \$'000	Transfers \$'000	Closing WIP \$'000
Building	5,881	3,243	(152)	(3,276)	5,696
Land	1,169	412	-	(454)	1,127
Plant and equipment	308	1,425	-	(1,689)	44
Infrastructure	26,305	20,869	(2,057)	(7,144)	37,973
Total	33,663	25,949	(2,209)	(12,563)	44,840

Notes to the Financial Statements

For the Year Ended 30 June 2022

(a) Property

At fair value 1 July 2021

Accumulated depreciation at 1 July 2021

	Land - specialised \$'000	Land - non specialised \$'000	Total Land & Land Improvements \$'000	Work in progress Land \$'000	Buildings - specialised \$'000	Work In Progress \$'000	Total Property \$'000
	71,493	81,660	153,153	1,169	130,628	5,881	290,831
	-	-	-	-	(61,598)	-	(61,598)
	71,493	81,660	153,153	1,169	69,030	5,881	229,233
Movements in fair value							
Additions	-	432	432	412	1,973	3,243	6,060
Contributions	35	3,875	3,910	-	-	-	3,910
Found Assets	-	-	-	-	-	-	-
Derecognised asset at valuation	-	-	-	-	-	-	-
Revaluation	12,701	23,934	36,635	-	-	-	36,635
Disposal	-	-	-	-	(667)	-	(667)
Write-off	-	-	-	-	-	(152)	(152)
Transfers	-	-	-	(454)	-	(3,276)	(3,730)
Transfers - Land held for Sale	-	2,070	2,070	-	-	-	2,070
	12,736	30,311	43,047	(42)	1,306	(185)	44,126

Movements in accumulated depreciation

Depreciation and amortisation	-	-	-	-	(2,451)	-	(2,451)
Accumulated depreciation of disposals	-	-	-	-	425	-	425
Found asset accumulated depreciation at valuation	-	-	-	-	-	-	-
Derecognised asset accumulated depreciation at valuation	-	-	-	-	-	-	-
Revaluation depreciation movements	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
	-	-	-	-	(2,026)	-	(2,026)

At fair value 30 June 2022

Accumulated depreciation at 30 June 2022

Carrying amount

	84,229	111,971	196,200	1,127	131,934	5,696	334,957
	-	-	-	-	(63,624)	-	(63,624)
	84,229	111,971	196,200	1,127	68,310	5,696	271,333

Notes to the Financial Statements

For the Year Ended 30 June 2022

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Work in progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	7,024	4,389	308	11,721
Accumulated depreciation at 1 July 2021	(3,689)	(4,131)	-	(7,820)
	3,335	258	308	3,901
Movements in fair value				
Additions	1,500	220	1,425	3,145
Contributions	-	-	-	-
Revaluation	-	-	-	-
Disposal	(1,574)	(1)	-	(1,575)
Write-off	-	-	-	-
Transfers	-	1	(1,690)	(1,689)
Impairment losses recognised in operating result	-	-	-	-
	(74)	220	(265)	(119)
Movements in accumulated depreciation				
Depreciation and amortisation	(740)	(89)	-	(829)
Accumulated depreciation of disposals	1,322	1	-	1,323
Impairment losses recognised in operating result	-	-	-	-
Transfers	-	-	-	-
	582	(88)	-	494
At fair value 30 June 2022	6,950	4,609	43	11,602
Accumulated depreciation at 30 June 2022	(3,107)	(4,219)	-	(7,326)
	3,843	390	43	4,276

Notes to the Financial Statements

For the Year Ended 30 June 2022

(c) Infrastructure

	Roads \$'000	Bridges & Major culverts \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Parks open space and streetscapes \$'000	Off street car parks \$'000	Work In Progress \$'000	Total Infrastructure \$'000
At fair value 1 July 2021	468,185	52,678	50,710	98,201	32,461	12,531	26,306	741,072
Accumulated depreciation at 1 July 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
Prior Period adjustment as at 30 June 2021								
Prior year Cost adjustment (refer 9.2)	-	-	-	-	(6,427)	-	-	(6,427)
Prior year depreciation adjustment (refer 9.2)	-	-	-	-	(5,058)	-	-	(5,058)
Restated Opening Balance								
At fair value 1 July 2021 Restated	468,185	52,678	50,710	98,201	26,034	12,531	26,306	734,645
Accumulated depreciation at fair value 1 July 2021 Restated	(96,627)	(23,982)	(6,927)	(17,755)	(10,076)	(3,383)	-	(158,750)
	371,558	28,696	43,783	80,446	15,958	9,148	26,306	575,895
Movements in fair value								
Additions	3,889	1,588	148	526	2,130	157	20,869	29,307
Contributions	3,323	123	1,021	2,259	-	-	-	6,726
Found Assets	-	-	-	-	45,976	-	-	45,976
Revaluation	4,143	2,489	453	-	(921)	195	-	6,359
Disposal	(3,257)	(1,733)	-	(32)	(123)	-	-	(5,145)
Derecognised asset at valuation	-	-	-	-	-	-	-	-
Transfers	357	-	-	218	(738)	2	(7,144)	(7,305)
Write-offs	-	-	-	-	-	-	(2,057)	(2,057)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-
	8,455	2,467	1,622	2,971	46,324	354	11,668	73,861
Movements in accumulated depreciation								
Depreciation and amortisation	(11,179)	(693)	(761)	(1,204)	(1,553)	(346)	-	(15,736)
Accumulated depreciation on disposals	1,437	296	-	10	4	-	-	1,747
Found Asset Depreciation	-	-	-	-	(18,388)	-	-	(18,388)
Contributions Accumulated depreciation	-	-	-	-	-	-	-	-
Revaluation depreciation movement	(2,589)	(1,343)	(269)	-	3,506	(104)	-	(799)
Transfers	(105)	-	-	(36)	303	-	-	162
	(12,436)	(1,740)	(1,030)	(1,230)	(16,128)	(450)	-	(33,014)
At fair value 30 June 2022	476,640	55,145	52,332	101,172	72,358	12,885	37,974	808,506
Accumulated depreciation at 30 June 2022	(109,063)	(25,722)	(7,957)	(18,985)	(26,204)	(3,833)	-	(191,764)
Carrying amount	367,577	29,423	44,375	82,187	46,154	9,052	37,974	616,742

Notes to the Financial Statements

For the Year Ended 30 June 2022

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	4-100 years	25
Plant and Equipment		
plant, machinery and equipment	1-20 years	All
fixture fittings and furniture	3-27 years	10
computer and telecommunications	1-20 years	10
Infrastructure		
roads - pavements, and seals	1-85 years	10
roads - formation and earthworks	-	10
bridges - kerbs, channel and minor culverts	15-80 years	5
road bridges	1-100 years	20
pedestrian bridges	1-100 years	10
major culverts	1-80 years	20
footpaths	1-80 years	10
drainage	25-100 years	10
waste management	-	10
open space and recreational facilities	10-80 years	5
off street car parks	1-85 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 2022

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.

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

The date of valuations is detailed in the following table. A full revaluation of land assets was conducted in the year 2021/22 and next full revaluation for land and buildings assets will occur in 3 year cycle from valuation date or earlier if any material change is observed in regular desktop review.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Non-Specialised land	-	84,229	-	Mar-22
Specialised land (including land under roads)	-	-	111,971	Mar-22
Specialised Buildings	-	-	68,310	Jun-21
Total	-	84,229	180,281	

Valuation of infrastructure

Valuation of infrastructure assets was undertaken by the qualified engineers within the Assets Systems Team by David Hair (Bachelor of Engineering -Civil – Registered Professional Engineer PE0006720), Buddhima Edi (Bachelor Civil and Environmental Engineering) and Emily Rickwood (Bachelor Civil and Environmental Engineering). An indexation on unit rates for Roads, Bridges and Major Culverts, Footpaths and Cycleways and Off Street Car Park assets was applied in the current year. A full unit rate revaluation was conducted on Parks, Open Space and Streetscape asset classes utilising the Asset Information Management System (Conquest) to process the information for financial reporting.

The valuation is at fair value for the assets carried forward at 1 July 2021 based on current replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Roads	-	-	367,577	May-22
Bridges and major culverts	-	-	29,423	May-22
Footpaths and cycleways	-	-	44,375	May-22
Drainage	-	-	82,187	Mar-20
Parks, open space and streetscapes	-	-	46,154	May-22
Off street car parks	-	-	9,052	May-22
Total	-	-	578,768	

Notes to the Financial Statements

For the Year Ended 30 June 2022

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 are up 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 buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and are up 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.

	2022	2021
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	23,805	17,693
Parks and reserves	20,618	18,679
Other	39,806	35,121
Total specialised land	84,229	71,493

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022 \$'000	2021 \$'000
6.3 Investments in associates, joint arrangements and subsidiaries		
(a) Investments in associates		
Myli - My Community Library Limited.	-	2,452
Myli - My Community Library Limited		
Myli - My Community Library Limited (Myli Ltd) previously known as West Gippsland Regional Library Corporation (changed as at 30 June 2022). It was established on the 11th December 1995 and was previously a Body Corporate now a Not-For-Profit(NFP)entity. The library location is 64 Victoria Street, Warragul.		
Fair value of Council's investment in Myli Ltd.	-	2,452
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	1,719	1,736
Reported surplus/(deficit) for year	-	189
Transfers (to) from reserves	-	(207)
Rounding increment	-	1
Extinguish claim of library	(1,719)	-
Council's share of accumulated surplus at end of year	-	1,719
Council's share of reserves		
Council's share of reserves at start of year	706	500
Share of movement due to change in percentage in ownership for other	-	-
Share of movement due to change in percentage in ownership for asset	-	-
Share of asset revaluation	-	26
Transfers (to) from reserves	-	180
Gift of Library Reserves	(706)	-
Council's share of reserves at end of year	-	706
Movement in carrying value of specific investment		
Carrying value of investment at start of year	2,452	2,237
Share of surplus for year	-	189
Share of asset revaluation	-	26
Gift of Library Investment	(2,452)	-
Carrying value of investment at end of year	-	2,452

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.

Due to the changes to the Local Government Act 2020 (the act) the West Gippsland Regional Library Corporation (WGRLC) transitioned from a body corporate, to a Not-For-Profit (NFP) entity. This transition occurred on 30 June 2022, with the formation of a new entity known as Myli - My Community Library Limited (Myli Ltd). This entailed the Council gifting its share of the Library assets to the new entity Myli, as at 30 June 2022 and extinguished any claim Baw Baw Shire Council had to its share of the Library net assets as at 30 June 2022.

Council will continue to make contributions in the future to the library as per the Library Agreement as varied by the Deed of Novation. Council currently has the ability to appoint upto 2 directors in accordance with Myli's constitution. At the completion of the winding up of Myli Ltd council has no rights to the assets.

(c) Community Asset Committee

All entities controlled by Council that have material income, 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 2022

	2022 No.	2021 No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
Baw Baw Shire Council has no subsidiaries.		
(b) Key Management Personnel		
Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Baw Baw Shire. The Councillors, Chief Executive Officer and Directors are deemed KMP.		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors	Mayor M Leaney Councillor D Goss Deputy Mayor A McCabe Councillor P Kostos Councillor T Jones Councillor D Wallace Councillor J Gauci Councillor J Tauru Councillor K Cook	(Mayor from November 2021 to date) (Mayor from July 2021 to November 2021)
Key management personnel	Chief Executive Officer Director - Strategy and Organisation Performance Director - Community Infrastructure Director - Planning and Development Director - Planning and Development Director - Governance and Information Services Director - Economic Development, Arts and advocacy	Mark Dupe Carolyn McLean Cohen Van der Velde James Reid to 24 September 2021 Leanne Hurst from 20 December 2021 Martin Hopley Mark Kestigian
Total Number of Councillors	9	12
Total of Chief Executive Officer and other Key Management Personnel	7	6
Total Number of Key Management Personnel	16	18
(c) Remuneration of Key Management Personnel	2022 \$'000	2021 \$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,669	1,639
Long-term benefits	-	28
Post employment benefits	155	139
Termination benefits	-	75
Total	1,824	1,881
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	2022 No.	2021 No.
\$10,000 - \$19,999	-	3
\$20,000 - \$29,999	6	4
\$30,000 - \$39,999	1	0
\$40,000 - \$49,999	-	0
\$50,000 - \$59,999	1	0
\$60,000 - \$69,999	-	5
\$70,000 - \$79,999	1	-
\$80,000 - \$89,999	1	1
\$120,000 - \$129,999	-	1
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	1	-
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	1	1
\$230,000 - \$239,999	1	2
\$240,000 - \$249,999	2	-
\$300,000 - \$309,999	1	1
	16	20

Notes to the Financial Statements

For the Year Ended 30 June 2022

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, regardless of the actual remuneration paid in the period.

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

Income Range:	2022 No.	2021 No.
\$151,000 - \$159,999	3	6
\$160,000 - \$169,999	10	10
\$170,000 - \$179,999	4	1
\$180,000 - \$189,999	1	2
\$190,000 - \$199,999	1	-
\$210,000 - \$219,999	1	1
	<u>20</u>	<u>20</u>
	2022	2,021
	\$'000	\$'000
Total Remuneration for the reporting year for Senior Officers included above,	<u>2,923</u>	<u>3,311</u>

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties.

Councillor Joe Gauci	Gauci Electrics Pty Ltd	28,773	43,206
(Payment for Electrical services provided on council buildings and facilities during the year ended 30 June 2022)			

During the year the following key management personnel, were board members of Myli - My Community Library to which the Council made the following contributions as per the Regional Library Agreement.

Cr. McCabe	Mr Martin Hopley	1,961,347	1,932,362
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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

No other commitment have been made, guaranteed or secured by Council to Key Management personnel or related parties during the reporting year.

Notes to the Financial Statements

For the Year Ended 30 June 2022

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

(a) Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

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 30 June 2022 the estimated income for the balance of the projects in each DCP are

- a) DCP01 - \$12.84m
- b) DCP02 - \$190.16m
- c) DCP03 - \$97.71m.

(b) Contingent liabilities

Contingent liabilities are:

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

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 30 June 2022 the estimated value of infrastructure works to be funded by council is \$21.43M.

DCP02 has been designed to collect 99.45% of all projects on average and DCP03 is expected to collect 99.99% of all projects. The balance of such works which are not fully funded by DCP02 and DCP03 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 \$1.05M and DCP03 \$14K.

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.

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 Board (AASB) and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. Council assesses the impact of these new standards. As at 30 June 2022 there were no new accounting standards or interpretations issued by the AASB which are applicable for future years that are expected to impact Council.

Notes to the Financial Statements

For the Year Ended 30 June 2022

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 2020*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

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

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

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

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

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any 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 2022

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 +2% and -0.25% in market interest rates (AUD) from year-end rates of 0.85%.

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 observable; and

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

Note 9 Other matters

9.1 Reserves

(a) Asset revaluation reserves

2022

Property

Land and land improvements

Buildings

Infrastructure

Infrastructure assets

Other revaluation assets

West Gippsland Regional Library corporation

Total asset revaluation reserves

2021

Property

Land and land improvements

Buildings

Infrastructure

Infrastructure assets

Other revaluation assets

West Gippsland Regional Library Corporation

Total asset revaluation reserves

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

(b) Other reserves

2022

Open Space

Development Contribution levy DCP01

Development Contribution levy DCP02

Development Contribution levy DCP03

Land Sales

Native vegetation offset scheme

West Gippsland Regional library corporation

Open space PSP

Total Other reserves

2021

Open Space

Development Contribution levy DCP01

Development Contribution levy DCP02

Development Contribution levy DCP03

Land Sales

Native vegetation offset scheme

West Gippsland Regional library corporation

Open space PSP

Total Other reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
2022			
Property			
Land and land improvements	92,553	36,636	129,189
Buildings	34,468	-	34,468
	127,021	36,636	163,657
Infrastructure			
Infrastructure assets	297,282	5,560	302,842
	297,282	5,560	302,842

Other revaluation assets			
West Gippsland Regional Library corporation	408	(408)	0
	408	(408)	0

Total asset revaluation reserves	424,711	41,788	466,499
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2021			
Property			
Land and land improvements	73,692	18,861	92,553
Buildings	51,430	(16,962)	34,468
	125,122	1,899	127,021
Infrastructure			
Infrastructure assets	293,109	4,173	297,282
	293,109	4,173	297,282

Other revaluation assets			
West Gippsland Regional Library Corporation	382	26	408
	382	26	408

Total asset revaluation reserves	418,613	6,098	424,711
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	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
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2022					
Open Space	3,133	750	-	(497)	3,386
Development Contribution levy DCP01	2,934	1,239	-	(1,766)	2,407
Development Contribution levy DCP02	3,063	714	-	(1,008)	2,769
Development Contribution levy DCP03	414	1,198	-	-	1,612
Land Sales	151	-	-	-	151
Native vegetation offset scheme	334	315	-	(172)	477
West Gippsland Regional library corporation	298	-	-	(298)	-
Open space PSP	802	314	-	-	1,116
Total Other reserves	11,129	4,530	-	(3,741)	11,918

2021					
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
Total Other reserves	8,070	4,176	-	(1,117)	11,129

Notes to the Financial Statements

For the Year Ended 30 June 2022

Note 9.1 (b) Other matters (cont'd)

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. ON the 30th June 2022 the West Gippsland Regional Library Corporation(WGRLC) transitioned to a Not-For-Profit(NFP) entity Myli - My community Library Limited (Myli Ltd). Baw Baw Shire will extinguish any claim on the library.

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	2022 \$'000	2021 \$'000
Asset revaluation reserve	466,499	424,711
Other reserves	11,918	11,129
	<u>478,417</u>	<u>435,840</u>

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

Notes to the Financial Statements

For the Year Ended 30 June 2022

9.2 REASONS FOR ADJUSTMENTS:

- 1 Changes to valuation methodology of Parks, Open Spaces and Streetscapes assets were made to move from the existing brownfield Open Space register established in 2014 to a fully componentised, standardised, condition rated greenfield open space asset register. A full revaluation was undertaken on the greenfield Open Space register and the assets are valued at replacement cost.

A third balance sheet has not been presented to disclose the prior year adjustments as they were considered not material to the comparative amounts in the Balance Sheet. The net changes are displayed in the following table:

Restatement of financial statements as prior year adjustment

Financial statement line item/balance affect

Balance sheet (extract)

2021	Note	As previously Disclosed 2021	Adj 2021 *	Restated 2021
Non current assets				
Property, infrastructure, plant and equipment	6.2	820,513	(11,485)	809,028
Total non-current assets		829,045	(11,485)	817,560
Total assets		910,694	(11,485)	899,209
Current liability		46,808	-	46,808
Non current liability		20,289	-	20,289
Total liability		67,097	-	67,097
Equity				
Accumulated surplus		407,757	(11,485)	396,272
Reserves		435,840	-	435,840
Total equity		843,597	(11,485)	832,112

Statement of changes in equity

Accumulated surplus	407,757	(11,485)	396,272
Balance at opening of the financial Year	843,597	(11,485)	832,112

*Prior year adjustments consists of:

	2021
	\$,000
Adjustment due to revaluation of fair value assessment of Open Space assets	(11,485)
Total prior year adjustments	(11,485)

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022 \$'000	2021 \$'000
9.3 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	37,702	23,338
Depreciation/amortisation	20,225	18,938
Net loss on disposal of property, infrastructure, plant and equipment	3,269	940
Share of net profits of associates accounted for by the equity method	-	(189)
Finance costs	290	388
Contributions - Non-monetary assets	(10,636)	(14,949)
W.I.P. write off	2,209	5,583
Gift of Investment to Library	1,746	-
Found Assets	(27,588)	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(885)	1,159
(Increase)/decrease in other operating assets	(3,749)	444
Increase/(decrease) in trade and other payables	1,321	9,179
(Decrease)/increase in unearned income /revenue	3,609	-
(Decrease)/increase in other liabilities	1,130	1,912
(Increase)/decrease in inventories	-	-
(Decrease)/increase in provisions	91	(710)
Net cash provided by operating activities	28,734	46,033

9.4 Superannuation

Council makes the 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 the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%).

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

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

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

The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 109.8%. The financial assumptions used to calculate the VBI were:

Net investment returns 4.75% pa
Salary information 2.75% pa
Price inflation (CPI) 2.25% pa.

As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. It is expected to be completed by 31 October 2022.

Vision Super has advised that the VBI at 30 June 2022 was 102.2%. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). The financial assumptions used to calculate this VBI were:

Net investment returns 5.5% pa
Salary information 2.5% pa to 30 June 2023, and 3.5%pa thereafter
Price inflation (CPI) 3.0% pa.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(a) Regular contributions

On the basis of the results of the 2021 interim 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 2022, this rate was 10.0% of members' salaries (9.5% in 2020/21). 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.

Notes to the Financial Statements

For the Year Ended 30 June 2022

9.4 Superannuation (cont'd)

(b) 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 2021 interim 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. An interim investigation was conducted as at 30 June 2021 and the last 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:

	2021	2020
	(Interim)	(Triennial)
	\$m	\$m
- A VBI Surplus	214.7	100.0
- A total service liability surplus	270.3	200.0
- A discounted accrued benefits surplus	285.2	217.8

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 2021.

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 2021.

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 2021.

Council was notified of the 30 June 2021 VBI during August 2021. (2020: August 2020).

The 2022 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2022 are detailed below:

Scheme	Type of Scheme	Rate	2022	2021
			\$'000	\$'000
Vision super	Defined benefits	10.0% (2021:9.5%)	36	87
Vision super	Accumulation	10.0% (2021:9.5%)	2,655	2,324

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$38k.

10 Change in accounting policy

There have been no changes to accounting policies in the 2021-22 year.

A change in valuation methodology for open space and parks asset class has been adopted to align with councils' fixed asset policy.

There are no pending accounting standards that are likely to have a material impact on council.

Certification of the Financial Statements

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



Fiona Hayden, CPA Acting CFO
Principal Accounting Officer

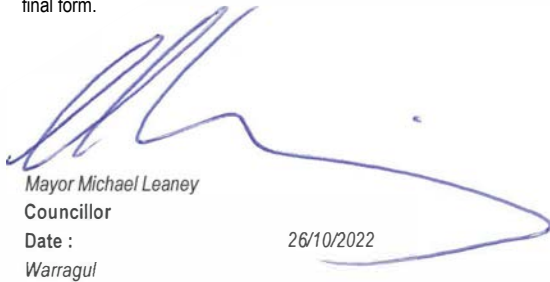
Date : 26/10/2022

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 2022 and the financial position of the Council as at that date.

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

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



Mayor Michael Leaney
Councillor
Date : 26/10/2022
Warragul



Councillor Annemarie McCabe
Councillor

Date : 26/10/2022
Warragul



Carolyn McLean
Acting Chief Executive Officer

Date : 26/10/2022
Warragul


Independent Auditor's Report

To the Councillors of Baw Baw Shire Council

Opinion	<p>I have audited the financial report of Baw Baw Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2022 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • statement of capital works for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2022 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 4 of the <i>Local Government Act 2020</i>, the <i>Local Government (Planning and Reporting) Regulations 2020</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<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 <i>APES 110 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>
Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the <i>Local Government Act 2020</i> and the <i>Local Government (Planning and Reporting) Regulations 2020</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>

Auditor's responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
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MELBOURNE
4 November 2022


 Travis Derricott
as delegate for the Auditor-General of Victoria

Baw Baw Shire Council Performance Statement



Performance Statement

For the Year Ended 30 June 2022

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 56,583 people (as at 30 June 2021).

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 2021/22

Over the 2021/22 year, Baw Baw Shire Council has continued to respond and deliver its services while responding to the changing COVID-19 environment.

While COVID-19 has continued to impact the community, those services which were previously most significantly impacted due to restrictions showed improvement of performance results this year. This includes utilisation of libraries and aquatic facilities, and food safety.

The other significant impact in the year was Council's exit from Aged and Disability services. This has significantly influenced the measure of staff turnover as most staff engaged in this service left the Council as the service finished.

Sustainable Capacity Indicators

	<i>Indicator / measure / [formula]</i>	Results				Comments
		2019	2020	2021	2022	
	Population					
C1	<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$1,647	\$1,671	\$1,663	\$1,945	Expenses per head of population have increased in 2021/22 by 16.9 per cent as a result of increased spend on roads that were classified as expenses and not capital. In the forecast, Council maintains expenditure levels in accordance with revenue raised, in particular, rates revenue consistent with the “Fair Go Rates” system. Expenditure was reallocated from the capital expenditure to the operational accounts as it did not satisfy the definition of an asset.
C2	<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$12,290	\$12,460	\$12,159	\$15,010	Infrastructure per head of population has increased in 2021/22 by 23.4 per cent as a result of a higher than average annual increase in infrastructure investment. The increase in contributed assets over the past few years, along with the revaluation has contributed to the improvement in this indicator.
C3	<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	29	30	30	31	Council manages a local road network of 1,821 km (2020/21 1,818 km), resulting in a ratio of 31 people for each kilometre of local road (2020/22 30).
	Own-source revenue					
C4	<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,247	\$1,293	\$1,320	\$1,873	Council’s income per head of municipal population for 2021/22 from its own sources have increased by 42 per cent compared to the previous year. These results underpin Council’s long term financial sustainability. The inclusion of found assets of open space assets for Council has a material impact on other income and therefore influenced the increase this year, however this is an extraordinary event that has impacted this financial year only. The calculation includes storm damage revenue and found assets. Without storm damage revenue and found assets, the own source revenue per head of municipal population is \$1,285.

Sustainable Capacity Indicators

	<i>Indicator / measure / [formula]</i>	Results				Comments
		2019	2020	2021	2022	
C5	Recurrent grants <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$260	\$336	\$298	\$346	Grants are recognised in accordance with accounting standards AASB 15 and AASB 1058. Recurrent Grants per head in 2021/22 are higher due to net increases in grants from both the Commonwealth and Victorian State Governments.
C6	Disadvantage <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.
C7	Workforce turnover <i>Percentage of staff turnover</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	14.2%	19.6%	14.8%	41.9%	<p>Workforce turnover for 2021/22 was significantly influenced by the planned exit of Aged and Disability services in response to sector Government funding changes.</p> <p>Council's unplanned turnover rate for 2021/22 was 21.5 per cent. The increase in this component of turnover is suspected to be derived from the competitive employment market present after COVID-19.</p> <p>In total for 2021/22, there were 62 people whose roles were made redundant, 79 staff resignations and terminations, with an average of 336 permanent staff.</p>

Service Performance Indicators

Service / indicator / measure		Results				Comment
		2019	2020	2021	2022	
AF6	Aquatic Facilities Utilisation <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	5.0	3.7	2.3	4.6	Council pools include those at Drouin, Neerim South, Rawson, Trafalgar, Thorpdale, and the Warragul Leisure Centre. There has been increased attendance as COVID-19 restrictions ease and attendance for the year was only slightly lower than pre-pandemic levels.
AM7	Animal Management Health and safety <i>Animal management prosecutions</i> [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	New in 2020	100%	100%	100%	There were seven animal management prosecutions, and Council was successful with all seven cases. 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.
FS4	Food Safety Health and safety <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	100%	100%	94.1%	98.8%	During the 2021 calendar year, there were a total of 80 notifications, of which 79 were followed up. All critical, and most major non-compliances were followed up by Council.
G5	Governance Satisfaction <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]	43	46	52	51	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 remains consistent with the score of the previous year, at 51 out of 100.

Service Performance Indicators

Service / <i>indicator</i> / <i>measure</i>		Results				Comment
		2019	2020	2021	2022	
LB4	Libraries <i>Participation</i> <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	14.5%	14.3%	12.9%	12.3%	The percentage of active borrowers has continued to decrease compared to previous years. Library closures due to COVID-19 have continued to impact the service.
MC4	Maternal and Child Health (MCH) <i>Participation</i> <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	70.6%	70.9%	70.9%	70.6%	Participation remains consistent year on year, with 2,918 children enrolled in the Maternal and Child Health service and 2,059 of those children attended the service at least once during the year.
MC5	<i>Participation</i> <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	78.5%	84.3%	73.1%	70.3%	Participation in the Maternal and Child Health service by Aboriginal children remains relatively high. There were 79 Aboriginal children enrolled in the MCH service and of those, 56 children attended the service at least once during the year.
R5	Roads <i>Satisfaction</i> <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]	40	41	45	43	The annual Community Satisfaction Survey assesses the community's satisfaction with Council's performance. Satisfaction with sealed local roads remains consistent with previous years, at 43 out of 100.
SP4	Statutory Planning <i>Decision making</i> <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	50.0%	50.0%	57.1%	64.7%	Seventeen of Council's planning decisions were appealed to VCAT, of which 11 were not set aside.

Service Performance Indicators

Service indicator measure		Results				Comment
		2019	2020	2021	2022	
WC5	Waste Collection					
	Waste diversion					
	<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	53.2%	55.6%	54.3%	53.6%	The diversion rate for 2021/22 is consistent with the rates from previous financial years, with more than half of waste collected being recycled or processed or green organics.
AM4	Retired indicators					
	Animal Management					
	Health and safety					
	<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	15	Retired in 2020	Retired in 2020	Retired in 2020	

Financial Performance Indicators

Dimension / indicator / measure		Results				Forecasts			Material Variations and Comments	
		2019	2020	2021	2022	2023	2024	2025	2026	
E2	Efficiency									
	Expenditure level									
	Expenses per property assessment									
	[Total expenses / Number of property assessments]	\$3,245	\$3,378	\$3,381	\$3,867	\$3,249	\$3,372	\$3,428	\$3,536	Council's total expenses in 2021/22 were \$10.1 million, which is higher than the prior year (\$91.3 million). Resulting in a cost to deliver Council services per property assessment of \$3,867. The main components of the cost increase were: roads and maintenance (\$4.9 million), waste (\$3.4 million), repairs and maintenance (\$2.1 million), general maintenance (\$1.4 million), and consultants (\$1.1 million). Expenditure is forecast to return to average levels next financial year.
E4	Revenue level									
	Average rate per property assessment									
	[Total rate revenue (general rates and municipal charges) / Number of property assessments]	New in 2020	\$1,969	\$2,020	\$1,976	\$1,985	\$2,053	\$2,062	\$2,143	The average rates payable for each property in 2021/22 was \$1,976.25 declining from \$2,019.56 in 2020/21. The 2021/22 result is due to the number of property assessments increasing at a greater rate proportionally than the total rate revenue. The rate capping is consistent with the "Fair Go Rates" system. The forecast indicates future rates revenue is in line with the forecast rate cap.

Financial Performance Indicators

Dimension / Indicator / measure		Results				Forecasts				Material Variations and Comments
		2019	2020	2021	2022	2023	2024	2025	2026	
L1	Liquidity									
	Working capital									
	Current assets compared to current liabilities [Current assets / Current liabilities] x100	195.0%	185.6%	174.4%	178.5%	138.9%	135.4%	96.7%	99.5%	<p>Council has current assets in 2021/22 of \$85.2 million (2020/21 \$81.7 million) and current liabilities of \$47.7 million (2020/21 \$46.8 million). Working capital increased over the previous year, due to an increase in accrued income.</p> <p>Council remains able to meet liabilities as and when they fall due.</p> <p>The decrease in 24/25 is due to an increase in borrowings to invest in infrastructure, property, plant and equipment assets for Council and 25/26 council cash to pay for the increased investment in property, plant and equipment.</p>
L2	Unrestricted cash									
	Unrestricted cash compared to current liabilities [Unrestricted cash / Current liabilities] x100	17.3%	28.9%	45.2%	42.3%	95.1%	92.2%	62.5%	56.0%	<p>Unrestricted cash in 2021/22 has increased to \$20.2 million from \$17.9 million in 2020/21. The total cash balance has increased in 2021/22 to \$40.1 million (2020/21 of \$39.1 million).</p> <p>As the unrestricted cash in 22/23 and 23/24 is forecasted to decrease and the current liability is forecasted to increase, Council will review cashflow quarterly and act accordingly to ensure it can meet its obligations when they fall due.</p> <p>The forecast does not include unearned revenue on the balance sheet, therefore current liabilities are lower in 22/23 and 23/24 compared to 2021/22.</p>

Financial Performance Indicators

Dimension / Indicator / measure		Results					Forecasts			Material Variations and Comments
		2019	2020	2021	2022	2023	2024	2025	2026	
Obligations										
Loans and borrowings										
O2	Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	20.2%	18.5%	24.1%	21.1%	28.2%	34.5%	33.3%	34.5%	<p>Total debt as a percentage of rates for 2021/22 is 21.1 per cent, which is within Council's Borrowing Policy that allows for a maximum of 40 per cent debt compared to rates.</p> <p>The decrease this year is due to the repayment of loans. The increase in 24/25 is due to new borrowings to invest in the delivery of key strategic infrastructure projects.</p>
O3	Loans and borrowings repayments compared to rates [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	9.3%	8.0%	6.9%	12.4%	0.9%	1.1%	1.3%	11.2%	<p>Council paid \$8.2 million in principal and interest against its borrowings compared to rates and charges revenue received of \$65.8 million. This compares to \$4.4 million in repayments compared to rates of \$63.5 million in 2020/21.</p> <p>During 2021/22 Council borrowed \$6.5 million to fund requirements. The result indicates Council's ability to meet debt commitments from rate revenue. There are no principal repayments due in 2022/23 – 2024/25.</p>
O4	Indebtedness Non-current liabilities compared to own source revenue [Non-current liabilities / Own source revenue] x100	26.3%	30.6%	28.0%	21.95%	41.47%	45.38%	35.49%	44.16%	<p>Council's result for 2021/22 was 21.9 per cent (2020/21 28.0 per cent). The 2021/22 indebtedness percentage has reduced from last year mainly due to an increase in other sources of revenue.</p> <p>Indebtedness is forecast to significantly 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 Cycling centre of excellence, Baw Baw Civic Place Precinct.</p>

Financial Performance Indicators

Dimension / Indicator / measure		Results				Forecasts			Material Variations and Comments	
		2019	2020	2021	2022	2023	2024	2025	2026	
O5	Asset renewal and upgrade <i>Asset renewal and upgrade compared to depreciation</i> [Asset renewal and asset upgrade expense / Asset depreciation] x100	New in 2020	140.7%	91.3%	103.2%	141.1%	102.8%	92.9%	72.3%	Asset renewal and upgrade compared to depreciation has increased by 13 per cent this year, with an increase in renewal expenditure of \$2.3 million and upgrade expenditure of \$1.2 million compared to the previous year. Asset renewal and upgrade is forecast in accordance with projects listed in the Long Term Infrastructure Plan for years 2022/23 – 2025/26. The most significant delivery being required in the 2023/24 financial year. The reduction in the future upgrade forecast is balanced by the increase in the asset expansion forecast in 2024/25 and 2025/26.
OPI	Operating position Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	-2.6%	-1.3%	-0.4%	13.2%	-4.3%	-5.1%	-7.0%	-6.9%	The adjusted underlying result has increased from -0.4 per cent to 13.2 per cent, mainly due to the one-off recognition of found assets of \$27.6 million (2020/21 \$0.7 million) and natural disaster funding of \$5.7 million (2020/21 \$1.0 million). The forecast going forward does not include found assets or natural disaster funding as they are classified as one-off events.

Financial Performance Indicators

Dimension / Indicator / measure		Results				Forecasts				Material Variations and Comments
		2019	2020	2021	2022	2023	2024	2025	2026	
Stability										
S1	Rates concentration									
	Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x100	69.0%	68.6%	69.8%	51.9%	74.4%	74.6%	74.9%	75.2%	In 2021/22 Council received \$65.8 million in rates and charges revenue (2020/21 \$63.5 million) out of total adjusted underlying revenue of \$127.9 million (2020/21 \$90.9 million). The current year adjusted underlying revenue includes other revenue of \$34.3 million (2020/21 \$2.85 million) such as natural disasters and found assets, which has decreased the ratio in 2021/22. The forecasted years are expected to increase as these other revenue items are not forecast to occur.
Rates effort										
S2	Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%	0.3%	0.3%	Council received in 2021/22 \$65.8 million (2020/21 \$63.5 million) in rates and charges revenue. The forecast is expected to be a similar percentage, as property values continue to increase as rates increase, and consistent with the "Fair Go Rates" system.
Retired indicators										
Efficiency										
E1	Revenue level									
	Average residential rate per residential property assessment [Residential rate revenue / Number of residential property assessments]	\$1,899	Retired in 2020	Retired in 2020	Retired in 2020					
Obligations										
O1	Asset renewal									
	Asset renewal compared to depreciation [Asset renewal expense / Asset depreciation] x100	77.5%	Retired in 2020	Retired in 2020	Retired in 2020					

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 2020 and Local Government (Planning and Reporting) Regulations 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 2020* 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 26 June 2022 and which informs the 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 2020 and the Local Government (Planning and Reporting) Regulations 2020.



Fiona Hayden, CPA, Acting CFO

Principal Accounting Officer

Dated: 26/10/2022

In our opinion, the accompanying performance statement of the Baw Baw Shire Council for the year ended 30 June 2022 presents fairly the results of Council's performance in accordance with the Local Government Act 2020 and the Local Government (Planning and Reporting) Regulations 2020.

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

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

We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2020 to certify this performance statement in its final form.



Mayor Michael Leaney

Councillor

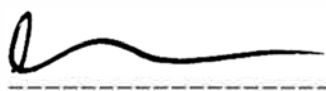
Dated: 26/10/2022



Councillor Annemarie McCabe

Councillor

Dated: 26/10/2022



Carolyn McLean

Acting Chief Executive Officer

Dated: 26/10/2022

Independent Auditor's Report

To the Councillors of Baw Baw Shire Council

Opinion	<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"> • description of municipality for the year ended 30 June 2022 • overview of 2021/22 • sustainable capacity indicators for the year ended 30 June 2022 • service performance indicators for the year ended 30 June 2022 • financial performance indicators for the year ended 30 June 2022 • other information and • certification of the performance statement. <p>In my opinion, the performance statement of Baw Baw Shire Council in respect of the year ended 30 June 2022 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 4 of the <i>Local Government Act 2020</i> and <i>Local Government (Planning and Reporting) Regulations 2020</i>.</p>
Basis for Opinion	<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>. 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 performance statement 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>
Councillors' responsibilities for the performance statement	<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 2020</i> and the <i>Local Government (Planning and Reporting) Regulations 2020</i> and for such internal control as the Councillors determines is necessary to enable the preparation and fair presentation of a performance statement that is free from material misstatement, whether due to fraud or error.</p>

Auditor's responsibilities for the audit of the performance statement

As required by the *Audit Act 1994*, 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. 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 the 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
4 November 2022



Travis Derricott
as delegate for the Auditor-General of Victoria

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