

SOUTH GIPPSLAND SHIRE COUNCIL

# Financial Statement 2021-22



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# Certification of Financial Statements for the Year Ended 30 June 2022

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.

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*Melissa Baker, CPA*  
**Principal Accounting Officer**  
**Date:** 19 October 2022

*Leongatha*

In our opinion, the accompanying financial statements present fairly the financial transactions of South Gippsland Shire Council for the year ended 30 June 2022 and the financial position of the Council as at that date.

As 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.

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*Mohya Davies*  
**Mayor**  
**Date:** 19 October 2022

*Leongatha*

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*Sarah Gilligan*  
**Councillor (Audit and Risk Committee Member)**  
**Date:** 19 October 2022

*Leongatha*

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*Kerryn Ellis*  
**Chief Executive Officer**  
**Date:** 19 October 2022

*Leongatha*

# Certification of Financial Statements for the Year Ended 30 June 2022

Insert VAGO Certificate

# Certification of Financial Statements for the Year Ended 30 June 2022

Insert VAGO Certificate

# Comprehensive Income Statement for the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Income</b>			
Rates and charges	3.1	46,750	45,338
Statutory fees and fines	3.2	1,042	1,087
User fees	3.3	4,294	3,813
Grants - operating	3.4	22,547	14,408
Grants - capital	3.4	10,328	10,341
Contributions - monetary	3.5a	844	1,416
Contributions - non monetary	3.5a	1,629	3,176
Found assets	3.5b	410	422
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	212	(1,164)
Fair value adjustments for investment property	6.3	112	(5)
Share of net profits (or loss) of associates and joint ventures	6.2	69	132
Other income	3.7	1,418	1,401
<b>Total income</b>		<b>89,655</b>	<b>80,365</b>
<b>Expenses</b>			
Employee costs	4.1	28,662	27,876
Materials and services	4.2	31,578	20,930
Depreciation	4.3	11,705	11,915
Amortisation - intangible assets	4.4	364	240
Amortisation - right of use assets	4.5	93	93
Bad and doubtful debts	4.6	17	(4)
Borrowing costs	4.7	20	9
Finance costs - leases	4.8	1	6
Other expenses	4.9	8,271	3,279
<b>Total expenses</b>		<b>80,711</b>	<b>64,344</b>
<b>Surplus/(deficit) for the year</b>		<b>8,944</b>	<b>16,021</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	6.1	59,770	14,016
Share of other comprehensive income of associates and joint ventures	6.2	(282)	18
<b>Total other comprehensive income</b>		<b>59,488</b>	<b>14,034</b>
<b>Total comprehensive result</b>		<b>68,432</b>	<b>30,055</b>

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



# Balance Sheet

## for the Year Ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1a	7,847	10,567
Trade and other receivables	5.1c	6,908	5,885
Other financial assets	5.1b	37,270	32,279
Inventories	5.2a	176	210
Other assets	5.2b	348	240
<b>Total current assets</b>		<b>52,549</b>	<b>49,181</b>
<b>Non-current assets</b>			
Non-current assets held for sale	6.2	-	1,691
Property, infrastructure, plant and equipment	6.1	660,574	587,373
Right-of-use assets	5.8	454	86
Investment property	6.3	727	615
Intangible assets	5.2c	-	294
<b>Total non-current assets</b>		<b>661,755</b>	<b>590,059</b>
<b>Total assets</b>		<b>714,304</b>	<b>639,240</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3a	6,120	2,944
Trust funds and deposits	5.3b	1,552	1,527
Unearned income/revenue	5.3c	4,922	4,951
Provisions	5.5	6,772	6,617
Interest-bearing liabilities	5.4	514	349
Lease liabilities	5.8	89	94
<b>Total current liabilities</b>		<b>19,969</b>	<b>16,482</b>
<b>Non-current liabilities</b>			
Provisions	5.5	6,053	4,645
Interest-bearing liabilities	5.4	4,422	3,049
Lease liabilities	5.8	364	-
<b>Total non-current liabilities</b>		<b>10,839</b>	<b>7,694</b>
<b>Total liabilities</b>		<b>30,808</b>	<b>24,176</b>
<b>Net assets</b>		<b>683,496</b>	<b>615,064</b>
<b>Equity</b>			
Accumulated surplus		251,744	243,339
Reserves	9.1	431,752	371,725
<b>Total Equity</b>		<b>683,496</b>	<b>615,064</b>

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

# Statement of Changes in Equity for the Year Ended 30 June 2022

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2022		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		615,064	243,339	371,182	543
Surplus/(deficit) for the year		8,944	8,944	-	-
Net asset revaluation increment/(decrement)	6.1	59,488	-	59,488	-
Transfers to other reserves	9.1	-	(1,769)	-	1,769
Transfers from other reserves	9.1	-	1,230	-	(1,230)
<b>Balance at end of the financial year</b>		<b>683,496</b>	<b>251,744</b>	<b>430,670</b>	<b>1,082</b>

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2021		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		585,009	227,587	357,148	274
Surplus/(deficit) for the year		16,021	16,021	-	-
Net asset revaluation increment/(decrement)	6.1	14,034	-	14,034	-
Transfers to other reserves	9.1	-	(1,161)	-	1,161
Transfers from other reserves	9.1	-	892	-	(892)
<b>Balance at end of the financial year</b>		<b>615,064</b>	<b>243,339</b>	<b>371,182</b>	<b>543</b>

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

# Statement of Cash Flow for the Year Ended 30 June 2022

		2022	2021
		Inflows/ (Outflows)	Inflows/ (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Rates and charges		47,289	45,545
Statutory fees and fines		1,042	1,087
User fees		3,523	3,812
Grants - operating		23,529	14,212
Grants - capital		9,041	12,903
Contributions - monetary		844	1,416
Interest received		143	414
Trust funds and deposits taken		199	425
Other receipts		1,220	574
Net GST refund/payment		4,229	3,909
Employee costs		(28,899)	(26,905)
Materials and services		(31,452)	(23,624)
Trust funds and deposits repaid		(174)	(276)
Other payments		(2,911)	(4,192)
<b>Net cash provided by/(used in) operating activities</b>	9.2	<b>27,623</b>	<b>29,300</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.1	(27,616)	(28,673)
Proceeds from sale of property, infrastructure, plant and equipment		849	980
Payments for investments		(4,991)	(1,279)
<b>Net cash provided by/(used in) investing activities</b>		<b>(31,758)</b>	<b>(28,972)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(20)	(44)
Proceeds from borrowings		1,900	2,788
Repayment of borrowings		(362)	(202)
Interest paid - lease liability		(1)	(6)
Repayment of lease liabilities		(102)	(89)
<b>Net cash provided by/(used in) financing activities</b>		<b>1,415</b>	<b>2,447</b>
Net increase (decrease) in cash and cash equivalents		(2,720)	2,775
Cash and cash equivalents at the beginning of the financial year		10,567	7,792
<b>Cash and cash equivalents at the end of the financial year</b>		<b>7,847</b>	<b>10,567</b>
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

	2022 \$'000	2021 \$'000
<b>Property</b>		
Buildings	8,906	1,286
Heritage buildings	180	-
<b>Total buildings</b>	<b>9,086</b>	<b>1,286</b>
<b>Total property</b>	<b>9,086</b>	<b>1,286</b>
<b>Plant and equipment</b>		
Plant, machinery and equipment	1,652	2,884
Computers and telecommunications	728	948
<b>Total plant and equipment</b>	<b>2,380</b>	<b>3,832</b>
<b>Infrastructure</b>		
Roads	9,950	10,225
Bridges	(8)	522
Major culverts	637	503
Footpaths and cycleways	2,364	2,283
Drainage	65	36
Car parks	614	2
Land stabilisation	11	41
Waste management	328	20
Other infrastructure	2,189	9,923
<b>Total infrastructure</b>	<b>16,150</b>	<b>23,555</b>
<b>Total capital works expenditure</b>	<b>27,616</b>	<b>28,673</b>
<b>Represented by:</b>		
Asset renewal expenditure	24,617	25,939
Asset expansion expenditure	2,119	1,259
Asset upgrade expenditure	880	1,475
<b>Total capital works expenditure</b>	<b>27,616</b>	<b>28,673</b>

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

# Notes to the Financial Report for the Year Ended 30 June 2022

## Note 1 Overview

### Introduction

The South Gippsland 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 9 Smith Street, Leongatha.

### 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 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- 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

During 2021-22 the COVID-19 pandemic continued to impact on Council's operations. Council has noted the following significant impacts on its financial operations:

- Additional revenue – Working for Victoria initiative began in 2020-21 was part of the Victorian Government's \$1.7 billion Economic Survival Package. The Working for Victoria Fund was designed to connect workers with new opportunities that helped our community and contributed to Victoria's ability to respond to the pandemic. Council received \$485K (2020-21 - \$1.3M) in funding which provided for the employment of 43 full time equivalent staff during the year.



# Notes to the Financial Report 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 of the lower of 5 percent and \$100,000 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 \$'000	Variance %	Ref
<b>Income</b>					
Rates and charges	46,777	46,750	(27)	0%	
Statutory fees and fines	1,006	1,042	36	4%	
User fees	4,955	4,294	(661)	-13%	1
Grants - operating	6,947	22,547	15,600	225%	2
Grants - capital	10,883	10,328	(555)	-5%	3
Contributions - monetary	535	844	309	58%	4
Contributions - non monetary	413	1,629	1,216	294%	5
Found assets	-	410	410	100%	6
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	177	212	35	20%	
Fair value adjustments for investment property	-	112	112	100%	7
Other income	1,694	1,418	(276)	-16%	8
<b>Total income</b>	<b>73,387</b>	<b>89,655</b>	<b>16,268</b>	<b>22%</b>	
<b>Expenses</b>					
Employee costs	28,317	28,662	(345)	-1%	
Materials and services	23,441	31,578	(8,137)	-35%	9
Depreciation	14,276	11,705	2,571	18%	10
Amortisation - intangible assets	240	364	(124)	-52%	11
Amortisation - right of use assets	83	93	(10)	-12%	
Bad and doubtful debts	-	17	(17)	100%	
Borrowing costs	71	20	51	72%	
Finance costs - leases	-	1	(1)	100%	
Other expenses	3,090	8,271	(5,181)	-168%	12
<b>Total expenses</b>	<b>69,518</b>	<b>80,711</b>	<b>(11,193)</b>	<b>-16%</b>	
<b>Surplus/(deficit) for the year</b>	<b>3,869</b>	<b>8,944</b>	<b>5,075</b>	<b>131%</b>	

#### (i) Explanation of material variations

1	User fees	Decrease in user fees due to fees received at the landfills being lower than anticipated (\$592K) due to lower volumes of waste.
2	Grants - operating	75% of Victorian Grants Commission allocation (\$9M) relating to 2022-23 was received in advance. The budget was for 50% of the 2021-22 allocation as 50% had been received in advance in 2020-21. In addition payments were received for numerous storm (\$4.4M) and other (\$2.9M) grants that were not originally budgeted for.
3	Grants - capital	Grants originally budgeted for but not received include the August 2019 Flood event (\$3.4M) and Great Southern Rail Trail (\$1.5M) carried forward to 2022-23. This was offset by a number of grants received but not budgeted for.
4	Contributions - monetary	Due to open space contributions being significantly above the original budget due to an increase in subdivision applications.
5	Contributions - non monetary	Due to a higher value of assets contributed from completed developments than originally budgeted for.
6	Found assets	Found assets are not budgeted for due to the discovery of the assets, as the assets were previously unknown.

# Notes to the Financial Report for the Year Ended 30 June 2022

7	Fair value adjustments for investment property	Fair value adjustments for investment property are not budgeted for.
8	Other income	Due to lower interest income than originally budgeted due to historically low interest rates through-out 2021-22.
9	Materials and services	Largely due to natural disaster expenses (\$5.3M) that are not budgeted due to their nature. In addition, the landfill provision increment was an increase of \$1.7M due to significant changes in inflation and discount rates, which is not included in the original budget.
10	Depreciation	Lower depreciation due to a detailed review of the calculation of buildings depreciation which is significantly lower than previous years (\$1.2M), as well as the original budget taking into account capital additions that were not completed in 2021-22.
11	Amortisation - intangible assets	Higher amortisation due to intangible asset additions in 2021-22.
12	Other expenses	Higher other expenses is due to the gift and transfer of interest in West Gippsland Regional Library Corporation to MyLi of \$1.4M (see Note 6.2) and disposal/write-off of infrastructure assets of \$3.8M.

# Notes to the Financial Report for the Year Ended 30 June 2022

## 2.1.2 Capital Works

	Budget 2022 \$'000	Actual 2022 \$'000	Variance \$'000	Variance %	Ref
<b>Property</b>					
Buildings	15,068	8,906	6,162	41%	1
Heritage buildings	275	180	95	35%	
<b>Total buildings</b>	<b>15,343</b>	<b>9,086</b>	<b>6,257</b>	<b>41%</b>	
<b>Total property</b>	<b>15,343</b>	<b>9,086</b>	<b>6,257</b>	<b>41%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	2,919	1,652	1,267	43%	2
Computers and telecommunications	956	728	228	24%	3
<b>Total plant and equipment</b>	<b>3,875</b>	<b>2,380</b>	<b>1,495</b>	<b>39%</b>	
<b>Infrastructure</b>					
Roads	12,189	9,950	2,239	18%	4
Bridges	-	(8)	8	-100%	
Major culverts	256	637	(381)	-149%	5
Footpaths and cycleways	5,530	2,364	3,166	57%	6
Drainage	476	65	411	86%	7
Car parks	1,425	614	811	57%	8
Land stabilisation	-	11	(11)	100%	
Waste management	108	328	(220)	-204%	9
Other infrastructure	5,081	2,189	2,892	57%	10
<b>Total infrastructure</b>	<b>25,065</b>	<b>16,150</b>	<b>8,915</b>	<b>36%</b>	
<b>Total capital works expenditure</b>	<b>44,283</b>	<b>27,616</b>	<b>16,667</b>	<b>38%</b>	
<b>Represented by:</b>					
Asset renewal expenditure	27,910	24,617	3,293	12%	
Asset expansion expenditure	12,436	2,119	10,317	83%	
Asset upgrade expenditure	3,937	880	3,057	78%	
<b>Total capital works expenditure</b>	<b>44,283</b>	<b>27,616</b>	<b>16,667</b>	<b>38%</b>	

### (i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Expenditure on the Korumburra Community Hub (\$2M), Main Office Refurbishment (\$2.1M) and Early Years Renewal Program (\$1.3M) have been deferred and carried forward to 2022-23.
2	Plant, machinery and equipment	Purchases of various plant and fleet deferred and carried forward to 2022-23.
3	Computers and telecommunications	Due to fewer purchases of network infrastructure than originally anticipated, due to delays in both the Korumburra Community Hub and Main Office Refurbishment. These costs have been carried forward to 2022-23.
4	Roads	Expenditure on the Korumburra Commercial Streetscape (\$2.9M) deferred and carried forward to 2022-23.
5	Major culverts	Expenditure on McKnights Road, Stony Creek and Boundary Road, Foster were completed early and brought forward from 2022-23.
6	Footpaths and cycleways	Expenditure on Great Southern Rail Trail (\$3.2M) deferred and carried forward to 2022-23.
7	Drainage	Expenditure on the Walkerville Retarding Basin (\$85K) and rehabilitation program (\$325K) deferred and carried forward to 2022-23.
8	Car parks	Expenditure on Port Welshpool Boat Ramp Car Park (\$495K), Jones Street, Foster Car Park (\$209K) and Mirboo North Pool Car Park (\$107K) deferred and carried forward to 2022-23.
9	Waste management	Due to expenditure on Hook Lift Bins funded by a grant (\$93K) and Transfer Station Upgrades (\$226K) that were not included in the original budget.
10	Other infrastructure	Due to expenditure for a number of projects deferred and carried forward to 2022-23, including Foster Showgrounds Irrigation and Resurfacing (\$300K), Leongatha and Korumburra Railway Precincts (\$1.5M), Korumburra Skate Park (\$234K), Pools Renewal Program (\$265K), Toora Jetty Pontoon (\$207K) and Community Infrastructure Projects (\$415K).

# Notes to the Financial Report 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.

#### 2.2.1 Chief Executive Office

The Executive Office builds strong and productive relationships with government and key regional agencies to strengthen the performance of Council.

#### Performance & Innovation Management

The Performance & Innovation Directorate provides services including:

- Financial Strategy;
- Digital & Technology;
- People & Culture;
- Governance Services; and
- Community Information & Advocacy;

The Director of Performance & Innovation also sits on the Library Board and the budget for Performance & Innovation Management includes Council's annual contribution.

#### Financial Strategy

The Financial Strategy Department delivers financial planning, budget management, legislative compliance, risk management coordination and procurement coordination, rates and valuation services and internal support to departments, teams and individuals in relation to finance functions. It is responsible for contract management, risk and insurance, Freedom of Information, internal audit, regulatory compliance and tendering.

#### Digital & Technology

The Digital & Technology Department work across all areas of Council to provide cost-effective technology and services. It aims to deliver the best quality services to the Community and provide contemporary tools for staff to operate efficiently. The team consists of Business Improvement including Privacy, Corporate Information Management, and Information Technology.

#### People & Culture

The People & Culture Department strive for a safe, healthy and high performing workplace, in which our people can grow both personally and professionally. It manages recruitment, workplace relations and industrial relations, gender equity & diversity and inclusion, organisational learning & development, occupational health, safety & wellbeing, human resources & performance management, workers compensation and return to work management and payroll.

#### Governance

The Governance Department delivers services from the Council Business team to the community, Councillors and staff. It provides support for Council meetings, briefings and hearings, corporate planning, monitoring and reporting, including development of the Council Plan and Annual Report. It leads policy review and provides reform support including the Local Government Act.

#### Community Information & Advocacy

The Community Information and Advocacy Department services to the community include phone-based customer service, website maintenance, social media, front-desk customer service, media liaison, coordination of Council Noticeboard and the Administrators' Message, advocacy materials to support Council's key projects, maintenance of the online Community Directory, production and distribution of the e-newsletter 'In The Know', Australia Day Awards and ceremonies.

# Notes to the Financial Report for the Year Ended 30 June 2022

## **Sustainable Infrastructure**

The Infrastructure Services Development Directorate provides services including:

- Infrastructure Planning;
- Infrastructure Delivery;
- Infrastructure Maintenance; and
- Open Space & Environment

### **Infrastructure Planning**

The Infrastructure Planning Department plans and manages Council's asset portfolio, including the development of sustainable and cost effective maintenance and capital programs. It delivers asset management services such as waste management, and sourcing external grant funding for major projects. It promotes a sustainable environment and solutions, including the delivery of projects through Council's Revolving Sustainability Fund.

### **Infrastructure Delivery**

The Infrastructure Delivery Department delivers Council's civil and building capital works program, building maintenance programs, and community infrastructure works. This includes the delivery of associated services such as civil design, building maintenance, and oversight of engineering for developments in accordance with the service levels for development referrals.

### **Infrastructure Maintenance**

The Infrastructure Maintenance Department provides a safe and trafficable road network by maintaining Council and associated gravel and sealed roads, and road infrastructure assets including roads, drainage, bridges, culverts, footpaths, and waterway assets. It delivers construction projects and provides a rapid response and afterhours call out service to maintain Council's roads and associated road infrastructure assets.

### **Open Space & Environment**

The Open Space & Environment Department manages recreational and public areas in the form of open space, natural and foreshore bush reserves, and parks and gardens. It includes grass mowing, garden maintenance and planting, urban / rural tree maintenance, public amenities and BBQ cleaning, playground replacement, landscape structure maintenance, rural roadside vegetation maintenance, urban fire hazard slashing, Great Southern Rail Trail maintenance, and control of roadside weeds to improve biodiversity outcomes.



# Notes to the Financial Report for the Year Ended 30 June 2022

## **Economic & Community**

The Economic & Community Directorate provides services including:

- Economy, Community & Investment;
- Planning & Building Services; and
- Community Health & Safety

## **Economy, Community & Investment**

The Economy, Community & Investment Department strategically leads, and responsively plans economic and cultural activities to support:

- investment and growth of key industries;
- tourism development and increased visitation;
- enhanced liveability;
- increased capacity and capabilities within the creative industries.

## **Planning & Building Services**

The Planning Services Department undertakes strategic planning to prepare long-term landuse planning policies and planning schemes, aligned to State Government requirements, to address a range of environments, economic and social matters. It supports community members to ensure their development needs align with these policies and planning schemes through their planning permits.

## **Community Health & Safety**

The Community Health & Safety Department provides services to the community including animal management, building/planning enforcement, fire prevention, local laws development/ enforcement, litter prevention, permits for places of public entertainment, parking control, registration of food, health and accommodation premises, report and consent applications for new buildings, school crossings and wastewater. It also supports, connects, engages and advocates for communities, children and families and individuals in South Gippsland with Children and Family Services, Community Strengthening, Regional Assessment Service and Social Planning.

# Notes to the Financial Report 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
<b>2022</b>					
Performance & Innovation Management	-	1,844	(1,844)	-	-
Financial Strategy Department	54,170	26,708	27,462	9,442	53,100
Digital & Technology Department	-	2,722	(2,722)	-	1,370
People & Culture Department	842	1,842	(1,000)	485	-
Governance Department	12	1,558	(1,546)	-	-
Customer Information & Advocacy Department	34	982	(948)	34	-
Economy & Community Management	-	376	(376)	-	-
Economy, Community & Investment Department	6,581	10,097	(3,516)	5,526	-
Planning & Building Services Department	1,780	1,815	(35)	75	-
Community Health & Safety Department	2,229	3,300	(1,071)	1,360	-
Chief Executive Office	-	440	(440)	-	-
Infrastructure Delivery Department	10,232	3,049	7,183	10,083	-
Infrastructure Maintenance Department	6,549	10,072	(3,523)	5,465	8,680
Infrastructure Planning Department	7,012	11,268	(4,256)	263	651,154
Sustainable Infrastructure Management	-	285	(285)	-	-
Open Space & Environment Department	145	4,284	(4,139)	142	-
Unattributed	-	-	-	-	-
	<b>89,586</b>	<b>80,642</b>	<b>8,944</b>	<b>32,875</b>	<b>714,304</b>

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>					
Performance & Innovation Management	-	1,769	(1,769)	-	-
Financial Strategy Department	48,498	21,251	27,247	4,069	49,586
Digital & Technology Department	99	2,921	(2,822)	99	1,172
People & Culture Department	1,545	1,717	(172)	1,300	-
Governance Department	1	931	(930)	-	-
Customer Information & Advocacy Department	21	887	(866)	21	-
Economy & Community Management	-	274	(274)	-	-
Economy, Community & Investment Department	1,838	4,413	(2,575)	1,112	-
Planning & Building Services Department	1,419	1,728	(309)	75	-
Community Health & Safety Department	2,154	3,383	(1,229)	1,373	1,691
Chief Executive Office	176	600	(424)	-	-
Infrastructure Delivery Department	13,242	3,240	10,002	12,268	8,955
Infrastructure Maintenance Department	4,266	8,411	(4,145)	3,665	-
Infrastructure Planning Department	6,919	8,885	(1,966)	653	577,836
Sustainable Infrastructure Management	-	290	(290)	-	-
Open Space & Environment Department	187	3,644	(3,457)	114	-
Unattributed	-	-	-	-	-
	<b>80,365</b>	<b>64,344</b>	<b>16,021</b>	<b>24,749</b>	<b>639,240</b>

# Notes to the Financial Report for the Year Ended 30 June 2022

## Note 3 Funding for the delivery of our services

### 3.1 Rates and charges

2022	2021
\$'000	\$'000

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The capital value of a property is the value that it could be reasonably expected to sell for on the open market.

The valuation base used to calculate general rates for 2021/22 was \$10,449 million (2020/21 \$9,469 million).

General rates	42,227	41,421
Waste management charge	3,878	3,204
Special rates and charges	-	7
Supplementary rates and rate adjustments	267	289
Interest on rates and charges	185	224
Revenue in lieu of rates	193	193
<b>Total rates and charges</b>	<b>46,750</b>	<b>45,338</b>

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 1 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

Land information certificates	43	48
Local laws	44	61
Building services	242	272
Statutory planning	579	638
Supervision fees	111	57
Others	23	11
<b>Total statutory fees and fines</b>	<b>1,042</b>	<b>1,087</b>

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	341	210
Leisure centre and recreation	-	1
Local Laws	450	468
Waste management services	2,455	2,357
Caravan parks	964	695
Other fees and charges	84	82
<b>Total user fees</b>	<b>4,294</b>	<b>3,813</b>
<b>User fees by timing of revenue recognition</b>		
User fees recognised over time	964	695
User fees recognised at a point in time	3,330	3,118
<b>Total user fees</b>	<b>4,294</b>	<b>3,813</b>

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

# Notes to the Financial Report for the Year Ended 30 June 2022

## 3.4 Funding from other levels of government

Grants were received in respect of the following :

### Summary of grants

Commonwealth funded grants

State funded grants

**Total grants received**

	2022	2021
	\$'000	\$'000
	20,648	16,822
	12,227	7,927
<b>Total grants received</b>	<b>32,875</b>	<b>24,749</b>

### (a) Operating Grants

#### **Recurrent - Commonwealth Government**

Financial Assistance Grants

Immunisation

Home & Community Care

#### **Recurrent - State Government**

Valuation Services

Family and children

Home & Community Care

School crossing supervision

Community building

Community health

Immunisation

Maternal & child health

Other

**Total recurrent operating grants**

	14,376	10,016
	2	2
	268	264
	172	170
	267	243
	101	96
	68	66
	3	-
	17	8
	16	10
	584	536
	10	8
<b>Total recurrent operating grants</b>	<b>15,884</b>	<b>11,419</b>

#### **Non-recurrent - Commonwealth Government**

Natural Disasters

#### **Non-recurrent - State Government**

Families & Children

Home & Community Care

Youth Services

Maternal & child health

Fire Services Levy Administration

Sustainability

Community Building

Natural Disasters

Recreation & Leisure

Working for Victoria

Libraries

Other

**Total non-recurrent operating grants**

**Total operating grants**

	106	-
	18	22
	20	105
	262	47
	1	-
	53	52
	676	292
	32	49
	4,279	347
	162	269
	485	1,300
	67	-
	502	506
<b>Total non-recurrent operating grants</b>	<b>6,663</b>	<b>2,989</b>
<b>Total operating grants</b>	<b>22,547</b>	<b>14,408</b>

# Notes to the Financial Report for the Year Ended 30 June 2022

## (b) Capital Grants

	2022	2021
	\$'000	\$'000
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	2,385	2,385
<b>Total recurrent capital grants</b>	2,385	2,385
<b>Non-recurrent - Commonwealth Government</b>		
Roads	2,270	2,143
Other Structures	1,241	2,012
<b>Non-recurrent - State Government</b>		
Roads	229	1,898
Building	3,034	626
Bridges	66	208
Footpaths	445	-
Other Structures	612	1,069
Waste Management	46	-
<b>Total non-recurrent capital grants</b>	7,943	7,956
<b>Total capital grants</b>	<b>10,328</b>	<b>10,341</b>

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

<b>Operating</b>		
Balance at start of year	768	310
Received during the financial year and remained unspent at balance date	1,233	552
Received in prior years and spent during the financial year	- 770	- 94
Balance at year end	<b>1,231</b>	768
<b>Capital</b>		
Balance at start of year	2,532	827
Received during the financial year and remained unspent at balance date	2,835	2,156
Received in prior years and spent during the financial year	- 2,084	- 451
Balance at year end	<b>3,283</b>	2,532

## (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	14,376	10,016
Specific purpose grants to acquire non-financial assets	10,328	10,341
Other specific purpose grants	8,144	4,392
<b>Revenue recognised under AASB 15 Revenue from Contracts with Customers</b>		
Specific purpose grants	27	-
	<b>32,875</b>	<b>24,749</b>



# Notes to the Financial Report for the Year Ended 30 June 2022

## 3.5 (a) Contributions

	2022 \$'000	2021 \$'000
Monetary	844	1,416
Non-monetary	1,629	3,176
<b>Total contributions</b>	<b>2,473</b>	<b>4,592</b>

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

Roads	693	1,031
Drains	489	1,303
Kerb & channels	102	331
Footpaths	345	511
<b>Total non-monetary contributions</b>	<b>1,629</b>	<b>3,176</b>

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

## (b) Found Assets

Found assets were recorded in the following asset classes.

Roads	235	294
Drains	15	46
Kerb & channels	6	38
Footpaths	111	44
Other	43	-
<b>Total found assets</b>	<b>410</b>	<b>422</b>

Found assets are recorded when discovered by Council during maintenance or capital works.

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

Proceeds of sale	849	980
Written down value of assets disposed	(637)	(2,144)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>212</b>	<b>(1,164)</b>

## 3.7 Other income

Interest	198	290
Investment property rental	219	230
Other rent	51	46
Fuel tax credits	129	98
Sales	10	22
Workcover reimbursements	357	245
Other reimbursements	305	350
External private works	-	1
Other	149	119
<b>Total other income</b>	<b>1,418</b>	<b>1,401</b>

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

# Notes to the Financial Report for the Year Ended 30 June 2022

## Note 4 The cost of delivering services

### 4.1 (a) Employee costs

	2022 \$'000	2021 \$'000
Wages and salaries	25,157	24,704
WorkCover	962	759
Superannuation	2,523	2,393
Fringe benefits tax	20	20
<b>Total employee costs</b>	<b>28,662</b>	<b>27,876</b>

### (b) Superannuation

Council made contributions to the following funds:

#### Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	78	87
Employer contributions payable at reporting date.	-	3

#### Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,206	1,184
Employer contributions - other funds	1,238	1,122
Employer contributions payable at reporting date.	-	93

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

### 4.2 Materials and services

Waste Management	4,653	4,056
Leisure Centre Operations	1,167	815
Contractors General	5,480	3,436
Software Maintenance	1,303	1,564
Landfill Rehabilitation	1,714	65
COVID-19	158	95
Natural disasters	5,118	614
Materials General	5,251	4,555
Fuel & Oils	1,039	749
Advertising & Promotion Costs	442	391
Utilities	972	902
Subscriptions, affiliations and conferences	160	234
Leases & Rentals	55	64
Legal Fees	400	339
Consultancies and projects	653	861
Insurance Premiums	1,116	964
Plant & Equipment Registrations	125	113
Training expenses	492	233
State levies	1,282	876
Gippsland Group Training / Labour Hire	(2)	4
<b>Total materials and services</b>	<b>31,578</b>	<b>20,930</b>

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

### 4.3 Depreciation

Property	1,994	3,842
Plant and equipment	1,799	1,542
Infrastructure	7,912	6,531
<b>Total depreciation</b>	<b>11,705</b>	<b>11,915</b>

Refer to note 5.2(c), 5.8 and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

### 4.4 Amortisation - Intangible assets

Landfill air space	364	240
<b>Total Amortisation - Intangible assets</b>	<b>364</b>	<b>240</b>

### 4.5 Amortisation - Right of use assets

Property	93	93
<b>Total Amortisation - Right of use assets</b>	<b>93</b>	<b>93</b>

# Notes to the Financial Report for the Year Ended 30 June 2022

## 4.6 Bad and doubtful debts

Other debtors

**Total bad and doubtful debts**

2022	2021
\$'000	\$'000
17	(4)
<b>17</b>	<b>(4)</b>

### Movement in provisions for doubtful debts

Balance at the beginning of the year

New provisions recognised during the year

Amounts already provided for and written off as uncollectible

Amounts provided for but recovered during the year

Balance at end of year

158	161
22	8
(4)	-
(5)	(11)
<b>171</b>	<b>158</b>

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

## 4.7 Borrowing costs

Interest - Borrowings

**Total borrowing costs**

20	9
<b>20</b>	<b>9</b>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

## 4.8 Finance Costs - Leases

Interest - Lease Liabilities

**Total finance costs**

1	6
<b>1</b>	<b>6</b>

## 4.9 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals

Auditors' remuneration - Internal Audit

Councillors' allowances

Library contributions

Community &amp; Sporting grants

Bank Fees &amp; Charges

Infrastructure assets and work in progress written-off

Gift and transfer of interest in West Gippsland Regional Library Corporation to MyLi (Note 6.2)

Others

**Total other expenses**

70	59
27	38
221	-
1,494	1,472
1,000	1,324
231	185
3,750	-
1,478	-
-	201
<b>8,271</b>	<b>3,279</b>

# Notes to the Financial Report 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	1	3
Cash at bank	3,550	7,369
Money market call accounts	4,296	3,195
<b>Total cash and cash equivalents</b>	<b>7,847</b>	<b>10,567</b>

#### (b) Other financial assets

Term deposits - current	37,270	32,279
<b>Total other financial assets</b>	<b>37,270</b>	<b>32,279</b>
<b>Total financial assets</b>	<b>45,117</b>	<b>42,846</b>

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

- Trust funds and deposits (Note 5.3)	1,552	1,527
Total restricted funds	1,552	1,527
Total unrestricted cash and cash equivalents	<b>6,295</b>	<b>9,040</b>

#### 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	20,692	23,546
- Grants recognised as revenue and obtained on the condition that they be expended in a specified manner that had not occurred at balance date (Note 3.4c)	4,514	3,300
- Reserve funds allocated for specific future purpose (Note 9.1b)	1,082	543
Total funds subject to intended allocations	<b>26,288</b>	<b>27,389</b>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

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.

# Notes to the Financial Report for the Year Ended 30 June 2022

## (c) Trade and other receivables

### Current

#### Statutory receivables

Rates debtors

Special rate assessment

Net GST receivable

#### Non statutory receivables

Other debtors

Provision for doubtful debts - other debtors

Total current trade and other receivables

### Total trade and other receivables

	2022 \$'000	2021 \$'000
Rates debtors	3,112	3,638
Special rate assessment	45	55
Net GST receivable	1,247	771
Other debtors	2,675	1,579
Provision for doubtful debts - other debtors	(171)	(158)
Total current trade and other receivables	6,908	5,885
<b>Total trade and other receivables</b>	<b>6,908</b>	<b>5,885</b>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

## (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)

Past due by up to 30 days

Past due between 31 and 180 days

Past due between 181 and 365 days

Past due by more than 1 year

Total trade and other receivables

	1,274	988
	869	269
	311	39
	11	83
	39	42
<b>Total trade and other receivables</b>	<b>2,504</b>	<b>1,421</b>

## (e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$171K (2021: \$158K) were impaired. The amount of the provision raised against these debtors was \$171K (2021: \$158K). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of receivables that have been individually determined as impaired at reporting date was:

Current (not yet due)

Past due by up to 30 days

Past due between 31 and 180 days

Past due between 181 and 365 days

Past due by more than 1 year

Total trade & other receivables

	1	1
	3	1
	18	2
	10	11
	139	143
<b>Total trade &amp; other receivables</b>	<b>171</b>	<b>158</b>



# Notes to the Financial Report for the Year Ended 30 June 2022

## 5.2 Non-financial assets

### (a) Inventories

	2022 \$'000	2021 \$'000
Inventories held for distribution	176	210
<b>Total inventories</b>	<b>176</b>	<b>210</b>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

### (b) Other assets

Prepayments	348	240
<b>Total other assets</b>	<b>348</b>	<b>240</b>

### (c) Intangible assets

Landfill air space	-	294
<b>Total intangible assets</b>	<b>-</b>	<b>294</b>

#### Landfill \$'000

### Gross carrying amount

Balance at 1 July 2021	1,417
Additions from internal developments	-
Other additions	70
Balance at 30 June 2022	1,487

### Accumulated amortisation and impairment

Balance at 1 July 2021	1,123
Amortisation expense	364
Balance at 30 June 2022	1,487
Net book value at 30 June 2021	294
Net book value at 30 June 2022	-

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.

# Notes to the Financial Report for the Year Ended 30 June 2022

	2022	2021
	\$'000	\$'000
<b>5.3 Payables, trust funds and deposits and unearned income/revenue</b>		
<b>(a) Trade and other payables</b>		
<i>Non-statutory payables</i>		
Trade payables	2,680	2,214
Accrued expenses	3,440	730
<b>Total trade and other payables</b>	<b>6,120</b>	<b>2,944</b>
<b>(b) Trust funds and deposits</b>		
Refundable deposits	334	203
Fire services levy	577	662
Retention amounts	247	259
Other refundable deposits	394	403
<b>Total trust funds and deposits</b>	<b>1,552</b>	<b>1,527</b>
<b>(c) Unearned income/revenue</b>		
Grants received in advance - operating	1,099	117
Grants received in advance - capital	3,823	4,834
<b>Total unearned income/revenue</b>	<b>4,922</b>	<b>4,951</b>

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

#### **Purpose and nature of items**

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Other refundable deposits - Other deposits held in trust.

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of capital works and major projects. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

# Notes to the Financial Report for the Year Ended 30 June 2022

## 5.4 Interest-bearing liabilities

	2022 \$'000	2021 \$'000
<b>Current</b>		
Treasury Corporation of Victoria borrowings - secured	514	349
	<b>514</b>	<b>349</b>
<b>Non-current</b>		
Treasury Corporation of Victoria borrowings - secured	4,422	3,049
	<b>4,422</b>	<b>3,049</b>
<b>Total</b>	<b>4,936</b>	<b>3,398</b>

Borrowings are secured by (insert security details)

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

Not later than one year	514	349
Later than one year and not later than five years	2,142	1,454
Later than five years	2,280	1,595
	<b>4,936</b>	<b>3,398</b>

Council has a construction drawdown facility that is interest-only until the final drawdown has occurred. At the time of the final drawdown the facility will convert to a 10 year principal & interest loan.

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

### 2022

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
Balance at beginning of the financial year	8,107	3,155	11,262
Additional provisions	2,109	149	2,258
Amounts used	(2,102)	(82)	(2,184)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(230)	1,719	1,489
Balance at the end of the financial year	<b>7,884</b>	<b>4,941</b>	<b>12,825</b>

### 2021

Balance at beginning of the financial year	7,138	3,055	10,193
Additional provisions	3,433	87	3,520
Amounts used	(2,453)	(100)	(2,553)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(11)	113	102
Balance at the end of the financial year	<b>8,107</b>	<b>3,155</b>	<b>11,262</b>

# Notes to the Financial Report for the Year Ended 30 June 2022

	2022 \$'000	2021 \$'000
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	1,807	1,865
Purchased leave	205	275
Rostered days	315	409
Long service leave	391	362
	<b>2,718</b>	<b>2,911</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	1,106	917
Long service leave	2,860	2,706
	<b>3,966</b>	<b>3,623</b>
Total current employee provisions	<b>6,684</b>	<b>6,534</b>
<b>Non-current</b>		
Long service leave	1,200	1,573
Total non-current employee provisions	<b>1,200</b>	<b>1,573</b>
Aggregate carrying amount of employee provisions:		
Current	6,684	6,534
Non-current	1,200	1,573
Total aggregate carrying amount of employee provisions	<b>7,884</b>	<b>8,107</b>

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:

- discount rate	3.075%	0.183%
- index rate	3.000%	2.950%

	2022 \$'000	2021 \$'000
<b>(b) Landfill restoration</b>		
Current	88	83
Non-current	4,853	3,072
	<b>4,941</b>	<b>3,155</b>

Council is obligated to restore the landfill sites to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

#### Key assumptions:

- discount rate	3.395%	0.944%
- index rate	9.060%	2.383%

## 5.6 Financing arrangements

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

Bank overdraft	500	500
Credit card facilities	350	350
Treasury Corporation of Victoria facilities	8,100	951
Total facilities	<b>8,950</b>	<b>1,801</b>
Used facilities	59	1,226
Unused facilities	<b>8,891</b>	<b>575</b>

# Notes to the Financial Report for the Year Ended 30 June 2022

## 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
<b>Operating</b>					
Transfer Stations	660	660	1,980	1,045	4,345
Kerbside Garbage	1,644	-	-	-	1,644
Libraries	1,520	-	-	-	1,520
General Materials & Services	1,879	196	10	-	2,085
Equipment Hire	9	-	-	-	9
Maintenance Contracts	145	-	-	-	145
Construction Contracts	227	-	-	-	227
Workcover	12	-	-	-	12
<b>Total</b>	<b>6,096</b>	<b>856</b>	<b>1,990</b>	<b>1,045</b>	<b>9,987</b>
<b>Capital</b>					
Roads	1,701	-	-	-	1,701
Car Parks	1,416	-	-	-	1,416
Computers and telecomms	436	-	-	-	436
Plant, machinery and equipment	1,024	338	-	-	1,362
Other Structures	3,316	-	-	-	3,316
Buildings	7,180	-	-	-	7,180
Heritage Buildings	37	-	-	-	37
Footpaths	455	-	-	-	455
Major Culverts	78	-	-	-	78
Transfer Stations	125	-	-	-	125
<b>Total</b>	<b>15,768</b>	<b>338</b>	<b>-</b>	<b>-</b>	<b>16,106</b>
<b>2021</b>					
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
<b>Operating</b>					
Transfer Stations	311	-	-	-	311
Litter Bins	13	-	-	-	13
Kerbside Garbage	1,337	-	-	-	1,337
Libraries	1,472	-	-	-	1,472
General Materials & Services	1,163	107	271	-	1,541
Maintenance Contracts	1,247	-	-	-	1,247
Construction Contracts	272	16	-	-	288
<b>Total</b>	<b>5,815</b>	<b>123</b>	<b>271</b>	<b>-</b>	<b>6,209</b>
<b>Capital</b>					
Roads	529	-	-	-	529
Computers and telecomms	133	-	-	-	133
Plant, machinery and equipment	573	-	-	-	573
Other Structures	1,307	-	-	-	1,307
Buildings	2,117	-	-	-	2,117
Footpaths	2,543	-	-	-	2,543
Major Culverts	399	-	-	-	399
<b>Total</b>	<b>7,601</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,601</b>

### (b) Operating lease receivables

#### Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future undiscounted minimum rentals receivable under non-cancellable operating leases are as follows:

	2022	2021
	\$'000	\$'000
Not later than one year	261	225
Later than one year and not later than five years	412	394
Later than five years	257	267
<b>Total</b>	<b>930</b>	<b>886</b>

# Notes to the Financial Report 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.

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

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

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

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

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

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

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

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

Council has elected to apply the temporary option available under AASB 16 *Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.



# Notes to the Financial Report for the Year Ended 30 June 2022

## Right-of-Use Assets

	Property \$'000
Balance at 1 July 2021	86
Additions	461
Amortisation charge	(93)
Balance at 30 June 2022	<b>454</b>

## Lease Liabilities

	2022 \$'000	2021 \$'000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	89	94
One to five years	364	-
More than five years	-	-
Total undiscounted lease liabilities as at 30 June:	<b>453</b>	<b>94</b>
Lease liabilities included in the Balance Sheet at 30 June:		
Current	89	94
Non-current	364	-
Total lease liabilities	<b>453</b>	<b>94</b>

## 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. Council had no short-term leases or leases of low value assets in 2021-22.

# Notes to the Financial Report for the Year Ended 30 June 2022

## Note 6 Assets we manage

### 6.1 Property, infrastructure, plant and equipment

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

	Carrying amount 30 June 2021	Additions	Contributions	Found Assets	Revaluation	Depreciation	Disposal	Write-off	Transfers	Carrying amount 30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	134,189	-	-	-	59,400	(1,994)	(857)	-	(5,734)	185,004
Plant and equipment	9,917	-	-	-	-	(1,799)	(497)	-	2,270	9,891
Infrastructure	425,493	-	1,629	410	370	(7,912)	(1,340)	-	20,430	439,080
Work in progress	17,774	27,616	-	-	-	-	-	(1,825)	(16,966)	26,599
	<b>587,373</b>	<b>27,616</b>	<b>1,629</b>	<b>410</b>	<b>59,770</b>	<b>(11,705)</b>	<b>(2,694)</b>	<b>(1,825)</b>	<b>-</b>	<b>660,574</b>

#### Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,021	9,086	(134)	(1,464)	9,509
Plant and equipment	243	2,380	(271)	(2,305)	47
Infrastructure	15,510	16,150	(1,420)	(13,197)	17,043
Total	<b>17,774</b>	<b>27,616</b>	<b>(1,825)</b>	<b>(16,966)</b>	<b>26,599</b>

# Notes to the Financial Report for the Year Ended 30 June 2022

## (a) Property

	Land - specialised	Land under roads	Land - non specialised	Total Land & Land Improvements	Heritage buildings	Buildings	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	59,053	18,381	5,891	<b>83,325</b>	6,390	158,415	<b>164,805</b>	2,021	<b>250,151</b>
Accumulated depreciation at 1 July 2021	-	-	-	-	(4,493)	(109,448)	<b>(113,941)</b>	-	<b>(113,941)</b>
	59,053	18,381	5,891	<b>83,325</b>	1,897	48,967	<b>50,864</b>	2,021	<b>136,210</b>
<b>Movements in fair value</b>									
Additions	-	-	-	-	-	-	-	9,086	<b>9,086</b>
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	18,734	7,662	967	<b>27,363</b>	308	(21,831)	<b>(21,523)</b>	-	<b>5,840</b>
Disposal	(140)	-	-	<b>(140)</b>	-	(6,177)	<b>(6,177)</b>	-	<b>(6,317)</b>
Write-off	-	-	-	-	-	-	-	(134)	<b>(134)</b>
Transfers	-	-	-	-	-	(28,144)	<b>(28,144)</b>	(1,464)	<b>(29,608)</b>
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	18,594	7,662	967	<b>27,223</b>	308	(56,152)	<b>(55,844)</b>	7,488	<b>(21,133)</b>
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	-	-	(129)	(1,865)	<b>(1,994)</b>	-	<b>(1,994)</b>
Accumulated depreciation of disposals	-	-	-	-	-	5,460	<b>5,460</b>	-	<b>5,460</b>
Revaluation	-	-	-	-	2,149	51,411	<b>53,560</b>	-	<b>53,560</b>
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	22,410	<b>22,410</b>	-	<b>22,410</b>
	-	-	-	-	2,020	77,416	<b>79,436</b>	-	<b>79,436</b>
At fair value 30 June 2022	77,647	26,043	6,858	<b>110,548</b>	6,698	102,263	<b>108,961</b>	9,509	<b>229,018</b>
Accumulated depreciation at 30 June 2022	-	-	-	-	(2,473)	(32,032)	<b>(34,505)</b>	-	<b>(34,505)</b>
Carrying amount	<b>77,647</b>	<b>26,043</b>	<b>6,858</b>	<b>110,548</b>	<b>4,225</b>	<b>70,231</b>	<b>74,456</b>	<b>9,509</b>	<b>194,513</b>

The methodology for valuation of Buildings has been changed to provide more accuracy and to better align with other councils. The new methodology has resulted in a decrease in fair value of the gross replacement cost of \$21.5M and a decrease in accumulated depreciation of \$53.5, for an overall increase in carrying amount of \$32.0M.

# Notes to the Financial Report for the Year Ended 30 June 2022

## (b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2021	16,182	204	4,441	243	21,070
Accumulated depreciation at 1 July 2021	(7,437)	(183)	(3,290)	-	(10,910)
	8,745	21	1,151	243	10,160
<b>Movements in fair value</b>					
Additions	-	-	-	2,380	2,380
Contributions	-	-	-	-	-
Revaluation	-	-	-	-	-
Disposal	(1,483)	-	-	-	(1,483)
Write-off	-	-	-	(271)	(271)
Transfers	1,511	-	759	(2,305)	(35)
Impairment losses recognised in operating result	-	-	-	-	-
	28	-	759	(196)	591
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(1,255)	(4)	(540)	-	(1,799)
Accumulated depreciation of disposals	986	-	-	-	986
Impairment losses recognised in operating result	-	-	-	-	-
Transfers	-	-	-	-	-
	(269)	(4)	(540)	-	(813)
At fair value 30 June 2022	16,210	204	5,200	47	21,661
Accumulated depreciation at 30 June 2022	(7,706)	(187)	(3,830)	-	(11,723)
Carrying amount	8,504	17	1,370	47	9,938

# Notes to the Financial Report for the Year Ended 30 June 2022

**(c) Infrastructure**

	Roads \$'000	Bridges \$'000	Major culverts \$'000	Footpaths & cycleways \$'000	Kerb & channel \$'000	Off street car parks \$'000	Drainage \$'000	Waterway Infrastructure \$'000	Land Stabilisation \$'000	Waste Management \$'000	Recreation \$'000	Other Infrastructure \$'000	Work In Progress	Total Infrastructure \$'000
At fair value 1 July 2021	370,738	58,661	14,754	19,004	27,097	6,934	41,888	1,106	6,102	4,303	-	19,562	15,510	585,659
Accumulated depreciation at 1 July 2021	(48,903)	(41,510)	(9,657)	(2,610)	(5,139)	(4,644)	(19,584)	(592)	(1,389)	(3,033)	-	(7,595)	-	(144,656)
	321,835	17,151	5,097	16,394	21,958	2,290	22,304	514	4,713	1,270	-	11,967	15,510	441,003
<b>Movements in fair value</b>														
Additions	-	-	-	-	-	-	-	-	-	-	-	-	16,150	16,150
Contributions	693	-	-	345	102	-	489	-	-	-	-	-	-	1,629
Found assets	274	-	-	144	7	-	18	-	-	-	-	54	-	497
Revaluation	43	-	-	318	-	-	-	-	-	-	-	9	-	370
Disposal	(645)	(27)	(197)	(424)	(274)	-	(211)	-	-	-	-	(98)	-	(1,876)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-	(1,420)	(1,420)
Transfers	9,045	214	637	1,206	583	262	598	-	30	93	29,427	745	(13,197)	29,643
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	9,410	187	440	1,589	418	262	894	-	30	93	29,427	710	1,533	44,993
<b>Movements in accumulated depreciation</b>														
Depreciation and amortisation	(3,507)	(415)	(124)	(313)	(229)	(425)	(354)	(18)	(122)	(465)	(793)	(1,147)	-	(7,912)
Accumulated depreciation of disposals	59	27	125	79	70	-	110	-	-	-	-	66	-	536
Found assets	(39)	-	-	(33)	(1)	-	(3)	-	-	-	-	(11)	-	(87)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	(153)	-	-	-	-	-	-	-	-	(22,257)	-	-	(22,410)
	(3,487)	(541)	1	(267)	(160)	(425)	(247)	(18)	(122)	(465)	(23,050)	(1,092)	-	(29,873)
At fair value 30 June 2022	380,148	58,848	15,194	20,593	27,515	7,196	42,782	1,106	6,132	4,396	29,427	20,272	17,043	630,652
Accumulated depreciation at 30 June 2022	(52,390)	(42,051)	(9,656)	(2,877)	(5,299)	(5,069)	(19,831)	(610)	(1,511)	(3,498)	(23,050)	(8,687)	-	(174,529)
Carrying amount	327,758	16,797	5,538	17,716	22,216	2,127	22,951	496	4,621	898	6,377	11,585	17,043	456,123

# Notes to the Financial Report 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.

## Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit
		\$'000
Land & land improvements		
land	-	No Threshold
land improvements	-	10
Buildings		
heritage buildings	100 years	15
buildings	20 to 50 years	15
building and leasehold improvements	20 to 50 years	15
Plant and Equipment		
plant, machinery and equipment	1 to 25 years	No Threshold
fixtures, fittings and furniture	1 to 5 years	15
computers, software and telecommunications	1 to 5 years	15
Infrastructure		
roads - pavements and substructure	130 years	No Threshold
roads - seals	15 to 25 years	No Threshold
roads - formation and earthworks	0	No Threshold
roads - kerb and channel	120 years	15
bridges	150 years	15
major culverts	120 years	15
footpath and cycleways	90 years	15
off street car parks pavement	130 years	15
off street car parks seal	15 years	15
drainage	120 years	15
waterway infrastructure	60 years	15
land stabilisation	50 years	15
waste management	4 to 50 years	15
other structures	10 to 40 years	15
Intangible assets		
landfill air space	4 to 6 years	No Threshold
Right-of-use assets		
building	3 years	10

## 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 Report for the Year Ended 30 June 2022

## Valuation of land and buildings

Valuation of land was undertaken by a qualified valuer Andrew Begg, AAPI (council employee). Valuation of buildings was undertaken by a qualified independent valuer Assetic Pty Ltd MIE(Aust) CPEng, NPER : Membership 1102199. 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 assets.

The date of the current valuation is detailed in the following table.

Details of the Council's land and buildings and information about the fair value hierarchy (Note 8.4) as at 30 June 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	6,858	-	30/06/2022
Specialised land	-	-	103,690	30/06/2022
Heritage Buildings	-	-	4,225	30/06/2022
Buildings	-	-	70,231	30/06/2022
Total	-	6,858	178,146	

## Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Tony Peterson, BE Civil Engineering (Council employee).

The date of the current valuation is detailed in the following table.

The valuation is at fair value 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 (Note 8.4) as at 30 June 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	327,758	30/06/2021
Bridges	-	-	16,797	30/06/2021
Major culverts	-	-	5,538	30/06/2021
Footpaths & cycleways	-	-	17,716	30/06/2021
Kerb & channel	-	-	22,216	30/06/2021
Off street car parks	-	-	2,127	30/06/2021
Drainage	-	-	22,951	30/06/2021
Seawalls	-	-	496	30/06/2021
Land stabilisation	-	-	4,621	30/06/2021
Waste management	-	-	898	n/a
Recreation	-	-	6,377	30/06/2021
Other infrastructure	-	-	11,585	30/06/2021
Total	-	-	439,080	



# Notes to the Financial Report for the Year Ended 30 June 2022

## **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 0% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$749 per square metre.

**Specialised buildings** are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$109 to \$15,217 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of 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 vary from 4 years to 150 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.

## **Reconciliation of specialised land**

Land under roads

Parks and reserves

**Total specialised land**

	2022 \$'000	2021 \$'000
Land under roads	26,043	18,381
Parks and reserves	77,647	59,053
<b>Total specialised land</b>	<b>103,690</b>	<b>77,434</b>

# Notes to the Financial Report for the Year Ended 30 June 2022

## 6.2 Non-current assets held for sale

### (a) Investments in associates

#### Asset Transferred to West Gippsland Regional Library Corporation

The change to the Local Government Act 2020 (VIC) has required that existing Regional Library Boards be wound up within 10 years from 1 July 2021. On 25th June 2021, it was recommended to the Council that they participate in the formation of a beneficial enterprise to be known as; and become a founding member of Myli – My Community Library Ltd being:

- a public company limited by guarantee;
- a not-for-profit and charitable institution to be registered with the Australian Charities and Not-for-profits Commission;
- a public library recognised by the Australian Taxation Office; and
- on the terms of the Myli – My Community Library Ltd constitution.

The Member Councils entered into a deed of novation and variation (Novation Deed) in relation to the existing West Gippsland Regional Library Corporation Agreement from 1 July 2022.

The Member Councils also entered into a gift and transfer deed between West Gippsland Regional Library Corporation and Myli – My Community Library Ltd (Gift and Transfer Deed) which provided in general terms, the restructure of West Gippsland Regional Library Corporation and replace it with Myli – My Community Library Ltd. Member Councils gifted their interests in West Gippsland Regional Library Corporation Ltd, and therefore their interests in West Gippsland Regional Library Corporation's business, assets and liabilities, to Myli – My Community Library Ltd. The transfer of West Gippsland Regional Library Corporation's business, assets and liabilities occurred in specie to Myli – My Community Library Ltd on 30 June 2022.

The Council on 21 July 2021, subject to giving full effect to the Novation Deed and the Gift and Transfer Deed, agreed that its intention is that the original Library Agreement was taken to be terminated with effect at 11:59pm on 30 June 2022. Therefore, agreed to the dissolution and winding up of West Gippsland Regional Library Corporation, with the Gift and Transfer Deed constituting the distribution of assets and liabilities in full and final satisfaction of dissolution and winding up clause, 13.2, of the Library Agreement.

Other Member Councils made their decisions to transition on the following dates:

- Bass Coast Council on 21 July 2021
- Baw Baw Shire Council on 28 July 2021

- West Gippsland Regional Library Corporation

	2022 \$'000	2021 \$'000
	-	1,691

#### West Gippsland Regional Library Corporation

##### Background

Council had a 30.55% equity interest in the West Gippsland Regional Library Corporation in 2021/22 (30.55% in 2020/21). The equity interest was calculated based on the proportion it contributes to the operating costs of the services.

#### Fair value of Council's investment in West Gippsland Regional Library Corporation

	-	1,691
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#### Council's share of accumulated surplus/(deficit)

Council's share of accumulated surplus(deficit) at start of year	1,453	1,197
Reported surplus(deficit) for year	69	132
Transfers (to) from reserves	(44)	124
Distributions for the year	-	-
Gift and transfer of interest in WGRLC to MyLi	(1,478)	-
Council's share of accumulated surplus(deficit) at end of year	-	1,453

#### Council's share of reserves

Council's share of reserves at start of year	238	344
Asset revaluation	(282)	18
Transfers (to) from reserves	44	(124)
Council's share of reserves at end of year	-	238

#### Movement in carrying value of specific investment

Carrying value of investment at start of year	1,691	1,541
Share of surplus(deficit) for year	69	132
Share of asset revaluation	(282)	18
Distributions received	-	-
Gift and transfer of interest in WGRLC to MyLi	(1,478)	-
Carrying value of investment at end of year	-	1,691

#### Council's share of expenditure commitments

Operating commitments	-	38
Capital commitments	-	-
Council's share of expenditure commitments	-	38

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.

# Notes to the Financial Report for the Year Ended 30 June 2022

## 6.3 Investment property

Balance at beginning of financial year
Fair value adjustments
Balance at end of financial year

2022	2021
\$'000	\$'000
615	620
112	(5)
727	615

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

### **Valuation of investment property**

Valuation of investment property has been determined in accordance with an independent valuation by Andrew Begg, AAPI (council employee) who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

# Notes to the Financial Report for the Year Ended 30 June 2022

## Note 7 People and relationships

### 7.1 Council and key management remuneration

#### (a) Related Parties

##### Parent entity

South Gippsland Shire Council is the parent entity.

##### Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in Note 6.2.

#### (b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of South Gippsland Shire Council. The Councillors, Chief Executive Officer and Directors are deemed KMP.

Details of KMP at any time during the year are:

		2022	2021
		No.	No.
<b>Councillors</b>	Councillor Mohya Davies (Mayor) (from 16 November 2021)	1	
	Councillor Sarah Gilligan (from 16 November 2021)	1	
	Councillor Scott Rae (from 16 November 2021)	1	
	Councillor Jenni Keerie (from 16 November 2021)	1	
	Councillor Mick Felton (from 16 November 2021)	1	
	Councillor Nathan Hersey (from 16 November 2021)	1	
	Councillor John Schelling (from 16 November 2021)	1	
	Councillor Clare Williams (from 16 November 2021)	1	
	Councillor Adrian Darakai (from 16 November 2021)	1	
	<b>Administrators</b>	Julie Eisenbise (to 16 November 2021)	1
	Christian Zahra AM (to 16 November 2021)	1	1
	Rick Brown (to 16 November 2021)	1	1
<b>Chief Executive Officer and other Key Management Personnel</b>	Chief Executive Officer - Kerryn Ellis	1	1
	Acting Director - Performance and Innovation - Tracey Costello (to 3 November 2020)		1
	Director - Performance and Innovation - Allison Jones	1	1
	Director - Sustainability Infrastructure - Anthony Seabrook	1	1
	Director - Economic and Community - Renae Littlejohn (from 12 April 2021)	1	1
	Director - Economic and Community - Bryan Sword (to 1 February 2021)		1
<b>Total Number of Councillors</b>	9	-	
<b>Total Number of Administrators</b>	3	3	
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	4	6	
<b>Total Number of Key Management Personnel</b>	16	9	

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

Total remuneration of key management personnel was as follows:

	2022	2021
	\$	\$
Short-term benefits	1,297	1,242
Long-term benefits	23	27
Post employment benefits	106	179
<b>Total</b>	<b>1,426</b>	<b>1,448</b>

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

	2022	2021
	No.	No.
\$10,000 - \$19,999	7	-
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	2	-
\$40,000 - \$49,999	-	-
\$50,000 - \$59,999	1	1
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	-	2
\$150,000 - \$159,999	-	-
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	-	1
\$220,000 - \$229,999	1	-
\$240,000 - \$249,999	-	2
\$250,000 - \$259,999	2	-
\$310,000 - \$319,999	-	1
\$330,000 - \$339,999	-	-
<b>Total</b>	<b>16</b>	<b>9</b>

# Notes to the Financial Report for the Year Ended 30 June 2022

## (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

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

Income Range:

Below \$151,000
\$151,000 - \$159,999
\$160,000 - \$169,999
\$170,000 - \$179,999
\$180,000 - \$189,999
\$190,000 - \$199,999

2022	2021
No.	No.
-	2
-	3
-	2
5	-
1	1
1	-
<b>7</b>	<b>8</b>
1,246	1,221

Total Remuneration for the reporting year for Senior Officers included above, amounted to:

## 7.2 Related party disclosure

### (a) Transactions with related parties

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

Total received for sales of goods & services from related parties

There were 142 transactions during the current period with one related party for contractor services to BJ's Earthmoving. The total of these transactions was \$1,962,654, and were made on standard terms through an open tender process. The Councillor with the business interest in the related party was not present during meetings and did not vote during the open tender process.

Contributions paid to West Gippsland Regional Library Corporation

Administrator Julie Eisenbise was a member of the Victorian Local Government Grants Commission. Council received Financial Assistance grants for 2022 allocated by the commission prior to term ending in November 2021.

2022	2021
\$'000	\$'000
1	-
1,963	-
1,494	1,472
5,601	10,015

All transactions are in line with normal commercial practice.

### (b) Outstanding balances with related parties

Included in trade and other payables is \$16K (2021 - Nil) owing to related parties for purchase of goods & services

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

There were no loans in existence at balance date that have been made, guaranteed or secured by the council to a related party.

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

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party was \$1.5M (2021 - \$1.5M) in relation to the West Gippsland Regional Library Corporation.

# Notes to the Financial Report 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. At balance date the Council are not aware of any contingent assets.

#### (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.

#### 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.

#### Landfill

Council operates a landfill. Council will have to carry out site rehabilitation works in the future. At balance date, Council has made necessary provisions for the rehabilitation of Landfills that are currently in operation. However, the estimates of provision required is dependent on the accuracy of the forecast, timing of work, work required and related costs.

#### 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.

#### MAV Workcare

Council was a participant of the MAV WorkCare Scheme. The MAV WorkCare Scheme provided workers compensation insurance. MAV WorkCare commenced business on 1 November 2017 and the last day the Scheme operated as a self-insurer was 30 June 2021. In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, there is a six year liability period following the cessation of the Scheme (to 30 June 2027). During the liability period, adjustment payments may be required (or received). The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by Work Safe Victoria. If required, adjustments will occur at the 3-year and 6-year points during the liability period, and will affect participating members.

#### (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.

Council has the following bank guarantees with Commonwealth Bank of Australia for contract performance and security deposits.

Description	Favouree	Amount
Security Deposit Guarantee	Environment Protection Authority	\$425,000
Security Deposit Guarantee	Environment Protection Authority	\$451,296
<b>Total</b>		<b>\$876,296</b>

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

# Notes to the Financial Report for the Year Ended 30 June 2022

## 8.2 Change in accounting standards

Certain new Australian Accounting Standards 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 the year ending 30 June 2023 that are expected to impact Council.

## 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 TCV 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 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.



# Notes to the Financial Report for the Year Ended 30 June 2022

## (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

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.

## (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 + 6% and -1% in market interest rates (AUD) from year-end rates of 1.38%.

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.

# Notes to the Financial Report for the Year Ended 30 June 2022

## 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 every 2 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 Report for the Year Ended 30 June 2022

## Note 9 Other matters

Reserves	Balance at beginning of reporting period	Increment (decrement)	Share of increment (decrement) on revaluation of Buildings by an associate	Balance at end of reporting period
9.1	\$'000	\$'000	\$'000	\$'000
<b>(a) Asset revaluation reserves</b>				
<b>2022</b>				
<b>Property</b>				
Land and land improvements	50,283	19,701	-	69,984
Land under roads	1,756	7,662	-	9,418
Investment in associates	194	-	(194)	-
Buildings	39,782	29,580	(88)	69,274
Heritage buildings	1,387	2,457	-	3,844
Plant & Equipment	386	-	-	386
	<u>93,788</u>	<u>59,400</u>	<u>(282)</u>	<u>152,906</u>
<b>Infrastructure</b>				
Roads	236,764	43	-	236,807
Bridges	3,240	-	-	3,240
Major Culverts	1,597	-	-	1,597
Drainage	8,140	-	-	8,140
Footpaths and cycleways	4,965	318	-	5,283
Kerb & Channel	16,989	-	-	16,989
Car parks	1,809	-	-	1,809
Land Stabilisation	2,079	-	-	2,079
Other infrastructure	1,811	9	-	1,820
	<u>277,394</u>	<u>370</u>	<u>-</u>	<u>277,764</u>
<b>Total asset revaluation reserves</b>	<b><u>371,182</u></b>	<b><u>59,770</u></b>	<b><u>(282)</u></b>	<b><u>430,670</u></b>
<b>2021</b>				
<b>Property</b>				
Land and land improvements	40,477	9,806	-	50,283
Land under roads	-	1,756	-	1,756
Investment in associates	194	-	-	194
Buildings	37,568	2,196	18	39,782
Heritage buildings	1,375	12	-	1,387
Plant & Equipment	386	-	-	386
	<u>80,000</u>	<u>13,770</u>	<u>18</u>	<u>93,788</u>
<b>Infrastructure</b>				
Roads	236,764	-	-	236,764
Bridges	3,240	-	-	3,240
Major Culverts	1,597	-	-	1,597
Drainage	8,140	-	-	8,140
Footpaths and cycleways	4,719	246	-	4,965
Kerb & Channel	16,989	-	-	16,989
Car parks	1,809	-	-	1,809
Land Stabilisation	2,079	-	-	2,079
Other infrastructure	1,811	-	-	1,811
	<u>277,148</u>	<u>246</u>	<u>-</u>	<u>277,394</u>
<b>Total asset revaluation reserves</b>	<b><u>357,148</u></b>	<b><u>14,016</u></b>	<b><u>18</u></b>	<b><u>371,182</u></b>

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

# Notes to the Financial Report for the Year Ended 30 June 2022

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>				
<b>2022</b>				
Public Open Space	375	609	(63)	921
Caravan Parks Reserve	-	1,160	(1,160)	-
Corner Inlet Reserve	18	-	(7)	11
Venus Bay Surf Life Saving Club	150	-	-	150
<b>Total Other reserves</b>	<b>543</b>	<b>1,769</b>	<b>(1,230)</b>	<b>1,082</b>
<b>2021</b>				
Public Open Space	106	384	(115)	375
Caravan Parks Reserve	-	777	(777)	-
Corner Inlet Reserve	18	-	-	18
Venus Bay Surf Life Saving Club	150	-	-	150
<b>Total Other reserves</b>	<b>274</b>	<b>1,161</b>	<b>(892)</b>	<b>543</b>

Public Open Space

Statutory reserve to be used for the future development of land for public purposes.

Caravan Parks Reserve

Reserve created for future funding of Caravan Parks projects

Corner Inlet Reserve

Reserve for maintenance of a seawall to protect private lands from flooding.

Venus Bay Surf Life Saving Club

Reserve to hold funds from a community capital works allocation to allow the club time to attract further funding from other agencies.

# Notes to the Financial Report for the Year Ended 30 June 2022

## 9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

	2022 \$'000	2021 \$'000
Surplus/(deficit) for the year	8,944	16,021
Depreciation/amortisation	12,162	12,248
Borrowing costs	21	15
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(212)	1,164
Write-off on disposal of infrastructure assets and work in progress	3,882	-
Investment in associates	(69)	(132)
Gift and transfer of interest in West Gippsland Regional Library Corporation to MyLi	1,478	-
Fair value adjustments for investment property	(112)	5
Contributions - Non-monetary assets	(1,629)	(3,176)
Found assets	(410)	(422)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(1,023)	(332)
(Increase)/decrease in prepayments	(108)	94
(Increase)/decrease in inventories	34	(2)
Increase/(decrease) in trust funds and deposits	25	148
Increase/(decrease) in trade and other payables	3,176	232
(Decrease)/increase in unearned income /revenue	(29)	2,366
(Decrease)/increase in employee entitlements	(223)	971
(Decrease)/increase in landfill provision	1,716	100
<b>Net cash provided by/(used in) operating activities</b>	<b>27,623</b>	<b>29,300</b>

## 9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). 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 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.

# Notes to the Financial Report for the Year Ended 30 June 2022

## 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.

### (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.

# Notes to the Financial Report for the Year Ended 30 June 2022

## 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 (Interim) \$m	2020 (Triennial) \$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 \$'000	2021 \$'000
Vision super	Defined benefits	10.0% (2021:9.5%)	78	87
Vision super	Accumulation	10.0% (2021:9.5%)	2,444	2,306

There were no contributions outstanding as of 30 June 2022 (\$115K outstanding as of 30 June 2021) and no loans issued from or to the above schemes as at 30 June 2022 (no loans issued as of 30 June 2021).

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$75K.

## 10 Change in accounting policy

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





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Meeting No. 476 - 19 October 2022



**South Gippsland**  
Shire Council  
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