



South Gippsland
Shire Council

Come for the beauty, Stay for the lifestyle

ANNUAL REPORT 2009-10



Contents

Our Vision.....	4
Mayor's Message.....	5
CEO's Message.....	6
Your Elected Representatives.....	7
Organisational Structure.....	8
<i>-Current as at 30 June, 2010</i>	
Employee Profile.....	9
Employee Status.....	9
Equal Employment Opportunity (EEO).....	9
Sustainability Directorate.....	10
Infrastructure Directorate.....	17
Corporate and Community Services.....	19
Directorate	
Organisational Development.....	24
Freedom of Information.....	27
Whistleblowers' Protection Act.....	29
Best Value Report.....	30
National Competition Policy.....	31
Financial Overview.....	32
Local Government Indicators.....	38
Grants and donations to our community.....	39
Financial Statements.....	41

9 Smith Street, (Private Bag 4)
Leongatha Vic 3953

Phone: 5662 9200
Fax: 5662 3754
Email: council@southgippsland.vic.gov.au
Websites: www.southgippsland.vic.gov.au
www.visitpromcountry.com.au



Mission

To effectively
plan and provide
for the social, built,
economic and natural
environments that ensure the future
wellbeing of South Gippsland communities

Mayor's Message

The Hon Richard Wynne, MP
Minister for Local Government



Dear Minister,

SOUTH GIPPSLAND SHIRE COUNCIL ANNUAL REPORT

I'm proud to present our Annual Report for 2009/2010. It represents a report card to our community and is a valuable document that, together with our Council Plan, Budget and long term financial strategy, provides an open and transparent flow of information on what we planned to do, and have achieved during the past year. It allows you to measure and make judgements about our progress.

We welcomed our new Chief Executive Officer Tim Tamlin in November and he has proven to be a sharp and decisive leader with a clear vision for the organisation. His commitment to deliver excellent customer service is manifesting in a review of all policies and procedures to build a solid platform from which the organisation can confidently grow and prosper.

The business community has shown overt signs of economic recovery, with favourable weather conditions, market prices and expansion of electricity and gas infrastructure in the region.

Educational facilities in Leongatha are undergoing a major expansion with a new TAFE and primary school under construction. Significant funding was also received for social infrastructure, with a prototype Children's hub approved for Foster, with funding from all tiers of government.

Thanks to State Government support, public transport has improved greatly across the Shire, resulting in approximately 180 new services supporting cross regional travel.

Importantly, Council's financial performance is sound and the community's assets continue to be well managed. This is a gratifying position to be in, and has been achieved by a disciplined adherence to our long term financial plan.

This year we have adopted a new Councillor Code of Conduct and introduced the role of a Deputy Mayor to assist with mayoral duties. With 28 highly active communities around the Shire there are always numerous invitations to community events which are extremely rewarding. The work done by our community strengthening team to empower community groups is reaping rewards, with a confident and professional approach evident in their partnerships with Council.

We welcome your study of our performance.

Cr Jim Fawcett

A handwritten signature in black ink, appearing to read 'Jim Fawcett'. The signature is written in a cursive, flowing style.

Mayor

CEO's Message

The Hon Richard Wynne, MP
Minister for Local Government



Dear Minister,

SOUTH GIPPSLAND SHIRE COUNCIL ANNUAL REPORT

It is my great pleasure to present this report on the operations of Council for the year 2009/2010.

During the seven months since my appointment in November 2009, senior management has worked closely with staff to prepare the foundations for a culture of excellence. This has involved ongoing analysis of our systems and performance to achieve continued improvement, and has also resulted in the development this year of a new flatter structure that will be implemented in the coming year to provide better accountability and customer service.

Bushfire recovery work continued during the year with Council working closely with the affected communities and tourism operators to build resilience for future incidents. A fulltime Emergency Manager was employed in November and extensive review of all emergency and contingency plans has provided confidence in our ability to handle any adversities that may arise. This year's challenges included tempering community anxiety around the fire season while urging active preparation, and preparing for a potential H1N1 pandemic. Council was also a lead agency in the State, preparing a heatwave strategy to ensure the safety of our older residents in particular.

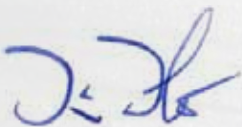
Eighty five per cent of our Capital Works Program was completed and saw the completion of the new Dyrings Rd Bridge at Foster and all projects funded by the Federal Stimulus Package. New playgrounds were installed at Mirboo North and Kongwak and implementation of the new asset system commenced.

An Infrastructure Design Manual was developed to provide greater clarity and consistency for consultants, developers and residents who need to know more about the rules, regulations and standards for new infrastructure when developing land. This will also deliver greater efficiencies to our engineering and planning teams.

In May the State Government returned planning powers through Amendment C51 after extensive negotiation. The new ruling provided greater clarity on planning issues and relieved the impact of C48 on many landowners in rural areas. The pressure is now upon us to complete and adopt a Rural Land Use Strategy in the coming months that will give us definitive guidelines for future rural development.

Significant community consultation has taken place engaging the voices of over 1200 residents to consider ways to make South Gippsland sustainable. Through forums such as these and the rollout of integrated community planning, an exciting new framework for community partnership is emerging, and will set us in good stead for the future.

We look forward to the challenges of the coming year and progressing many new initiatives.



Tim Tamlin
Chief Executive Officer

Your Elected Representatives



COASTAL PROMONTORY WARD



Cr Mohya Davies



Cr Jeanette Harding



Cr Kieran Kennedy

TARWIN VALLEY WARD



Cr James Fawcett (Mayor)



Cr David Lewis



Cr Mimmie Jackson

STRZELECKI WARD



Cr Jennie Deane



Cr Robert Newton



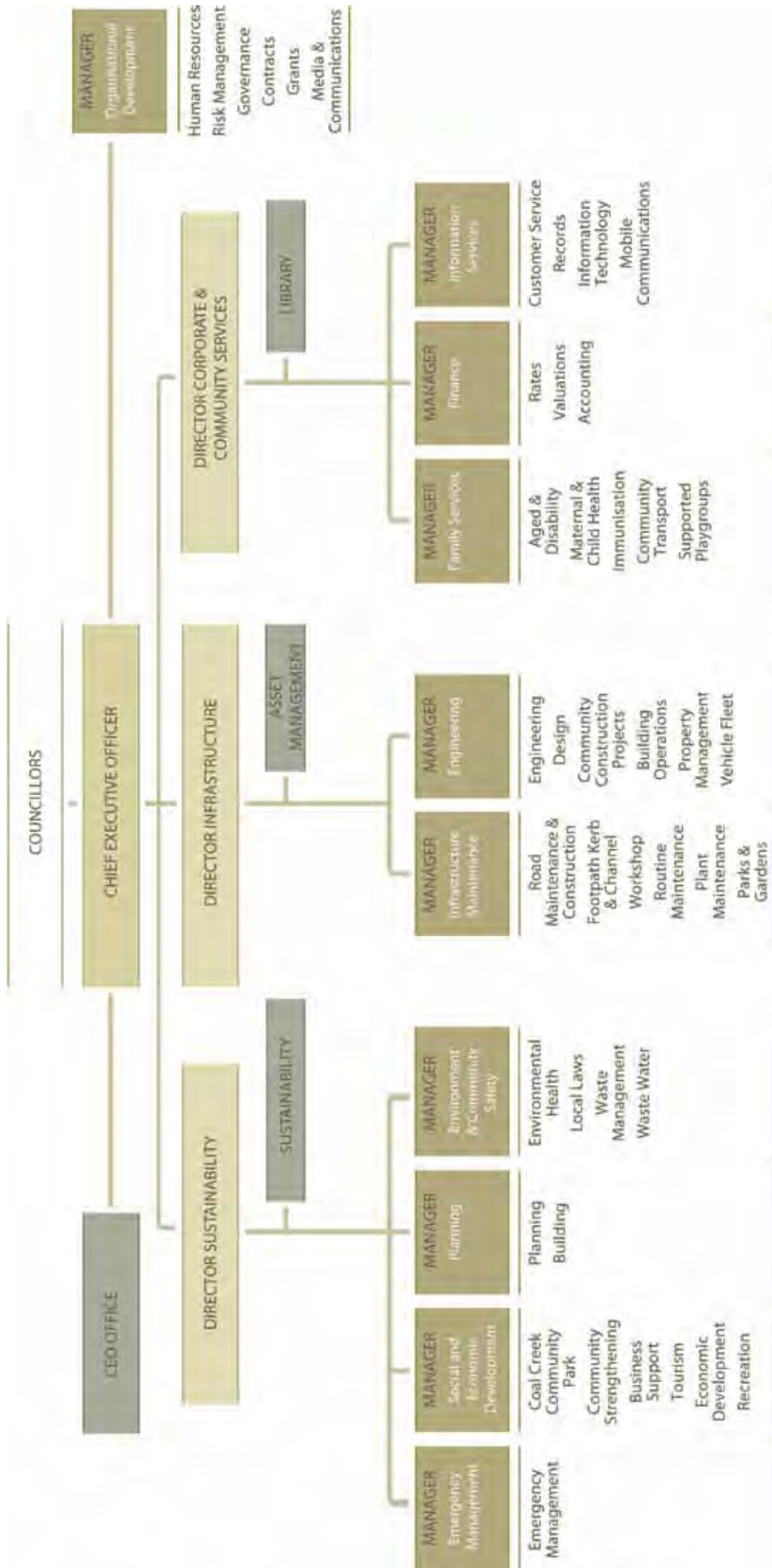
Cr Warren Raabe

Ward Boundaries

The Shire Wards were reassigned at the November 2005 election, reducing eight wards to three, each represented by three councillors.

Council Elections are now held every four years following the November 2008 elections. Voting for Council elections is compulsory for residents (residents 70 years of age or over are excused from voting). Non-resident ratepayers are encouraged to vote, but do not have to.

Council Meetings have been held on the first and third Wednesday of each month and are open to the public. Meeting dates may change if the meeting falls on a public holiday. All meetings are advertised each week in local newspapers under Council Noticeboard and on the website.



Employee Profile

Staff complement

Full time	165
Part time	92
Casual	63
Total number of staff	320

Employee Groups

Chief Executive	26
Corporate and Community Services	107
Development and Asset Services	94
Sustainability	93
Total number of staff	320

Equal Employment Opportunity

Council is committed to the principles of equal employment opportunity.

Discrimination in employment, and in the supply of goods and services, is unlawful under Commonwealth and Victorian legislation.

Council provides a workplace free from discrimination in which employees can develop their capabilities.

Sustainability Directorate



Social & Economic Development

COAL CREEK COMMUNITY PARK AND MUSEUM

The repositioning of Coal Creek as a Community Park in 2008 has directed the focus to:

- encourage all forms of community participation, including our own volunteer body;
- host literary, art and musical events, functions and exhibitions; as well as being a showpiece museum of local heritage;
- develop and invigorate its education program for local and visiting school students; and
- offer visitors increased opportunity for entertainment, hospitality and merchandise through a range of carefully selected commercial providers.

HIGHLIGHTS

- Thirteen groups now use Coal Creek as their permanent meeting space
- Commenced Museum accreditation process
- Five schools use the park for educational training and community connection
- Visitation reached 40,000 this year, up 18% on last year
- Expansion of merchandise and entertainment has increased income
- Numerous successful family and cultural events held throughout the year

COMMUNITY STRENGTHENING

The Community Strengthening team supports both geographic and common interest communities to improve resilience and capability through planning, volunteerism and collaborative activity.

HIGHLIGHTS

Facilitated:

- Community plans with Meeniyah, Poowong, Loch, Nyora and Toora
- 60 community bushfire recovery projects around Mirboo North/ Darlimurla
- Eastern and western community cluster projects
- Transport Connections project
- Community Engagement Conference
- Towns & Districts Association Networks

YOUTH DEVELOPMENT

The Youth Development team provides leadership, engagement in civic life and role modelling opportunities for the young people of South Gippsland. It enables Council to effectively incorporate youth needs in policy and service provision, and to collaborate with other agencies to extend the range of services available.

HIGHLIGHTS

- Secured funding for a Learner Drivers' Mentor program
- Supported Youth Council to run "Raw Vibes" Festival
- Mental Health event 'Overload' at Coal Creek
- Organised bus trips to University Open Days
- Online project with ABC radio website
- Youth Art exhibition at Coal Creek

ARTS AND CULTURE

The team encourages residents to participate in arts and cultural activity and supports arts and cultural focussed groups to collaborate across the Shire to build inclusive and culturally enriched communities

HIGHLIGHTS

- **Facilitated:**
- 12 ACMI community documentaries engaging 180 local participants
- "Music for The People" concert in 43rd year
- Arts Network meetings and workshops
- Production and distribution of SG Arts & Culture brochures
- Participation in the 'Be inspired' Gippsland Arts Festival

RECREATION

The Recreation Development Officer works to provide access to safe, high quality recreational facilities, and opportunities for all sectors of the community to participate in an active lifestyle. Recreation planning involves liaison with community groups and Council's strategic departments to deliver funding and development of new and upgraded facilities.

HIGHLIGHTS

- Celebrated SG SPLASH's 5th birthday on Australia Day
- Commenced Corner Inlet Pony Club redevelopment
- Prepared draft Paths and Trails Strategy
- Completed Tarwin Lower Bowls Club synthetic surface project

ECONOMIC DEVELOPMENT

Council's Economic Development team encourages investment, development and services that facilitate a planned and sustained growth for the Shire.

HIGHLIGHTS

- Facilitated new business investment including Burra Foods major expansion.
- Provided ongoing assistance to businesses affected by the bushfires
- Conducted over 20 business workshops
- Successfully completed Rural Skills Connect employment & training project
- Facilitated \$16 million optic fibre link
- Developed Investment Prospectus with Leongatha Chamber of Commerce
- Established Olive Growers' Network

TOURISM

The Tourism team encourages economic growth in South Gippsland through the development of a competitive tourism industry and provision of high quality visitor services. Council now operates fully accredited Visitor Information Centres (VIC) at Korumburra and Foster.

HIGHLIGHTS

- 39% increase in VIC visitor numbers and 44% increase in accommodation bookings
- Achieved 91% and ranked 7th in the state in Tourism Victoria's VIC Audit
- Post-bushfire and spring marketing campaigns
- Advocacy for Long Jetty, dredging, bushfire recovery and liquor license fee reviews.

PLANNING

The Statutory Planning team assesses planning applications for buildings and works as well as land uses within the municipality. It also assesses applications for subdivision of land, and assists in the coordination and delivery of service infrastructure to new lots being created.

The Strategic Planning team develops strategic plans that provide guidelines for the future use and development of land within the municipality, and ensures that the Planning Scheme is up to date and relevant to the community's needs.

The Building Services team monitors the operations and activities of both Council and the community for compliance with relevant building legislation. This includes the inspection of pools, accommodation and facilitation of compliance with essential safety measures.

HIGHLIGHTS

- The Building team logged and monitored \$122,000,000 of building works in Shire
- Priority Development Panel process completed for Korumburra Town Centre
- Statutory Planning assessed over 600 Planning Permit applications
- Planning applications for rural dwellings allowed in some circumstances after significant negotiations with the State Government
- New Structure Plans added to the Planning Scheme for Leongatha, Foster and Mirboo North
- 77% of Planning Permit applications decided in 60 days (17% over Council's target)

ENVIRONMENTAL HEALTH

The Environmental Health team (now including the Wastewater team) promotes public health standards through the implementation of legislative controls over food safety, personal care industries, accommodation premises, caravan parks, septic tank approvals and general public health nuisances.

HIGHLIGHTS

Inspections & Samples		Processed	
Personal Care Industry/ accommodation	96	Septic applications	212
Caravan Parks	16	Planning referrals	148
Food	59	Food complaints	13
Tobacco	166	Public health complaints	60
Pools	34	Food recalls	11
Food Safety	393		

EMERGENCY MANAGEMENT

The Municipal Emergency Manager works to ensure Council's readiness to respond to and recover from Municipal emergency events, and includes a broad range of proactive community education and team training initiatives.

HIGHLIGHTS

- Appointment of a full time Municipal Emergency Manager in November 2009
- Adoption of Municipal Neighbourhood Safer Places Plan
- Successful audit of Municipal Emergency Management Plan
- 39 volunteer Council staff trained to fill 41 Emergency Management roles
- Multi agency cooperation in community engagement
- Operations and closure of the Mirboo North Community Recovery Centre
- Council participation in 37 CFA Fire Ready meetings

LOCAL LAWS

The Local Laws team is responsible for developing and administering local laws and enforcing relevant sections of legislation, including the Road Safety and Litter Acts. It aims to provide a safe, healthy and clean environment for our community.

By promoting adherence to the Municipal Fire Prevention Plan the team limits the risk of fire through compliance with the Country Fire Authority Act. The team aims to ensure the safety of animals and our community by raising awareness of animal ownership responsibilities and administering and enforcing legislation. It maintains a parking control program and administers the Disabled Persons Parking Scheme within the Shire.

HIGHLIGHTS

- Issued 216 footpath trading permits and 370 disabled parking permits.
- Achieved 99.9% compliance with compulsory micro-chipping of cats and dogs
- Introduced cost saving incentives for registration of de-sexed animals
- Micro-chipped 443 animals at micro-chipping days and registered 5800 animals
- Issued 1320 Fire Prevention Notices and 32 infringements

CHILDREN'S CROSSINGS

Children's Crossings provide a safe passage for school children and pedestrians when crossing busy roads near education precincts within the Shire. Council provides supervision and maintenance for ten Children's Crossings.

HIGHLIGHTS

- Provided supervisors with hi-visibility yellow jackets and beanies for greater visibility
- Successfully delivered Road Safety Education Program to over 630 childcare, kindergarten and Grade children in the Shire.
- Achieved a 'no accident' status during supervised times.
- Completed audits of school crossings for maintenance and safety issues.

BIODIVERSITY

The Biodiversity team aims to protect and enhance the environmental values of South Gippsland by providing advice and support to the community and Council. It develops and manages environmental programs and strategies, applies for external funding and works with government agencies on a range of environmental issues.

HIGHLIGHTS

- Developed fire management plans for high priority bush reserves
- Community consultation for Baths Rd Reserve Draft Fire Management Plan
- Carried out prescribed burns with the CFA in Koonwarra and Baths Road Reserves
- Provided 8000 indigenous plants (forestry tubes) for biodiversity enhancement through the Native Vegetation Planting Program
- Sprayed 217km of roadside weeds in partnership with local landowners

WASTE MANAGEMENT & RECYCLING

The Waste Management team oversees the provision of kerbside garbage and recycling collection services, public litterbin provision and collection services, management and operation of transfer stations and the construction, management, operation and rehabilitation of landfills throughout the Shire. The team also provides education and advice on waste management related matters to the community and industry on an ongoing basis.

HIGHLIGHTS

- Managed 3,521 tonnes of waste delivered to transfer stations
- Collected and recycled 1,069 tonnes of steel, 383 tonnes of paper/ cardboard, 128 tonnes of glass, 14,300 litres of used motor oil; 29,511 cubic metres of green waste
- Expanded permanent drumMuster collection services to all transfer stations
- Introduced Plasback Silage Plastic Recycling at Koonwarra and Foster
- Managed 18,729 tonnes of waste at the Koonwarra landfill

SUSTAINABILITY

The Sustainability team provides leadership and support to the community to create and implement a sustainable vision for South Gippsland. It works with government agencies plus community and business groups to develop practical strategies to manage the transition to sustainable practices in the Shire.

HIGHLIGHTS

- Consultation through community meetings, surveys and school visits engaging over 1200 residents
- Inaugural South Gippsland Sustainability Festival at Coal Creek
- Networking with Gippsland Climate Change Network, Planet Footprint, local food networks and transition town groups
- Utilisation of social media (Facebook and Wiki) to build community linkages
- Preliminary development work for Sustainability Strategy
- Review of Council processes for improved energy efficiencies

Infrastructure Directorate



ENGINEERING

The Engineering team is responsible for Engineering Services, Building Maintenance, Fleet Management and Property Management.

The team coordinates and delivers Council infrastructure to meet the current and future needs of the community whilst providing a sustainable cost/benefit.

HIGHLIGHTS

Completed:

- 85% Capital Works Program on time/budget
- 100% Federal Stimulus Package
- Design and secured funds for the Corner Inlet Children's Hub
- 161 programmed maintenance projects and 558 building maintenance requests
- 98% survey respondents satisfied with building maintenance and teams

ASSET MANAGEMENT

Asset Management is responsible for the development and implementation of long term asset management plans for all assets including renewal modelling to ensure that Council's 10 year Financial Plan allocates sufficient resources to reduce the renewal gap.

Asset Management collects and analyses data to effectively manage roads and drainage assets, and supports capital works and operation decisions.

HIGHLIGHTS

Completed:

- drainage assets data collection program
- road condition surveys
- Annual Review of the 10 year Capital Works Program
- STEP Program Asset Management 2009
- Review of bridges and stormwater plans; and infrastructure valuations
- Continued review of Asset Management Strategy
- Implementing new asset system

INFRASTRUCTURE MAINTENANCE

The Infrastructure Maintenance team is responsible for the programmed and reactive maintenance to provide a safe and trafficable road network, and parks and gardens that meet the needs and expectations of the community.

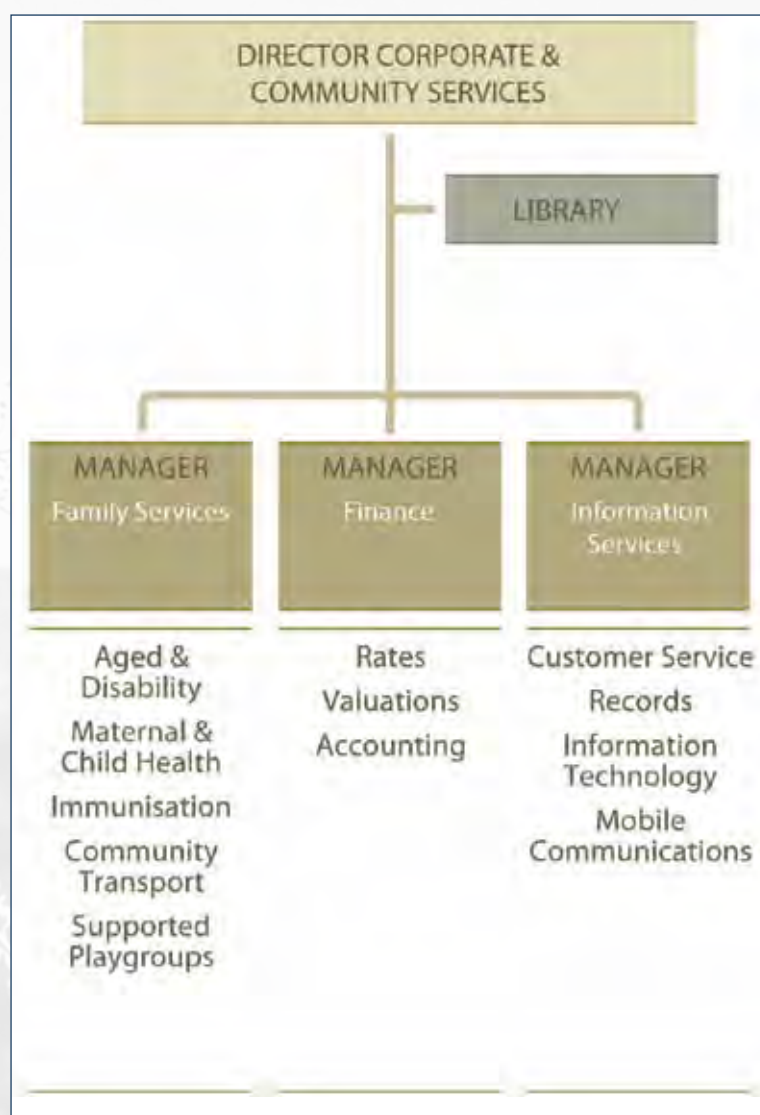
They ensure that Council's infrastructure networks are continuously monitored and maintained to a standard that will maximise their long-term benefit to the community

HIGHLIGHTS

Completed:

- Capital works, re-sheeting and rural reseal programs within budget / timeframe
- Playgrounds replaced in Kongwak and Mirboo North
- 100% of roads inspection issues addressed within timeframe

Corporate & Community Services Directorate



FAMILY SERVICES

Family Services help create a community where people feel safe and maintain a high standard of independence, health and wellbeing.

The Department provides a range of high quality customer focussed and appropriately targeted aged, disability, family and environmental health services and programs. Services are delivered in accordance with negotiated funding and service agreements, legislative requirements, Council strategies and community needs.

MATERNAL & CHILD HEALTH

The team provides a Maternal & Child Health service and an Enhanced Maternal and Child Health service to families in the Shire, in accordance with the DEECD Funding and Service Agreement. We promote good health and provide health and developmental assessments to families with children 0-6 years of age

HIGHLIGHTS

- Upgraded assessment process and client reports
- Introduced PEDS Program (Parent Evaluation of Developmental Status)
- Introduced supported playgroups to families with high needs
- Encouraged library toddler activities to new mums' groups
- Liaised with midwifery services to identify early referrals

SUPPORTED PLAYGROUPS AND PARENT GROUPS

This is a Victorian Government initiative that aims to provide quality play opportunities at a critical time in a child's development. These opportunities foster children's language development, develop motor and social skills and expose children to sensory experiences. It also provides families with opportunities to establish friendships and long-term social support structures while developing parenting skills, capacity and confidence.

HIGHLIGHTS

- Three 'Blooms' Supported Playgroups now established
- All children up to date with health checks and immunisations.
- Links made with local kindergartens, and help with enrolment procedures.
- Families linked to local supportive agencies and organisations.

AGED & DISABILITY SERVICES

The Home and Community Care (HACC) Program provides basic support services for people who are aged, people with disabilities and their carers, assisting them to continue to live independently in their community. The HACC program is guided by an Active Service Model designed to improve functional independence, quality of life and social participation for HACC clients.

HIGHLIGHTS

- 600 volunteers
- 5525 hours community transport
- 20,689 meals on wheels delivered
- Seniors Week Concert

PRESCHOOL FIELD OFFICER SERVICES

The Preschool Field Officer supports the access and participation of children with additional needs in state-funded preschool programs. Key roles include:

- Observation and assessment of children with developmental concerns
- Referral for more specialised assessment
- Consultancy support to preschool staff on the planning; implementation and review of developmentally appropriate programs
- Linkage to community and specialist supports for children with additional needs and their families

HIGHLIGHTS

- Provided 112 families with support in State funded kindergarten programs
- Processed 84 new referrals and referred 58 children to other agencies
- Secured funding for additional support for 13 children with severe disabilities
- Member of planning group for universal access to 15 hours of kindergarten
- Coordinated Children's Week activities

IMMUNISATION

The Immunisation team provides monthly sessions for the vaccination of babies, children and adults, plus a high school based Immunisation program for Year 7 & 10 students (in accordance with the Public Health & Wellbeing Act of 2008 and in keeping with the National Health & Medical Research Council regulations.)

HIGHLIGHTS

- Lead role in Gippsland Immunisation Awareness Month
- Production and implementation of Pandemic Plan during 2009 H1N1 Pandemic
- Flu and H1N1 immunisations for Council staff
- Flu Immunisations for Year 12 students and teachers, plus local businesses

RURAL ACCESS AND INCLUSION

The Rural Access Officer works with communities to support and include people with a disability and their families in community life.

HIGHLIGHTS

- Awareness activities – Realistic Race, Good Access is Good Business workshops International Day of People with a Disability
- Communication – Auslan training and network
- Production of Easy Access Mobility Maps and accessible car parking
- Strengthened partnerships with South Gippsland Specialist School, Yooralla First Base, South Coast Access Alliance, Bass Coast Shire Council

INFORMATION SERVICES

The Information Services Department manages the computerised infrastructure of the organisation, the secure storage of Council's records and their dissemination, Customer Service, Intranet and Internet facilities.

HIGHLIGHTS

- Relocated server and network infrastructure to custom built server room
- Offsite records moved and organized into the new storage facility
- Installed new cabling throughout main office
- Installed plasma information screen and security cameras in reception
- Phone payment option now available plus mobile EFTPOS machines
- Completed IT Strategy and adopted by Council

FINANCE

The Finance Department provides services to both internal and external customers. It collates and manages Council's finances, provides strategic financial advice to Council, raises and collects rates and charges and values properties throughout the municipality.

HIGHLIGHTS

- Long Term Financial Plan reviewed and adopted by Council
- Annual financial performance exceeded target set
- Auditor General Office assessed Council as low risk financial sustainability
- Developed overhead cost allocation model
- Implemented a zero based budget methodology for the 2010/11 budget

RATES AND VALUATIONS

The Rates and Valuation team provides services to external customers. It administers all legislative requirements in relation to rates, charges and valuations by the means of raising and collection of rates and charges and values properties throughout the municipality.

HIGHLIGHTS

Completed valuations within designated timelines for:

- General biennial revaluations
- Council owned and controlled land and buildings
- Council owned and controlled land under roads
- Insurance valuations of buildings

LIBRARY SERVICES

The West Gippsland Regional Library Corporation (WGRLC) was established in 1995 by formal agreement between Bass Coast, Baw Baw and South Gippsland Shire Councils. Councils contribute to the regional service using a funding formula, based on a per capita amount, i.e. Baw Baw 40.64%, South Gippsland 28.81% and Bass Coast 30.55%.

South Gippsland Shire libraries are located at Foster, Korumburra, Leongatha, Mirboo North, and Poowong. The mobile service covers Fish Creek, Port Welshpool, Sandy Point, Tarwin Lower, Toora, and Welshpool.

HIGHLIGHTS

- 5% increase in library usage
- Library membership represents 35.9% of Shire population
- Total of 105 Storytime sessions held at Korumburra, Leongatha and Mirboo North libraries - an increase of 45% over previous year
- 137,913 visitations to static and mobile libraries in Shire.

Organisational Development

MANAGER

Organisational
Development

Human Resources

Risk Management

Governance

Contracts

Grants

Media &
Communications

HUMAN RESOURCES

Human Resources is responsible for ensuring the efficient, professional and timely delivery of personnel management, and payroll, including:

- Establishing Council as an employer of choice so that we are able to effectively recruit and retain our workforce in an increasingly competitive market
- Ensuring that Council is positioned to meet the current and future requirements relating to structure, capability, succession and talent management; and
- Providing industrial relations advice, including negotiation and implementation of Enterprise Agreements

HIGHLIGHTS

- Successful negotiation of Council's Enterprise Agreement 2009
- Upgrade of Payroll/HR software
- Successful recruitment for key positions

RISK MANAGEMENT

The Risk Management team applies a logical and systematic method of identifying, analysing, evaluating, treating, monitoring and communicating risks associated with any Council activity, function or process to minimise loss of the standards required by law, and/or agreed to by the organisation. It is recognised as an integral part of good management practice. Council reviews its systems in accordance with the International Standards for Risk Management ISO31000.

HIGHLIGHTS

- Reviewed Business Continuity Plan in accordance with our Disaster Recovery Plan
- Reviewed Risk Assessments for all areas of Council business
- Assisted with Council's planning for emergency preparedness including review and training of staff for Emergency Relief Centres

OCCUPATIONAL HEALTH AND SAFETY AND RETURN TO WORK

The Safety Management System encourages the active participation of employees, registered volunteers, contractors and the general public to ensure the effective management of occupational health and safety with a focus on continuous improvement.

Council continues to review its systems to meet the provisions and requirements of the Occupational Health and Safety Act 2004.

- Reduced WorkCover premiums by improving 'return to work' practices
- Reviewed Safety Management System for upgrade.
- Developed Health and Wellbeing Program for staff.
- Created staff awareness of OHS matters and provided training when required.

COMMUNICATIONS

The Communications team provides the community with accurate information on Council's activities, decisions and processes through timely distribution to regional media outlets and postings on Council's website that provide 24 hour access for the community.

The Officers also provide an internal communication role, promoting departmental services and achievements to the public and producing a fortnightly staff newsletter.

HIGHLIGHTS

- Implementation of Image Building project
- Development of new branding and suite of marketing materials
- Media coverage increased by 51% in last quarter

GOVERNANCE

To support and manage the services of Contracts, Governance, Grants, Council planning, business planning and continuous improvement throughout the organisation.

HIGHLIGHTS

- Adopted eleven policies and new Councillor Code of Conduct
- Completed Training Needs Analysis and seven independent internal process reviews
- Created new Local Law 3 2010 'Processes for Municipal Government'

GRANTS

The Grants Program strives to encourage investment, development and services that facilitate a planned and sustained growth for the Shire. It also addresses community needs by accessing external grants and administering the Annual Community and Recreation Grants Program.

HIGHLIGHTS

- Adopted revised Councillor Discretionary Funds Policy and Guidelines
- Commenced review of Community Grants Policy
- \$280,000 allocated to 84 community organisations (from 115 submissions)

FREEDOM OF INFORMATION

The Freedom of Information Officer is responsible for the processing of all applications made to Council under the Freedom of Information (FOI) Act, 1982, and adherence to the legislative requirements of the Act.

Council received six new applications under the Freedom of Information Act for the period 1 July 2009 to 30 June 2010.

No complaints or allegations of breach of the Information Privacy Act 2000 were received. No complaint required referral to the Office of the Privacy Commissioner.

HIGHLIGHTS

- All FOI applications received by Council were processed within the statutory time frames.
- Promoted FOI Act through Council's staff induction process.

Requests for access to information under the Freedom of Information Act 1992 and the Information Privacy Act 2000 should be lodged with:

The Freedom of Information Officer
South Gippsland Shire Council
9 Smith Street (Private Bag 4)
Leongatha 3953

Freedom of Information enquiries can also be made on 5662 9200.

INFORMATION TO BE MADE AVAILABLE TO THE PUBLIC

Regulation 11 of the Local Government (General) Regulations 2004 states:

“A council must make available for public inspection documents containing the following prescribed matters-

- a. Details of current allowances fixed for the Mayor, Lord Mayor (if any) and Councillors under section 74 or 74A of the Act;
- b. Details of senior officers' total salary packages for the current financial year and the previous year including the gross salary, the amount of the Council or employer contribution to superannuation, the value of any motor vehicle provided by the Council and the total value of any other benefits and allowances provided by the Council;
- c. Details of overseas or interstate travel (with the exception of interstate travel by land for less than 3 days) undertaken in an official capacity by Councillors or any member of Council staff in the previous 12 months, including the names of the Councillors or members of Council staff and the date, destination, purpose and total cost of the overseas or interstate travel;
- d. Names of Council officers who were required to submit a return of interest during the financial year and the dates the returns were submitted;
- e. Names of Councillors who submitted returns of interest during the financial year and the dates the returns were submitted;
- f. Agendas for and minutes of ordinary and special meetings held in the previous 12 months kept under section 93 of the Act except if the minutes relate to parts of meetings which have been closed to members of the public under section 89 of the Act;
- g. A list of all special committees established by Council and the purpose for which each committee was established;
- h. A list of all special committees established by the Council which were abolished or ceased to function during the financial year;
- i. Minutes of meetings of special committees established under section 86 of the Act and held in the previous 12 months except if the minutes relate to parts of meetings which have been closed to members of the public under section 89 of the Act;
- j. A register of delegations kept under sections 87, 88 and 98 of the Act, including the date on which the last review under section 98(6) of the Act took place;

- k. Submissions received in accordance with Section 223 of the Act during the previous 12 months.
- l. Agreements to establish regional libraries under section 196 of the Act;
- m. Details of all property, finance and operating leases involving land, buildings, plant, computer equipment or vehicles entered into by the Council as lessor or lessee, including the name of the other party to the lease and the terms and the value of the lease;
- n. A register of authorised officers appointed under section 224 of the Act;
- o. A list of donations and grants made by the Council during the financial year, including the names of persons or bodies which have received a donation or grant and the amount of each donation or grant;
- p. A list of the names of the organisations of which the Council was a member during the financial year and details of all membership fees and other amounts and services provided during that year to each organisation by the Council;
- q. A list of contracts valued at \$100 000 or more which the Council entered into during the financial year without first engaging in a competitive process and which are not contracts referred to in section 186(5) of the Act."

WHISTLEBLOWERS' PROTECTION ACT 2001

In accordance with the requirements of the Whistleblowers' Protection Act 2001 (the "Act") the South Gippsland Shire Council has established procedures to facilitate the making of disclosures under the Act. These procedures set out the process in place to protect people from reprisals for making protected disclosures, and provide guidance on investigations (View Council website: www.southgippsland.vic.gov.au).

In the financial year 2009/2010, no disclosures were made to the South Gippsland Shire Council under the Act.

The Ombudsman referred no matters to the South Gippsland Shire Council for investigation.

No requests were made by disclosures to the Ombudsman to investigate disclosed matters.

Best Value

Best Value is used to improve the delivery of Council services by making them affordable and more responsive to local needs, and to encourage community engagement in shaping them.

1. The Best Value principles are enshrined in the Local Government Act 1989 and must be applied to all services and activities.

During 2009/10 the following initiatives contributed to achieving Best Value:

- Commencement of a major Service Level Review Program with expected outcomes of better planned service delivery, greater integration of services and facilities, strategic determination of service levels and standards, community information, and sustainable financial and asset management.
- Subjecting the procurement of services and goods to competitive processes: home maintenance services, major plant acquisition, road construction services, asset management services, telecommunications services, refurbishments, fuels and lubricants, roadside slashing, and plant hire and temporary labour supply.
- Commissioning and or undertaking major reviews of waste management, hard waste collection for disadvantaged seniors, library services, rural strategy, aquatic facilities, positive ageing, sustainability strategy, disaster recovery for information technology, capital works, advisory and Section 86 Committees, waste water processes and municipal public health plan.
- Developing an Infrastructure Design Manual in collaboration with other Gippsland Councils
- Negotiating a commitment to Best Value and continuous improvement as part of Council's new Enterprise Bargaining Agreement
- Re-focusing the internal audit function to identify opportunities for improvement. Four internal audits were conducted and resulted in recommended improvements to procurement, CAATS, customer response, credit cards and fuel cards processes
- Development of eleven new or revised policies including an improved Procurement Policy
- Reviewing Council meeting processes to enhance advocacy and better facilitate community engagement and consultation
- Facilitation and ongoing support provided to the Mirboo North and District Community Recovery Committee to enable this committee to assess opportunities for community recovery activities for bushfire affected communities and individuals. This process has ensured a high level of direct community involvement in prioritising the best use of funds made available to Council and ensured effective local monitoring of the outcomes of funded projects.

Council places great importance on Best Value and as a consequence intends to commence a review of its Best Value Framework in 2011.

National Competition Policy Compliance: 2009-10

Certification by Chief Executive Officer

South Gippsland Shire Council has complied with the requirements of the National Competition Policy (NCP) for the period 1 July 2009 to 30 June 2010, in accordance with the requirements outlined in *National Competition Policy and Local Government – A Revised Statement of Victorian Government Policy, December 2008 (2008 Statement)* as set out below:

A. Trade Practices Compliance <i>State whether the Council is compliant or non-compliant. If non-compliant, justify or cite actions to redress.</i>	Compliant
B. Local Laws Compliance <i>State whether the Council is compliant or non-compliant. List all local laws made or remade during 2009-10 which impose a restriction on competition: nil</i>	Compliant
C. Competitive Neutrality Compliance <i>State whether the Council is compliant or non-compliant for all significant businesses. List any significant businesses that are non-compliant: nil</i>	Compliant

I certify that:

- this statement has been prepared in accordance with the 2009-2010 National Competition Policy reporting guidelines, which is pursuant to the *2008 Statement*; and
- this statement presents fairly the Council's implementation of the National Competition Policy.

Signed:



Tim Tamlin Chief Executive Officer

Date: 27 July 2010

A Plain English Guide to the Financial Statements, Standard Statement and Performance Statement.

1. Introduction

The Financial, Standard and Performance Statements are contained in the back of the 2009/10 Annual Report.

The Financial Statements are key financial reports of South Gippsland Shire Council. They show how Council performed financially during the 2009/10 financial year and the overall position at the end (30 June 2010) of the financial year. Council must present its Financial Statements in accordance with the Australian Accounting and International Financial Reporting Standards (IFRS). Council is committed to being financially accountable.

The Standard Statements compare actual financial performance against the original budgets set by Council.

The Performance Statement outlines the performance targets and measures set out in relation to key strategic activities identified in Council's business plan and described in the Annual Budget. Both the Standard and Performance statements must be prepared in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2004.

It is in this context that the Plain English Guide to the Statements has been developed to assist readers understand and analyse the financial report.

2. What is contained in the Annual Financial Statements?

Council's Financial Statements have two main sections, namely, the Statements and the Notes. There are four Statements and 49 Notes. These are prepared by Council's staff, examined by the Council's Audit Committee, by Council and then are audited by the Victorian Auditor-General.

The four Statements are included in the first few pages of the report. They are the Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity and Cash Flow Statement.

The Notes that follow the Statements detail Council's accounting policies and the make up of values contained in the Statements.

3. Comprehensive Income Statement

The Comprehensive Income Statement is sometimes referred to as a 'Profit and Loss Statement' and shows:-

- the sources of Council's revenue under various income headings; and
- the expenses incurred in running the Council during the year. These expenses relate only to the 'recurrent operations' and do not include the cost associated with the purchase or the building of assets. While asset purchase costs are not included in the expenses, there is an item for 'depreciation'. This represents the value of the assets used up during the year.

The Comprehensive result (commonly referred to as the 'headline' or 'bottom line result' is \$38.617 million. This includes a net revaluation increment of \$32.125 million as a result of revaluing several classes of infrastructure assets.

A more relevant figure to look at is the 'Profit / loss of Council for the year. The profit for the reporting period was \$6.492 million surplus (previous year \$9.369 million surplus). This figure does not include the revaluation adjustments.

On face value this is a good result. However it is also important not to accept the result on face value. By not including what could be termed 'abnormals' or 'one offs' from the surplus result gives a truer indication of financial performance. This is commonly referred to as the underlying operating result.

After allowing for one off capital grants (\$4.97 million), donated assets (\$0.78 million), net loss on sale of assets (\$0.20 million) and fair value adjustment for investment property (0.14 million) the underlying operating result was a \$0.80 million surplus (previous year \$3.21 million surplus).

Ever since 2003 when Council developed a series of long term financial strategies and prepared budgets within a long term financial planning framework it has produced strengthening financial outcomes. In the years prior to having a series of financial strategies and a long term plan, Council had consistently produced unfavourable underlying results.

4. Balance Sheet

The Balance Sheet is a one-page summary of the financial situation as at 30 June 2010. It shows what the Council owns as 'Assets' and what it owes as 'Liabilities'. The bottom line of this Statement is Net Assets. This is the net worth of Council that has been built up over many years.

The assets and liabilities are separated into Current and Non-current. Current means those assets or liabilities that will fall due in the next 12 months.

The components of the Balance Sheet are described here.

4.1 Current and Non-Current Assets

- Cash and cash equivalents includes cash and investments, that is, cash held in the bank and in petty cash and the market value of Council's investments.
- Trade and other receivables are monies owed to Council by ratepayers and others.
- Financial assets represent Council's long service leave investment for its staff.
- Inventories are stock of raw materials and stock on hand.
- Prepayments are expenses that have been pre paid that relate to the following financial year.
- Non current assets held for resale identify assets that will be disposed in the forthcoming year.

- Investments in associates represent the equity interest of Council in the West Gippsland Regional Library Corporation.
- Property, Infrastructure, Plant & Equipment are the largest component of Council's worth and represent the value of all the land, buildings, roads, vehicles, equipment, etc which have been built up by Council over many years.
- Investment properties are properties that provide a commercial return to Council.

4.2 *Current and Non-Current Liabilities*

- Trade and other payables are those, to whom Council owes money as at 30 June, 2010.
- Trust funds and deposits represent monies held in Trust by Council.
- Provisions include employee benefits (such as accrued Long Service and Annual Leave owed to employees), and obligations to perform rehabilitations works at landfill sites.
- Interest bearing loans and borrowings are monies owing to financial institutions.

4.3 *Net Assets*

This term is used to describe the difference between the value of Total Assets and the value of Total Liabilities. It represents the net worth of Council as at 30 June 2010, which was \$432 million (previous year \$393 million).

4.4 *Equity*

This always equals Net Assets. It is made up of the following components:

- Accumulated Surplus is the value of all net assets accumulated over time;
- Asset Revaluation Reserve is the difference between the previously recorded value of assets and their current valuations; and
- Other Reserves are allocations of the Accumulated Surplus to specific projects.

5. **Statement of Changes in Equity**

During the course of the year the value of Total Ratepayers Equity, as set out in the Balance Sheet, changes. This Statement shows the values of such changes and how these changes arose.

The main reasons for a change in equity stem from:

- the 'surplus or deficit' from operations, described in the Comprehensive Income Statement for the year;
- the use of monies from Council's reserves;
- revaluation of the infrastructure assets such as roads drains and buildings, which takes place on a regular basis.

6. Cash Flow Statement

The Cash Flow Statement summarises Council's cash payments and cash receipts for the year. This Statement is presented according to a very specific Australian Accounting Standard and needs some care in analysis. The values may differ from those shown in the Income Statement because the Income Statement is prepared on an accrual accounting basis.

Cash in this Statement refers to Bank Deposits and other forms of highly liquid investments that can readily be converted to cash, such as bank bills and term deposits.

Council's cash arises from, and is used in, three main areas:

- Cash Flows from Operating Activities:
 - Receipts – All cash received into Council's bank account from ratepayers and others who owed money to Council. Receipts also include the interest earnings from Council's cash investments. It does not include the costs associated with the sale of assets.
 - Payments – All cash paid by Council from its bank account to staff, creditors and other persons. It does not include the costs associated with the creation of assets.
- Cash Flows from Investing Activities:
 - This section shows the cash invested in the creation or purchase of property, infrastructure, plant & equipment assets and the cash received from the sale of these assets.
- Cash Flows from Financing Activities:
 - This is where the receipt and repayment of borrowed funds including finance costs are recorded.

The bottom line of the Cash Flow Statement is the Cash at End of Financial Year. This shows the capacity of Council to meet its cash debts and other liabilities. The cash position at the end of the financial year was \$15.251 million (previous year \$11.371 million).

7. Notes to the Accounts

The Notes are a very important and informative section of the report. The Australian and International Financial Reporting Standards are not prescriptive in a lot of issues. Therefore, to enable the reader to understand the basis on which the values shown in the Statements are established it is necessary to provide details of Council's accounting policies. These are described in Note 1.

Apart from the accounting policies, the Notes also give details behind many of the summary figures contained in the key financial statements. The Note numbers are shown beside the relevant items in the Income Statement, Balance Sheet, Statement of Changes in Equity and the Cash Flow Statement.

Where Council wishes to disclose other information that cannot be incorporated into the Statements then this is shown in the Notes.

Other Notes include:

- the cost of the various functions of Council;
- the break down of expenses, revenues, reserves and other assets;
- contingent liabilities;
- transactions with persons related to Council; and
- financial performance indicators.

The Notes should be read at the same time as, and together with, the other parts of the Financial Statements to get a clear picture of the accounts.

8. Standard Statements

The Standard Statements section provides three of the four statements mentioned above (Income Statement, Balance Sheet and Cash Flow Statement) together with a further statement (Statement of Capital Works).

The Statement of Capital Works sets out the expenditure on creating or buying property, infrastructure, plant & equipment assets by each category of asset. It also shows how much has been spent on renewing, upgrading, expanding or creating new assets of this type.

These Standard Statements provide a comparison between the actual results for the year and the budget that was set at the start of the year. All major differences are explained in accompanying notes.

9 Performance Statement

The Performance Statement outlines the performance targets and measures set out in relation to the achievement of the business plan which was described in the Annual budget. The Performance Statement describes the extent to which the business plan was met regarding those targets and measures, in that year.

10. Statements by Principal Accounting Officer and Councillors

The Certification of the Principal Accounting Officer is made by the person responsible for the financial management of Council, ascertaining that, in her/his opinion, the Financial Statements and Standard Statements have met all the statutory and professional reporting requirements.

The Certification of Councillors is made by two Councillors on behalf of Council, ascertaining that, in their opinion, the Financial Statements, Standard Statements as well as the Performance Statement are fair and not misleading.

11. Auditor General's Report

The Independent Audit Report provides the reader with an external and independent opinion on the Financial Statements, Standard Statements and Performance Statement. It confirms that the report has been prepared in accordance with relevant legislation and professional standards, and that it represents a fair picture of the financial affairs of the Council.

12. General

External Auditor

Auditor-General of Victoria

Internal Auditor

Deloitte

Bankers

Commonwealth Bank

Local Government Indicators

Assessment	Year	Year	Year
	2008	2009	2010
Average rates and charges per assessment	1,222	1,302	1,375
Average rates and charges per residential assessment	1,041	1,079	1,181
Average liabilities per assessment	638	564	494
Operating result per assessment	210	516	349
Average Operating expenditure per assessment	2,120	2,020	2,154
Average capital expenditure per assessment	427	438	437
Renewal Gap	73%	92%	72%
Renewal & Maintenance Gap	87%	96%	87%
Community satisfaction rating for overall performance generally of the Council	61%	60%	60%
Community Satisfaction rating for Council's advocacy and community representation on key local issues	59%	57%	57%
Community Satisfaction rating for Council's engagement in decision-making on key local issues	58%	57%	57%

Grants & Contributions Paid 2009-2010

Organisation	Amount \$
KORUMBURRA SCOUT & GUIDE HALL	2,137
ROTARY CLUB OF MIRBOO NORTH	2,140
FISH CREEK MEMORIAL HALL	2,145
MIRBOO NORTH GRAIN STORE COMMITTEE	2,205
BENA TENNIS CLUB INC	2,250
LOCH COMMUNITY DEVELOPMENT ASS.	2,250
TARWIN LOWER TENNIS CLUB	2,420
LEONGATHA BOWLS CLUB INC	2,500
MEENIYAN GOLF CLUB	2,525
KONGWAK PUBLIC HALL INC	2,555
FOSTER RECREATION RESERVE INC.	2,655
STONY CREEK RACECOURSE & REC RESERVE	2,655
KOONWARRA RECREATION RESERVECOMMITTEE INC	2,725
LOCH RECREATION RESERVE COMMITTEE	2,725
WELSHPOOL RECREATION RESERVE	2,725
SOUTH GIPPSLAND GENEALOGICAL SOCIETY	2,900
FOSTER AMATEUR MUSIC & DRAMA ASSOCIATION	3,000
KILMANY UNITING CARE - (POOWONG)	3,000
KORUMBURRA KINDERGARTEN INC	3,000
MEENIYAN PRESCHOOL INC	3,000
MIRBOO COUNTRY DEVELOPMENT INC	3,000
MIRBOO NORTH KINDERGARTEN INC	3,000
SOUTH GIPPSLAND BUSKERS FESTIVAL INC	3,000
SOUTH GIPPSLAND GOLF CLASSIC	3,000
MEENIYAN PROGRESS ASSOCIATION	3,025
MT BEST COMMUNITY HALL ASS INC	3,215
1ST MIRBOO NTH SCOUT GROUP	3,330
MEENIYAN & DISTRICT SPORTS CENTRE COMMITTEE	3,500
PROM COUNTRY CHALLENGE	3,500
SOUTH COAST ATHLETICS	3,500
LOCH NYORA PONY CLUB	3,513
PROM COAST ARTS COUNCIL INC	3,700
TARWIN LOWER RECREATION RESERVE INC	3,740
NERRENA PUBLIC HALL COMMITTEE INC.	3,755
FISH CREEK BOWLING CLUB	3,834
LEONGATHA PROGRESS ASSOCIATION	3,850
LOCH & DISTRICT PRESCHOOL CENTRE	3,880
MARDAN HALL COMMITTEE	3,899
KORUMBURRA AGRICULTURAL & PASTORAL SOCIETY	4,000
LISA PELLIN DANCERS PARENTS' CLUB	4,000
SOUTH EAST GIPPSLAND ENDURANCE INC	4,000
SOUTH GIPPSLAND WIND ORCHESTRA	4,000
MIRBOO NTH FOOTBALL CLUB INC	4,015
NERRENA RECREATION RESERVE COMMITTEE	4,019
FOSTER SENIOR CITIZENS	4,026
LEONGATHA SENIOR CITIZENS CENTRE	4,026
MIRBOO SENIOR CITIZENS CENTRE	4,026
SOUTH GIPPSLAND SENIOR CITIZENS INC.	4,026
KORUMBURRA RECREATION RESERVE COMMITTEE	4,309
MEENIYAN RECREATION RESERVE	4,565
TERRILL PARK RECREATION RESERVE COMMITTEE OF MANAGEMENT	4,620
NYORA RECREATION RESERVE COM	4,675

Grants & Contributions Paid 2009-10 Continued

LEONGATHA GOLF CLUB INC.	4,700
MIRBOO NTH BOOLARRA RAIL TRAIL	4,750
2ND LEONGATHA SCOUT GROUP	5,000
IMPERIALS CRICKET CLUB	5,000
KORUMBURRA-BENA FOOTBALL NETBALL CLUB	5,000
KORUMBURRA RECREATION CENTRE COM INC	5,000
KORUMBURRA SHOWGROUNDS AMENITIES COMPLEX	5,000
LEONGATHA CROQUET CLUB	5,000
LEONGATHA FOOTBALL CLUB INC	5,000
LEONGATHA GYMNASTIC CLUB	5,000
LEONGATHA TOWN CRICKET CLUB	5,000
SOUTH GIPPSLAND GAME FISHING CLUB	5,000
TASTES OF PROM COUNTRY INC	5,000
KORUMBURRA AMATEUR SWIMMING & LIFE SAVING CLUB INC	5,255
KORUMBURRA CROQUET CLUB	5,300
WELSHPOOL RTC	5,300
KORUMBURRA LANDCARE GROUP	5,500
LEONGATHA LITTLE ATHLETICS CLUB INC	5,550
MIRBOO RECREATION RESERVE COM	5,550
DUMBALK RECREATION RESERVE	5,935
SOUTH GIPPSLAND SHIRE BRASS BAND	5,945
MILPARA COMMUNITY HOUSE INC.	5,990
BUFFALO COMMUNITY CENTRE	5,999
LEONGATHA COMMUNITY PRE-SCHOOLS INC.	6,000
MIRBOO NTH HALL COMM OF MANAGEMENT	6,000
POOWONG SPORTS CENTRE COMMITTEE	6,000
LEONGATHA CHAMBER OF COMMERCE & INDUSTRY INC	6,100
PORT FRANKLIN HALL COMMITTEE	6,205
LYREBIRD ARTS COUNCIL	6,400
OUTTRIM RESERVE COMMITTEE	6,417
@LEISURE PLANNERS	6,500
KORUMBURRA SHOWGROUNDS COMMITTEE	7,465
ANDREW NIXON LAND USE MANAGEMENT	7,727
TOORA RECREATION RESERVE COMMITTEE	8,460
STRATEGIC ENTERPRISE DEVELOPMENT PTY LTD	8,640
LEONGATHA & DISTRICT HISTORICAL SOCIETY	9,000
FOSTER WAR MEMORIAL ARTS CENTRE	9,193
POOWONG RECREATION RESERVE COMMITTEE INC	9,565
LEONGATHA AGRICULTURE & RECREATION RESERVECOMMITTEE	10,890
WALTER J TUCK RECREATION RESERVE COMMITTEE OF MANAGEMENT	10,890
PROM COAST CHILDREN'S SERVICES	12,000
SOUTH GIPPSLAND CITIZENS' ADVICE BUREAU	13,235
FOSTER SHOWGROUNDS COMMITTEE	16,847
STATE EMERGENCY SERVICE FOSTER	17,206
STATE EMERGENCY SERVICE LEONGATHA	17,956
GREAT SOUTHERN RAIL TRAIL INC	34,235
PROM COUNTRY REGIONAL TOURISM	41,300
FOSTER SWIMMING POOL COMMITTEE	57,510
POOWONG SWIMMING POOL COMMITTEE	58,000
KORUMBURRA SWIMMING POOL COMMITTEE	60,401
OTHER MINOR COMMUNITY GRANTS (<\$2,000)	97,117
Total	850,093



South Gippsland
Shire Council

Come for the beauty, Stay for the lifestyle

**FINANCIAL STATEMENTS,
STANDARD STATEMENTS
AND
PERFORMANCE STATEMENT
FOR
YEAR ENDED 30 JUNE 2010**

Contents

	Page No.
Councillors	4
Officers	4
Financial Statements	
Comprehensive Income Statement	5
Balance Sheet	6
Statement of Changes in Equity	7
Cash Flow Statement	8
Notes to the Financial Statements	
Introduction to Notes	9
Note 1 Significant accounting policies	10
Note 2 Special committees and other activities	18
Note 3 Rates and charges	19
Note 4 Statutory fees and fines	20
Note 5 User fees	20
Note 6 Grants	21
Note 7 Contributions	24
Note 8 Reimbursements	24
Note 9 Other Income	25
Note 10 Disposal of property, plant and equipment and infrastructure	25
Note 11 Employee benefits	26
Note 12 Materials and services	26
Note 13 Bad and doubtful debts	27
Note 14 Depreciation	27
Note 15 Finance costs	27
Note 16 Other expenses	27
Note 17 Investments in associates	28
Note 18 Other assets	29
Note 19 Cash and cash equivalents	29
Note 20 Trade and other receivables	29
Note 21 Financial assets	30
Note 22 Inventories	30
Note 23 Non current assets classified as held for resale	30
Note 24 Property, plant and equipment and infrastructure	30
Note 25 Joint venture information	39
Note 26 Investment properties	39
Note 27 Trade and other payables	39
Note 28 Trust funds	39
Note 29 Provisions	40
Note 30 Interest bearing loans and borrowings	43

	Page No.
Note 31 Reserves.....	44
Note 32 Adjustments directly to equity.....	46
Note 33 Reconciliation of cash flows from operating activities to surplus.....	46
Note 34 Reconciliation of cash and cash equivalents.....	46
Note 35 Financing facilities.....	47
Note 36 Non-cash financing and investing activities.....	47
Note 37 Restricted assets.....	47
Note 38 Superannuation.....	48
Note 39 Commitments.....	50
Note 40 Operating leases.....	51
Note 41 Contingent liabilities and contingent assets.....	51
Note 42 Financial instruments.....	52
Note 43 Auditor’s remuneration.....	59
Note 44 Events occurring after balance day.....	59
Note 45 Related party transactions.....	59
Note 46 Income, expenses and assets by function/activities.....	61
Note 47 Financial ratios (performance indicators).....	64
Note 48 Capital expenditure.....	67
Note 49 Pending accounting standards.....	69
Certification of Financial Statements.....	70
 Standard Statements	
Introduction to Standard Statements.....	71
Note 1 to the Standard Statements.....	72
Standard Income Statement.....	73
Standard Balance Sheet.....	75
Standard Cash Flow Statement.....	77
Standard Statement of Capital Works.....	79
Certification of Standard Statements.....	81
Auditor-General’s Audit Report (Financial and Standard Statements).....	82
 Performance Statement	
Performance Statement.....	84
Certification of Performance Statement.....	89
Auditor-General’s Audit Report (Performance Statement).....	90

Councillors in Office



MAYOR

James Fawcett - Tarwin Valley

COUNCILLORS

Mohya Davies - Coastal Promontory

Jeanette Harding - Coastal Promontory

Kieran Kennedy - Coastal Promontory

Robert Newton- Strzelecki

Warren Raabe - Strzelecki

Jennie Deane - Strzelecki

David Lewis - Tarwin Valley

Mimmie Jackson - Tarwin Valley

CHIEF EXECUTIVE OFFICER

Tim Tamlin

DIRECTOR CORPORATE AND COMMUNITY

Dirk Holwerda

DIRECTOR INFRASTRUCTURE

Anthony Seabrook

DIRECTOR SUSTAINABILITY

Andrew McEwen

Comprehensive Income Statement

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
INCOME			
Rates and charges	3	25,533	24,143
Statutory fees and fines	4	498	465
User fees	5	1,939	1,764
Grants - recurrent	6	10,409	11,338
Grants - non-recurrent	6	4,966	2,759
Contributions - cash	7(a)	258	124
Contributions - non monetary assets	7(b)	780	3,560
Reimbursements	8	391	462
Other income	9	1,756	1,561
Net gain / (loss) on disposal of property, plant and equipment and infrastructure	10	(196)	(158)
Share of net profit / (loss) of associates accounted for by the equity method	17	26	(24)
Fair value adjustment for investment property	26	144	—
Total Income		46,504	45,994
EXPENSES			
Employee benefits	11	15,588	13,847
Materials and services	12	14,922	13,827
Bad and doubtful debts	13	—	8
Depreciation and amortisation	14	6,941	6,402
Finance costs	15	217	290
Other expenses	16	2,344	2,251
Total Expenses		40,012	36,625
Surplus / (deficit)		6,492	9,369
Other comprehensive income			
Net asset revaluation increment / (decrement)	31(a)	32,125	7,398
Share of other comprehensive income (revaluation increment) of associates accounted for by the equity method	17	—	68
Comprehensive result		38,617	16,835

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

Balance Sheet

AS AT 30 JUNE 2010

	Note	2010 \$'000	2009 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	19	15,251	11,371
Trade and other receivables	20	1,855	1,672
Financial assets	21	1,850	1,850
Inventories	22	184	171
Other Assets	18	315	108
Non current assets classified as held for sale	23	—	—
TOTAL CURRENT ASSETS		19,455	15,172
NON-CURRENT ASSETS			
Investments in associates accounted for using the equity method	17	853	827
Property, plant and equipment and infrastructure	24	420,170	387,097
Investment property	26	624	480
TOTAL NON-CURRENT ASSETS		421,647	388,404
TOTAL ASSETS		441,102	403,576
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	27	1,949	2,299
Trust funds and deposits	28	87	210
Provisions	29	3,888	2,952
Interest-bearing loans and borrowings	30	1,060	1,138
TOTAL CURRENT LIABILITIES		6,984	6,599
NON-CURRENT LIABILITIES			
Provisions	29	609	1,026
Interest bearing loans and borrowings	30	1,580	2,639
TOTAL NON-CURRENT LIABILITIES		2,189	3,665
TOTAL LIABILITIES		9,173	10,264
NET ASSETS		431,929	393,312
EQUITY			
Accumulated surplus		179,849	173,838
Asset revaluation reserve	31(a)	249,452	217,327
Other reserves	31(b)	2,628	2,147
TOTAL EQUITY		431,929	393,312

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2010

		Total 2010 \$'000	Accumulated Surplus 2010 \$'000	Asset Revaluation Reserve 2010 \$'000	Other Reserves 2010 \$'000
2010	Note				
Balance at beginning of the financial year		393,312	173,838	217,327	2,147
Surplus/(deficit) for the year		6,492	6,492	—	—
Net assets revaluation increment/ (decrement)	31(a)	32,125	—	32,125	—
Transfers to other reserves	31(b)	—	(481)	—	481
Transfers from other reserves	31(b)	—	—	—	—
Balance at end of the financial year		431,929	179,849	249,452	2,628

		Total 2009 \$'000	Accumulated Surplus 2009 \$'000	Asset Revaluation Reserve 2009 \$'000	Other Reserves 2009 \$'000
2009	Note				
Balance at beginning of the financial year		348,482	137,109	209,861	1,512
Amendments to opening balance	1(g)(iv)	130	130	—	—
Adjustment on change in accounting policy (land under roads recognised as at 30-6-09)	1(g)(iv)	27,865	27,865	—	—
Surplus/(deficit) for the year		9,369	9,369	—	—
Net assets revaluation increment	31(a)	7,398	—	7,398	—
Share of revaluation increment of associates accounted for by the equity method	17	68	—	68	—
Transfers to other reserves	31(b)	—	(759)	—	759
Transfers from other reserves	31(b)	—	124	—	(124)
Balance at end of the financial year		393,312	173,838	217,327	2,147

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

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2010

		Inflows/ (Outflows) 2010 \$'000	Inflows/ (Outflows) 2009 \$'000
CASH FLOWS from OPERATING ACTIVITIES	Note		
Rates		25,448	24,080
Statutory fees and fines		497	373
User charges and other fines (inclusive of GST)		2,031	2,412
Grants (inclusive of GST)		15,340	14,323
Reimbursements (inclusive of GST)		561	460
Interest received		610	550
Rents (inclusive of GST)		271	271
Other receipts (inclusive of GST)		830	1,614
Payments to suppliers (inclusive of GST)		(15,271)	(14,627)
Payments to employees		(15,589)	(13,798)
Other payments (inclusive of GST)		(2,063)	(1,946)
Net cash provided by operating activities	33	12,665	13,712
CASH FLOWS from INVESTING ACTIVITIES			
Payments for property, plant and equipment and infrastructure	48	(8,108)	(7,981)
Proceeds from sale of property, plant and equipment	10	804	879
Repayment of loans and advances from community organisations		—	33
Payments for other financial assets		—	(100)
Net Cash used in investing activities		(7,304)	(7,169)
CASH FLOWS from FINANCING ACTIVITIES			
Repayment of interest bearing loans and borrowings		(1,137)	(1,116)
Finance costs		(222)	(294)
Trust Funds and deposits		(122)	48
Net cash used in financing activities		(1,481)	(1,362)
Net increase in cash and cash equivalents		3,880	5,181
Cash and cash equivalents at the beginning of the financial year		11,371	6,190
Cash and cash equivalents at the end of the financial year	34	15,251	11,371
Financing facilities	35		
Non-cash financing and investing activities	36		
Restrictions on cash assets	37		

The above cash flow statement should be read with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

Introduction

South Gippsland Shire Council was established by an order of the Governor in Council on 2nd December 1994 and is a body corporate. Council's main office is located at 9 Smith Street, Leongatha.

The purpose of Council is to:

- provide for the peace, order and good government of its municipal district;
- to promote the social, economic and environmental viability and sustainability of the municipal district;
- to ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet the needs of the local community;
- to improve the overall quality of life of people in the local community;
- to promote appropriate business and employment opportunities;
- to ensure that services and facilities provided by the Council are accessible and equitable;
- to ensure the equitable imposition of rates and charges; and
- to ensure transparency and accountability in Council decision making.

External Auditor – Auditor-General of Victoria

Internal Auditor – Deloittes

Solicitors – Oakley's White: Maddocks

Bankers – Commonwealth Bank

Website address – www.southgippsland.vic.gov.au

This financial report is a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes accompanying these financial statements.

The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Finance and Reporting) Regulations 2004*.

NOTE 1: Significant Accounting Policies

(a) Basis of Accounting

This financial report has been prepared on the accrual and going concern basis.

This financial report has been prepared under the historical cost convention, except where specifically stated in the notes.

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.

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and Council have been eliminated in full.

Details of entities not included in this financial report based on their materiality are detailed in note 2.

(b) Change in Accounting Policy

There has been no change in accounting policy during the 2009/10 financial year.

(c) Revenue Recognition

Rates, grants and contributions

Rates, Grants, Donations and Contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for doubtful debts on rates has not been established as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

NOTE 1: Significant Accounting Policies (cont.)

(c) Revenue Recognition (cont.)

Income is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date.

User fees and fines

User 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 occurs first.

A provision for doubtful debts is recognised when collection in full is no longer probable.

Sale of property, infrastructure, plant and equipment

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

Trade and other receivables

Receivables are carried at amortised cost using the effective interest rate method. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred.

Interest and rents

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

NOTE 1: Significant Accounting Policies (cont.)

(d) Depreciation and amortisation of property, plant and equipment and infrastructure assets

Buildings, plant and equipment, infrastructure, heritage 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 non current 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 and land are not depreciated.

Straight line depreciation is charged based on the residual useful life as determined each year.

Major depreciation periods are listed below and are consistent with the prior year unless otherwise stated.

		Period
Property		
Buildings		20 to 50 Years
Heritage Buildings		100 Years
Plant and Equipment		
Plant and machinery		1 to 10 Years
Motor Vehicles		1 to 5 Years
Furniture, fittings and computers		1 to 5 Years
Infrastructure		
Roads and Streets	Earthworks	not depreciated
	Pavement	100 Years
	Seal	17 Years
Footpaths		40 to 60 Years
Kerbs & Channel		60 Years
Bridges		100 Years
Culverts		50 to 100 Years
Drains		100 Years
Off-street car parks	Earthworks	not depreciated
	Pavement	100 Years
	Seal	17 Years
Other Structures		2 to 40 Years

(e) Repairs and maintenance

Routine maintenance, repair costs, and minor renewal works are expensed as incurred. 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.

(f) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs include interest on overdraft, interest on borrowings, and finance lease charges.

NOTE 1: Significant Accounting Policies (cont.)

(g) Recognition and measurement of Assets

(i) 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 amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour and an appropriate proportion of variable and fixed overheads.

The following classes of assets have been recognised in note 24. In accordance with Council's policy, the threshold limits detailed below have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

		Threshold \$'000
Property		
Land	land	—
	land improvements	10
	land under roads	—
Buildings	new construction	—
	building extensions	—
	building renovations	15
	heritage buildings	15
Plant and Equipment	major plant and equipment	—
	motor cars	—
	minor plant	15
	furniture / fittings / office equipment	15
Infrastructure		
Roads	road pavement	—
	road seals and reseals	—
	earthworks and formation	—
Bridges	new construction	—
	alterations or major works	15
Major Culverts	new construction	—
	alterations or major works	15
Drains	new construction	—
	alterations or major works	15
Footpaths	new construction	—
	alterations or major works	15
Kerb & Channel	new construction	—
	alterations or major works	15
Car parks	new construction	—
	alterations or major works	15
Other Structures		15

NOTE 1: Significant Accounting Policies (cont.)

(g) Recognition and measurement of Assets (cont.)

(ii) Revaluation of Non Current Assets

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. 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.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

(iii) Land Under Roads

Council recognised the value of land under roads it controlled as at 30 June 2008 at fair value.

Land under roads acquired after 30 June 2008 is brought to account using the fair value basis.

As a result of Council recognising value of Land Under Roads during the financial reporting period ending 30 June 2009 the Council adjusted the value of land under roads against the opening equity balance for 2009.

(iv) Prior period adjustments to opening accumulated surplus balance at 1 July 2008:

	\$'000
Opening accumulated surplus balance at 1 July 2008	348,482
Prior period adjustments made during the financial year ending 30 June 2009:	
Change in accounting policy : recognition of Land under roads	27,865
Prior period adjustments made during the financial year ending 30 June 2010:	
Found Assets - Culverts	130
Opening accumulated surplus balance at 1 July 2008 - Restated	<u>376,477</u>

A third balance sheet has not been presented to disclose the prior period adjustments as they were considered not material to the comparative amounts included within the Balance Sheet.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand , deposits at call and other highly liquid investments with original maturities of three months or less net of outstanding bank overdrafts.

(i) Financial guarantees

Financial guarantee contracts are recognised as a liability at the time the guarantee is issued. The liability is initially measured at fair value, and if there is material increase in the likelihood that the guarantee may have to be exercised, at the higher of the amount determined in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate. In the determination of fair value, consideration is given to factors including the probability of default by the guaranteed party and the likely loss to Council in the event of default.

NOTE 1: Significant Accounting Policies (cont.)

(j) Investments

Investments other than investments in associates, are measured at cost. Interest is recognised as it accrues.

(k) Accounting for investments in associates

Council's investment in associates is accounted for by the equity method as the Council has the ability to influence rather than control the operations of the entity. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in the Council's share of the net assets of the entity. The Council's share of the financial result of the entity is recognised in the comprehensive income statement.

(l) Tender Deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to note 28).

(m) Employee Benefits

Wages and salaries

Liabilities for wages and salaries and rostered days off are recognised and are measured as the amount unpaid at balance date and include appropriate oncosts such as workers compensation and payroll costs.

Annual Leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date. Annual leave expected to be paid within 12 months is measured at nominal value based on the amount, including appropriate oncosts, expected to be paid when settled. Annual leave expected to be paid later than one year has been measured at the present value of the estimated future cash flows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Long Service Leave

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employment related oncosts and other factors including accumulated years of employment on settlement, and experience of employee departure per year of service. Long service leave expected to be settled within 12 months is measured at nominal value based on the amount expected to be paid when settled. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Classification of employee benefits

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

Superannuation

The superannuation expense for the reporting period is the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees together with any movements (favourable/unfavourable) in the position of any defined benefits schemes. Details of these arrangements are detailed in note 38.

NOTE 1: Significant Accounting Policies (cont.)

(n) Leases

Operating Leases

As at the reporting date, the Council had entered into operating lease agreements for the lease of commercial premises and items of plant & equipment. In respect to these operating leases, where the lessor effectively retains substantially all of the risks and benefits incidental to ownership of the leased items, lease payments are charged as an expense on a straight line basis over the lease term.

(o) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being the Council's operational cycle, or if the Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

(p) Agreements equally proportionately unperformed

The Council does not recognise assets and liabilities arising from agreements that are equally proportionately unperformed in the balance sheet. Such agreements are recognised on an 'as incurred' basis.

(q) Web site costs

Costs in relation to websites are charged as an expense in the period in which they are incurred.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) 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 to sell and value in use is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in 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 reserve 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.

NOTE 1: Significant Accounting Policies (cont.)

(t) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statement may not equate due to rounding.

(u) Non-current assets held for sale

A non-current asset held for sale (including disposal groups) is measured at the lower of its carrying amount and fair value less costs to sell, and are not subject to depreciation. Non current assets, disposal groups and related liabilities assets are treated as current and classified as held for sale if the carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

(v) Inventories

Inventories are measured at lower of cost and net realisable value.

(w) Investment properties

Investment property, comprising freehold office complexes and a quarry, are 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 bi-annually by Council's valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they may arise. Rental income from leasing of investment properties is recognised in the comprehensive income statement on a straight line basis over the lease term.

(x) Contingent assets and contingent liabilities and commitments

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

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and inclusive of the GST payable.

(y) Pending accounting standards

Certain Australian accounting standards have been issued or amended and are applicable to the Council but not yet effective. A list of the relevant standards is provided in note 49. None have been early adopted in the preparation of these financial statements.

NOTE 2: Special committees and other activities

As at the reporting date Council had the following Special Committees:

- Allambee South Community Hall
- Dumbalk Hall
- Foster Showgrounds
- Foster Stockyard Gallery
- Foster Swimming Pool
- Foster War Memorial Art Centre
- John Terrill Memorial Park & Fish Creek Recreation Reserve
- Korumburra Access Centre
- Korumburra Public Park
- Korumburra Recreation Reserve
- Korumburra Swimming Pool
- Leongatha Court House
- Mardan Hall
- Meeniyah Sports Centre
- Mirboo North Hall
- Mirboo North Swimming Pool
- Poowong Sports Centre & Pool
- Port Welshpool & District Maritime Museum
- South Gippsland Leisure Centre Fundraising
- Toora & District Swimming Pool
- Toora Tennis Reserve
- TP Taylor Reserve
- Walter Tuck Recreation Reserve Committee of Management

NOTE 3: Rates and charges

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 its value that it could be reasonably expected to sell for on the open market.

The valuation base used to calculate general rates is :

	2010	2009
	\$'000	\$'000
Residential	2,708,898	2,618,187
Vacant Land	229,416	260,960
Commercial/Industrial	349,715	338,535
Farm	2,436,463	2,464,196
Cultural & Recreational Lands Act	7,522	6,805
Total Capital Improved Valuation	<u>5,732,014</u>	<u>5,688,683</u>

The rate in the dollar for each rate classification was:

Residential	0.00339043	0.00323205
Vacant Land	0.00508565	0.00484807
Commercial/Industrial	0.00339043	0.00323205
Farm	0.00305139	0.00290884
Cultural & Recreational Lands Act	0.00135617	0.00129282

The rates for each classification was:

Residential	9,270	8,223
Vacant Land	1,167	1,265
Commercial/Industrial	1,186	1,094
Farm	7,435	7,168
Cultural & Recreational Lands Act	10	10
Municipal Charge	4,776	4,440
Supplementary Rates & Rate Adjustments	127	480
Garbage Charges	1,562	1,463
Total Rates and charges	<u><u>25,533</u></u>	<u><u>24,143</u></u>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2010, and the valuation first applies to the rating year commencing 1 July 2010.

The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2008, and the valuation first applied to the rating period commencing 1 July 2008.

	2010 \$'000	2009 \$'000
NOTE 4: Statutory fees and fines		
Parking Infringements & Fines	29	28
Land Information Certificates	30	22
Local Laws / Animal control	12	7
Fire prevention	5	1
Building Services	94	69
Town Planning applications	258	227
Supervision Fees	26	89
Infringement Court Recoveries	44	22
Total Statutory fees and fines	498	465

NOTE 5: User fees

(a) Youth Development	0	1
Aged & Disabled Services	152	176
Food Services	134	125
Immunisation	9	7
Community Transport	36	28
Health Licences	120	115
Boat Ramp Fees	17	14
Road RAP fees	14	12
Transfer Stations	316	281
Landfills	616	593
Local Laws	16	11
Animal Control	197	212
Fire Prevention	5	4
Building Services	2	3
Waste Water Management	110	86
Economic Development	19	0
Tourism Development	94	30
Public Halls / Others	16	18
Coal Creek	60	40
Arts & Culture	6	8
Total user fees	1,939	1,764

(b) Please refer to *Table 1* in Note 42 (e) for the ageing analysis of contractual receivables.

Notes to the Financial Statements — continued

	2010 \$'000	2009 \$'000
NOTE 6: Grants		
Grants were received in respect of the following:-		
Summary of grants		
Federally funded grants	3,352	2,040
State funded grants	12,023	12,057
	<u>15,375</u>	<u>14,097</u>
Recurrent		
<i>Commonwealth Government</i>		
Roads to Recovery	1,636	1,341
<i>State Government</i>		
Victorian Grants Commission - unallocated	4,244	5,006
Victorian Grants Commission - local roads	2,870	3,445
School Crossing Supervision	24	24
Economic Development & Tourism	13	16
Coal Creek Education	24	21
Maternal & Child Health	206	227
Community Transport	38	37
Immunisation	22	40
Families & Children's Services	58	55
Food Services	27	27
Senior Citizens Centres	9	21
Aged & Disabled Services	854	790
HACC Assessment	235	209
Community Building	84	63
State Emergency Services	23	11
Bus Shelters	13	5
Fire Prevention	6	—
Coal Creek Events	15	—
Sustainability Festival	8	—
Total Recurrent Grants	<u>10,409</u>	<u>11,338</u>

	2010 \$'000	2009 \$'000
NOTE 6: Grants – continued		
Non Recurrent		
<i>Commonwealth Government</i>		
Bridges	91	14
Families and Children	—	75
Recreation and Leisure	96	564
Council Properties	85	46
Childcare Hub	1,444	—
<i>State Government</i>		
Youth Services	61	18
Bush Fire Relief	856	184
Heatwave Strategy	—	25
Community Building	192	277
Valuation Services	22	254
Aged & Disabled Services	36	41
Families and Children	126	175
Local Roads and Infrastructure	705	580
Arts and Culture	29	9
Recreation and Leisure	419	138
Planning	101	50
Economic Development & Tourism	13	262
Waste Management	—	2
Biodiversity	4	45
Sustainability Strategy	30	—
Childcare Hub	656	—
Total Non Recurrent Grants	4,966	2,759
Total Grants	15,375	14,097

	2010 \$'000	2009 \$'000
NOTE 6: Grants – continued		
<i>Conditions on Grants</i>		
Grants recognised as revenue during the year and were obtained on the condition that they be expended in a specified manner that had not occurred at balance date were:		
Grants for Community Projects	476	383
Home and Community Care	158	50
Bushfire Relief and Commemorative Events	156	109
Families and Children	117	202
Recreation and Leisure	116	—
Economic Recovery Funding	—	490
Grants for Road and associated works	186	—
Childcare	1,985	—
Total	<u>3,194</u>	<u>1,234</u>
Grants which were recognised as revenue in prior years and were expended in a specified manner by the grantor were:		
Grants for Community Projects	532	210
Home and Community Care	17	48
Bushfire Relief and Commemorative Events	32	—
Families and Children	168	—
Recreation and Leisure	—	130
Economic Recovery Funding	474	—
Grants for Road and associated works	—	55
Total	<u>1,223</u>	<u>443</u>
Net increase/(decrease) in restricted assets resulting from grant revenues for the year	<u>1,971</u>	<u>791</u>

	2010 \$'000	2009 \$'000
NOTE 7: Contributions		
Contributions were received in respect of the following :		
(a) Cash		
Open Space *	45	25
Recreation	102	36
Public halls	98	10
Municipal Offices	2	3
Local Roads	—	50
Others	11	—
Total cash contributions	<u>258</u>	<u>124</u>
(b) Non-monetary assets		
Roads & Streets	396	1,794
Drains	235	940
Kerbs & Channel	80	260
Footpaths	44	346
Other Structures	25	43
Land Under Roads	—	177
Total non cash contributions	<u>780</u>	<u>3,560</u>
Total Contributions	<u><u>1,038</u></u>	<u><u>3,684</u></u>

* Open space contributions received during the year are transferred to other reserves pursuant to section 18 of the Subdivision Act 1988 (Resort and Recreation Reserve) (refer Note 31(b)).

NOTE 8: Reimbursements

Reimbursements were received in respect of the following :

Rate Recovery Proceedings	168	117
Insurances	30	80
Diesel Fuel Rebate	64	193
Transfer Stations	—	2
Recreation	—	3
Work cover	126	61
Youth Services	—	2
Information Centre	1	1
Aged & Disabled Services	2	2
Building Services	—	1
Total Reimbursements	<u><u>391</u></u>	<u><u>462</u></u>

Notes to the Financial Statements — continued

	2010 \$'000	2009 \$'000
NOTE 9: Other income		
Interest on rates	161	178
Other Interest	520	364
Other rent	211	206
Investment property rent	47	46
Quarries	13	19
Youth Services	1	1
Private Works	546	582
Families & Children	9	11
Animal Control	2	1
Coal Creek	194	97
Sundry Income	52	56
Total Other income	1,756	1,561

NOTE 10: Disposal of property, plant and equipment and infrastructure

Proceeds of Sales

Proceeds from Land Sales	73	13
Proceeds from Sale of Buildings *	—	—
Proceeds from Plant & Equipment Sales	731	866
Total Proceeds from Sale of Assets	804	879

Written Down Value of Items sold

Carrying Amount of Land Sold	88	17
Carrying Amount of Buildings Sold	29	—
Carrying Amount of Plant & Equipment Sold	883	1,020
Total Written Down Value of Assets sold	1,000	1,037

Gain/(Loss) on Disposal of Fixed Assets

	(196)	(158)
--	--------------	--------------

* Land and Building sold in a single transaction (sale proceeds not allocated to buildings)

Notes to the Financial Statements — continued

	2010 \$'000	2009 \$'000
NOTE 11: Employee benefits		
Wages & Salaries	12,027	11,332
Casual Staff	727	487
Annual and Long Service Leave	1,811	1,295
Superannuation	1,209	1,113
Work cover	433	410
Fringe benefits tax	94	76
Gross employee benefits	16,301	14,713
Less employee benefits capitalised to the balance sheet for works performed on capital projects.	(713)	(866)
Total employee benefits	15,588	13,847

NOTE 12: Materials and services

Contract payments

Landfill and Transfer Stations	1,047	1,047
Garbage Collections	443	421
Kerbside Recycling	489	470
Litter bins	166	163
Elections	20	122
Leisure Centre Operations	331	380
Handyman Contractors	31	23
External Hire, Minor Contractors	2,017	1,546
Cleaning	146	138
Software Maintenance	427	532

Materials

Materials General	4,872	4,278
Fuel & Oils	702	820

Services

Advertising & Promotion Costs	302	311
Utility Charges (power, phone, water)	607	575
Subscriptions, affiliations and conferences	222	156
Leases	453	471
Legal Fees	264	255
Consultancies and projects	1,036	763
Insurance Premiums	452	433
Plant & Equipment Registrations	94	92
Training expenses	221	133
Postage	80	73
State levies	179	205
Occupational health and safety	71	78
Gippsland Group Training	117	122
Others	133	220

Total materials and services	14,922	13,827
-------------------------------------	---------------	---------------

Notes to the Financial Statements — continued

	2010 \$'000	2009 \$'000
NOTE 13: Bad and Doubtful Debts		
Other Debtors	—	8
Total bad and doubtful debts	<u>—</u>	<u>8</u>

NOTE 14: Depreciation and amortisation

Depreciation for the year was charged in respect of:-

Office Furniture & Equipment	139	231
Plant and Equipment	828	731
Buildings	1,685	1,619
Heritage buildings	51	48
Roads and Streets	2,637	2,264
Bridges	271	247
Culverts	112	116
Footpaths	237	228
Kerb & Channel	201	200
Car parks	73	68
Drains	214	194
Other Structures	493	456
	<u>6,941</u>	<u>6,402</u>
Summary of Depreciation		
Property, Plant and Equipment	2,703	2,629
Infrastructure Assets	4,238	3,773
Total depreciation	<u>6,941</u>	<u>6,402</u>

NOTE 15: Finance costs

Interest - Borrowings	217	290
Total finance costs	<u>217</u>	<u>290</u>

NOTE 16: Other Expenses

Library Contributions	788	780
Community & Sporting Grants	1,010	1,006
Auditors' remuneration	121	87
Councillors allowances	246	211
Bank Fees & Charges	83	81
Roads , streets and bridge assets written off	—	53
Sundry Expenses	96	33
Total other expenses	<u>2,344</u>	<u>2,251</u>

2010
\$'000

2009
\$'000

NOTE 17: Investments in associates

Investment in West Gippsland Regional Library Corporation is accounted for using the equity method.

Background

Council has a 30.55% equity interest in the West Gippsland Regional Library Corporation in 2009/10 (30.55% in 2008/09).

The equity interest is calculated on the basis of the proportion it contributes to the operating costs of the services.

Council's share of accumulated surplus/(deficit)

Council's share of accumulated surplus/(deficit) at start of year	395	419
Reported surplus/(deficit) for year	26	(24)
Council's share of accumulated surplus/(deficit) at end of year	421	395

Council's share of reserves

Council's share of reserves at start of year	432	364
Revaluation reserve increment	—	68
Council's share of reserves at end of year	432	432

Movement in carrying value of specific investment

Carrying value of investment at start of year	827	783
Transfers to asset revaluation reserve	—	68
Share of surplus / (deficit) for year	26	(24)
Carrying value of investment at end of year	853	827

Council's share of expenditure commitments

Operating leases and rentals	35	60
	35	60

West Gippsland Regional Library Corporation has not disclosed any contingent liabilities and assets for the financial years 2010 and 2009.

Notes to the Financial Statements — continued

	2010 \$'000	2009 \$'000
NOTE 18: Other Assets		
Current		
<i>Prepayments</i>		
General Prepaid Expenses	315	108
TOTAL OTHER ASSETS	315	108

NOTE 19: Cash and cash equivalents

Cash on Hand	3	2
Cash at Bank	1,742	5,558
Money Market Call Account	3,300	2,811
Bank Bills	10,206	3,000
TOTAL CASH AND CASH EQUIVALENTS	15,251	11,371

Users of the financial report should refer to Note 37 for details of restrictions on cash assets and Note 39 for details of existing Council commitments.

NOTE 20: Trade and other receivables

Current		
Rates Debtors	772	686
Other Receivables - General	852	797
Property Debtors	3	4
Net GST Receivable	228	185
TOTAL RECEIVABLES	1,855	1,672

	2010 \$'000	2009 \$'000
NOTE 21: Financial Assets		
Current		
Long Service Leave Investment	1,850	1,850
TOTAL FINANCIAL ASSETS	1,850	1,850

Note 22: Inventories

Current		
Raw Materials and Stores	184	171
TOTAL INVENTORIES	184	171

NOTE 23: Non-current assets classified as held for sale

Council do not hold any of this class of asset as at reporting date.

NOTE 24: Property, plant and equipment and Infrastructure

Summary

- at cost	17,840	23,193
Less: Accumulated depreciation	(5,597)	(5,182)
	<u>12,243</u>	<u>18,011</u>
- at Council Valuation 1 April 2010	344,658	—
Less: Accumulated depreciation	(78,651)	—
- at Council Valuation 1 Jan 2010	157,698	—
Less: Accumulated depreciation	(46,829)	—
- at Council Valuation 1 April 2009	37,922	58,053
Less: Accumulated depreciation	(11,205)	(17,081)
- at Council Valuation 1 Jan 2008	—	144,436
Less: Accumulated depreciation	—	(42,960)
- at Council Valuation 1 April 2008	7,842	303,019
Less: Accumulated depreciation	(3,508)	(76,381)
	<u>407,927</u>	<u>369,086</u>
Total property, plant and equipment and infrastructure	420,170	387,097

Notes to the Financial Statements — continued

	2010 \$'000	2009 \$'000
NOTE 24: Property, plant and equipment and Infrastructure – continued		
Property		
Land		
- at Council Valuation 1 Jan 2010	38,496	—
- at Council Valuation 1 Jan 2008	—	36,558
	38,496	36,558
Land Under Roads		
- at Council Valuation 1 Jan 2010	30,340	—
- at Council Valuation 1 Jan 2008	—	27,865
- at cost	—	179
	30,340	28,044
Total Land	68,836	64,602
Buildings		
- at Council Valuation 1 Jan 2010	83,735	—
Less: Accumulated depreciation	(43,535)	—
- at Council Valuation 1 Jan 2008	—	75,214
Less: Accumulated depreciation	—	(39,914)
	40,200	35,300
- at cost	255	1,313
Less: Accumulated depreciation	—	(41)
	255	1,272
Heritage Buildings		
- at Council Valuation 1 Jan 2010	5,127	—
Less: Accumulated depreciation	(3,294)	—
- at Council Valuation 1 Jan 2008	—	4,799
Less: Accumulated depreciation	—	(3,046)
	1,833	1,753
- at cost	—	59
Less: Accumulated depreciation	—	(1)
	—	58
Total Buildings	42,288	38,383
Total Property	111,124	102,985

The Land revaluations were undertaken by Andrew Begg , AAPI (Council Employee). The basis of valuation was fair value based on highest and best use permitted by relevant land planning provisions.

The Buildings revaluations were undertaken by Andrew Begg , AAPI (Council Employee). The basis of valuation was fair value based upon depreciated replacement cost.

The Land under roads was valued by Andrew Begg AAPI (Council Employee) using the Fair value method.

	2010 \$'000	2009 \$'000
NOTE 24: Property, plant and equipment and Infrastructure – continued		
<i>Plant and Equipment</i>		
Plant, machinery and equipment		
- at cost	9,042	8,551
Less: Accumulated depreciation	(3,408)	(3,012)
	<u>5,634</u>	<u>5,539</u>
Furniture, computers and other equipment		
- at cost	2,617	2,540
Less: Accumulated depreciation	(2,108)	(1,969)
	<u>509</u>	<u>571</u>
Total Plant and Equipment	<u>6,143</u>	<u>6,110</u>
<i>Infrastructure Assets</i>		
Roads		
- at Council Valuation 1 April 2010 *	290,971	—
Less: Accumulated depreciation	(62,894)	—
- at Council Valuation 1 April 2008 ***	—	264,832
Less: Accumulated depreciation	—	(63,778)
- at cost	2,653	6,335
Less: Accumulated depreciation	(5)	(110)
	<u>230,725</u>	<u>207,279</u>
Bridges		
- at Council Valuation 1 April 2009 **	26,554	26,554
Less: Accumulated depreciation	(7,230)	(6,959)
- at cost	—	—
Less: Accumulated depreciation	—	—
	<u>19,324</u>	<u>19,595</u>
Major Culverts		
- at Council Valuation 1 April 2009 **	11,368	11,312
Less: Accumulated depreciation	(3,975)	(3,807)
- at cost	53	—
Less: Accumulated depreciation	—	—
	<u>7,446</u>	<u>7,505</u>
Footpaths		
- at Council Valuation 1 April 2010 *	13,602	—
Less: Accumulated depreciation	(2,543)	—
- at Council Valuation 1 April 2008 ***	—	12,484
Less: Accumulated depreciation	—	(2,726)
- at cost	190	1,566
Less: Accumulated depreciation	—	(21)
	<u>11,249</u>	<u>11,303</u>

Notes to the Financial Statements — continued

	2010 \$'000	2009 \$'000
NOTE 24: Property, plant and equipment and Infrastructure – continued		
Kerb & Channel		
- at Council Valuation 1 April 2010 *	12,359	—
Less: Accumulated depreciation	(4,405)	—
- at Council Valuation 1 April 2008 ***	—	11,752
Less: Accumulated depreciation	—	(4,425)
- at cost	28	397
Less: Accumulated depreciation	—	(4)
	7,982	7,720
Off-street car parks		
- at Council Valuation 1 April 2010 *	6,223	—
Less: Accumulated depreciation	(2,411)	—
- at Council Valuation 1 April 2008 ***	—	5,074
Less: Accumulated depreciation	—	(2,380)
- at cost	—	219
Less: Accumulated depreciation	—	(4)
	3,812	2,909
Drains		
- at Council Valuation 1 April 2010 *	21,503	—
Less: Accumulated depreciation	(6,398)	—
- at Council Valuation 1 April 2009 **	—	20,187
Less: Accumulated depreciation	—	(6,315)
- at Council Valuation 1 April 2008 ***	—	1,035
Less: Accumulated depreciation	—	(2)
- at cost	—	—
Less: Accumulated depreciation	—	—
	15,105	14,905
Other Structures		
- at Council Valuation 1 April 2008 ***	7,842	7,842
Less: Accumulated depreciation	(3,508)	(3,070)
- at cost	1,327	1,188
Less: Accumulated depreciation	(76)	(20)
	5,585	5,940
TOTAL INFRASTRUCTURE ASSETS	301,228	277,156

* Based upon valuations undertaken by Darren Coco , B. Civil Engineering (Independent consultant) on the basis of depreciated replacement cost.

** Based upon valuations undertaken by Alan Landers , B. Civil Engineering (Council employee) on the basis of depreciated replacement cost.

*** Based upon valuations undertaken by Darren Coco , B. Civil Engineering (Independent consultant) on the basis of depreciated replacement cost.

Fair value represents the written down replacement cost.

	2010	2009
	\$'000	\$'000

NOTE 24: Property, plant and equipment and Infrastructure – continued

Works In Progress

Buildings at cost	433	68
Furniture and Equipment at cost	259	—
Roads at cost	35	728
Footpaths at cost	219	1
Kerb & channel at cost	10	28
Drainage at cost	124	—
Bridges at cost	488	9
Other structures at cost	107	12
Total works in progress	<u>1,675</u>	<u>846</u>
Total Property, Plant and Equipment and Infrastructure	<u>420,170</u>	<u>387,097</u>

NOTE 24: Property, plant and equipment and Infrastructure – continued

	Balance at beginning of Financial Year	Developer Contributed Assets (note 7)	Acquisition of assets (note 48)	Revaluation increments/ (decrements) (note 31)	Depreciation and amortisation (note 14)	Written down value of disposals (note 10)	Items written off and derecognised (note 16)	Transfers	Balance at end of Financial Year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2010									
Property									
Land	36,558	—	—	2,026	—	(88)	—	—	38,496
Land Under Roads	28,044	—	—	2,296	—	—	—	—	30,340
Total Land	64,602	—	—	4,322	—	(88)	—	—	68,836
Buildings	36,572	—	455	5,082	(1,685)	(29)	—	60	40,455
Heritage buildings	1,811	—	117	(52)	(51)	—	—	8	1,833
Total buildings	38,383	—	572	5,030	(1,736)	(29)	—	68	42,288
Total property	102,985	—	572	9,352	(1,736)	(117)	—	68	111,124
Plant and Equipment									
Plant, machinery and equipment	5,539	—	1,806	—	(828)	(883)	—	—	5,634
Furniture, computers and equipment	571	—	77	—	(139)	—	—	—	509
Total plant and equipment	6,110	—	1,883	—	(967)	(883)	—	—	6,143
Infrastructure									
Roads	207,279	396	3,564	21,402	(2,637)	—	—	721	230,725
Bridges	19,595	—	—	—	(271)	—	—	—	19,324
Major culverts	7,505	—	53	—	(112)	—	—	—	7,446
Footpaths and cycleways	11,303	44	223	(84)	(237)	—	—	—	11,249
Kerb and channel	7,720	80	—	355	(201)	—	—	28	7,982
Drainage	14,905	235	60	119	(214)	—	—	—	15,105
Off-street car parks	2,909	—	(5)	981	(73)	—	—	—	3,812
Other infrastructure	5,940	25	103	—	(493)	—	—	10	5,585
Total infrastructure	277,156	780	3,998	22,773	(4,238)	—	—	759	301,228

NOTE 24: Property, plant and equipment and Infrastructure — continued

	Balance at beginning of Financial Year	Developer Contributed Assets (note 7)	Acquisition of assets (note 48)	Revaluation increments/ (decrements) (note 31)	Depreciation and amortisation (note 14)	Written down value of disposals (note 10)	Items written off and derecognised (note 16)	Transfers	Balance at end of Financial Year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2010									
Works in progress									
Buildings	68	—	433	—	—	—	—	(68)	433
Furniture and Equipment	—	—	259	—	—	—	—	—	259
Roads	728	—	28	—	—	—	—	(721)	35
Footpaths	1	—	218	—	—	—	—	—	219
Kerb and channel	28	—	10	—	—	—	—	(28)	10
Drainage	—	—	124	—	—	—	—	—	124
Off-street car parks	—	—	—	—	—	—	—	—	—
Bridges	9	—	479	—	—	—	—	—	488
Major Culverts	—	—	—	—	—	—	—	—	—
Other infrastructure	12	—	105	—	—	—	—	(10)	107
Total works in progress	846	—	1,656	—	—	—	—	(827)	1,675
Total property, plant and equipment and infrastructure	387,097	780	8,109	32,125	(6,941)	(1,000)	—	—	420,170

NOTE 24: Property, plant and equipment and Infrastructure – continued

	Balance at beginning of Financial Year	Developer Contributed Assets (note 7)	Acquisition of assets (note 48)	Revaluation increments/ (decrements) (note 31)	Depreciation and amortisation (note 14)	Written down value of disposals (note 10)	Items written off and derecognised (note 16)	Transfers	Balance at end of Financial Year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2009									
Property									
Land	36,575	—	—	—	—	(17)	—	—	36,558
Land Under Roads	27,865	177	2	—	—	—	—	—	28,044
Total Land	64,440	177	2	—	—	(17)	—	—	64,602
Buildings	37,135	—	930	—	(1,619)	—	—	126	36,572
Heritage buildings	1,800	—	—	—	(48)	—	—	59	1,811
Total buildings	38,935	—	930	—	(1,667)	—	—	185	38,383
Total property	103,375	177	932	—	(1,667)	(17)	—	185	102,985
Plant and Equipment									
Plant, machinery and equipment	5,494	—	1,796	—	(731)	(1,020)	—	—	5,539
Furniture, computers and equipment	317	—	485	—	(231)	—	—	—	571
Total plant and equipment	5,811	—	2,281	—	(962)	(1,020)	—	—	6,110
Infrastructure									
Roads	204,622	1,794	3,127	—	(2,264)	—	—	—	207,279
Bridges	14,713	—	59	4,778	(247)	—	(53)	345	19,595
Major culverts	6,364	—	—	1,257	(116)	—	—	—	7,505
Footpaths and cycleways	10,677	346	508	—	(228)	—	—	—	11,303
Kerb and channel	7,598	260	53	—	(200)	—	—	9	7,720
Drainage	12,712	940	84	1,363	(194)	—	—	—	14,905
Off-street car parks	2,787	—	101	—	(68)	—	—	89	2,909
Other infrastructure	5,651	43	702	—	(456)	—	—	—	5,940
Total infrastructure	265,124	3,383	4,634	7,398	(3,773)	—	(53)	443	277,156

NOTE 24: Property, plant and equipment and Infrastructure — continued

	Balance at beginning of Financial Year	Developer Contributed Assets (note 7)	Acquisition of assets (note 48)	Revaluation increments/ (decrements) (note 31)	Depreciation and amortisation (note 14)	Written down value of disposals (note 10)	Items written off and derecognised (note 16)	Transfers	Balance at end of Financial Year
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2009									
<i>Works in progress</i>									
Buildings	253	—	—	—	—	—	—	(185)	68
Roads	272	—	456	—	—	—	—	—	728
Footpaths and cycleways	—	—	1	—	—	—	—	—	1
Kerb and channel	37	—	—	—	—	—	—	(9)	28
Off-street car parks	89	—	—	—	—	—	—	(89)	—
Bridges	354	—	—	—	—	—	—	(345)	9
Major Culverts	—	—	—	—	—	—	—	—	—
Other infrastructure	—	—	12	—	—	—	—	—	12
Total works in progress	1,005	—	469	—	—	—	—	(628)	846
Total property, plant and equipment and infrastructure	375,315	3,560	8,316	7,398	(6,402)	(1,037)	(53)	—	387,097

	2010 \$'000	2009 \$'000
--	----------------	----------------

NOTE 25: Joint venture information

Council is not involved in any joint ventures as at reporting date.

NOTE 26: Investment properties

Balance at the beginning of the year	480	480
Fair value adjustment	144	—
TOTAL INVESTMENT PROPERTIES	624	480

Investment properties include - Quarry site and a portion of the Stockyard gallery.

Valuation of investment property has been determined in accordance with an independent valuation by Marc Babos, AAPI (Council employee) who has recent experience in the location and category of the property being valued.

NOTE 27: Trade and other payables

Current

Payables	1,777	1,599
Accrued Salaries & Wages	166	690
Accruals - Loan Interest	6	10
TOTAL TRADE AND OTHER PAYABLES	1,949	2,299

NOTE 28: Trust funds and deposits

Current

Refundable development bonds	48	172
Refundable contract deposits	19	30
Retention amounts	20	8
TOTAL TRUST FUNDS AND DEPOSITS	87	210

NOTE 29: Provisions

	Annual Leave \$'000	Rostered Days Leave \$'000	Long Service Leave \$'000	Landfills Restoration \$'000	Total \$'000
2010					
Balance at beginning of the financial year	1,300	109	2,085	484	3,978
Additional provisions	1,266	3	865	—	2,134
Amounts used	(1,162)	—	(443)	—	(1,605)
Increase/(decrease) in the discounted amount arising because of time and the effect of any changes in the discount rate.	(3)	—	(7)	—	(10)
Balance at the end of the financial year	1,401	112	2,500	484	4,497
2009					
Balance at beginning of the financial year	1,353	127	1,954	222	3,656
Additional provisions	899	—	415	336	1,650
Write back to income statement	—	—	—	—	—
Amounts used	(955)	(31)	(304)	(74)	(1,364)
Increase / (decrease) in the discounted amount arising because of time and the effect of any changes in the discount rate.	3	13	20	—	36
Balance at the end of the financial year	1,300	109	2,085	484	3,978

(a) Employee Benefits

	2010 \$'000	2009 \$'000
Current (i)		
Annual Leave	1,401	1,300
Rostered Days	112	109
Long Service Leave	2,369	1,537
	<u>3,882</u>	<u>2,946</u>
Non-current (ii)		
Long Service Leave	131	548
	<u>131</u>	<u>548</u>
Total employee benefits	<u>4,013</u>	<u>3,494</u>
Aggregate carrying amount of employee benefits		
Current	3,882	2,946
Non Current	131	548
Total employee benefits	<u>4,013</u>	<u>3,494</u>

NOTE 29: Provisions – continued

(a) Employee Benefits – continued

	2010	2009
	\$'000	\$'000
Average employee numbers during the financial year	288	283
The following assumptions were adopted in measuring the present value of long service leave:		
Weighted average increase in employee costs	4.45%	4.45%
Weighted average discount rates	5.08%	5.08%
Weighted average settlement period	12 years	12 years
(i) Current	\$'000	\$'000
All annual leave and the long service leave entitlements representing 7 or more years (2009 - 10 or more years) of continuous service.		
- Short-term employee benefits, that fall due within 12 months after the end of the period measured at nominal value.	2,944	1,735
- Other long-term employee benefits that do not fall due within 12 months after the end of the reporting period measured at present value.	938	1,211
	<u>3,882</u>	<u>2,946</u>
(ii) Non-current		
Long service leave representing less than 7 years (2009 - 10 years) of continuous service measured at present value	<u>131</u>	<u>548</u>

NOTE 29: Provisions – continued

(b) Provisions

Under requirement of the Environmental Protection Authority (EPA) , Council has a present obligation to perform site rehabilitation works for two landfills that it operates. Current engineering projections indicate that the Koonwarra landfill site will remain operating at least until 2045 , however the landfill license requires rehabilitation of the site on a progressive basis, with each landfill cell to be rehabilitated within 12 months of it being filled. The forecast life of the Koonwarra landfill 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 on a current understanding of the work required to reinstate the site to a standard that will meet EPA requirements and the budgeted costs of all works and advice associated with those works. Accordingly , the estimates of provision required is dependent on the accuracy of the forecast , timing of the work , work required, and related costs.

Council does not expect to receive reimbursement from a third party.

	2010 \$'000	2009 \$'000
Current		
Financial Assurance - Koonwarra Landfill site 1	6	6
	<u>6</u>	<u>6</u>
Non-Current		
Financial Assurance - Koonwarra Landfill site 2	478	478
	<u>478</u>	<u>478</u>
Total	<u>484</u>	<u>484</u>
Total of all provisions		
Current		
Employee benefits	3,882	2,946
Landfills site 1	6	6
	<u>3,888</u>	<u>2,952</u>
Non-Current		
Employee benefits	131	548
Landfills site 2	478	478
	<u>609</u>	<u>1,026</u>
Total Provisions	<u><u>4,497</u></u>	<u><u>3,978</u></u>

	2010 \$'000	2009 \$'000
NOTE 30: Interest-bearing loans and borrowings		
Current		
Loans - Secured *	1,060	1,138
	<u>1,060</u>	<u>1,138</u>
Non Current		
Loans - Secured *	1,580	2,639
	<u>1,580</u>	<u>2,639</u>
	<u>2,640</u>	<u>3,777</u>
TOTAL INTEREST-BEARING LOANS AND BORROWINGS	<u>2,640</u>	<u>3,777</u>
* The loans are secured over the general rates of the Council.		
The maturity profile for Council's borrowings is:		
Not later than one year	1,060	1,138
Later than one year and not later than five years	1,580	2,639
TOTAL	<u>2,640</u>	<u>3,777</u>

NOTE 31: Reserves

	Balance at beginning of reporting period \$'000's	Increment (decrement) \$'000's	Realisation to accumulated surplus \$'000's	Balance at end of reporting period \$'000's
<u>(a) Asset Revaluation Reserve</u>				
2010				
Property				
Land	23,251	2,026	—	25,277
Land under Roads	—	2,296	—	2,296
Investments in associates (Note 17)	432	—	—	432
Buildings	17,226	5,082	—	22,308
Heritage buildings	680	(52)	—	628
Plant & Equipment	386	—	—	386
	41,975	9,352	—	51,327
Infrastructure				
Roads and Streets	147,370	21,402	—	168,772
Bridges	7,578	—	—	7,578
Major Culverts	3,969	—	—	3,969
Drainage	5,098	119	—	5,217
Footpaths	5,034	(84)	—	4,950
Kerb & Channel	1,799	355	—	2,154
Car parks	1,847	981	—	2,828
Other Structures	2,657	—	—	2,657
	175,352	22,773	—	198,125
Total Asset Revaluation Reserve	217,327	32,125	—	249,452
2009				
Property				
Land	23,251	—	—	23,251
Investments in associates	364	68	—	432
Buildings	17,226	—	—	17,226
Heritage buildings	680	—	—	680
Plant & Equipment	386	—	—	386
	41,907	68	—	41,975
Infrastructure				
Roads and Streets	147,370	—	—	147,370
Bridges	2,800	4,778	—	7,578
Major Culverts	2,712	1,257	—	3,969
Drainage	3,735	1,363	—	5,098
Footpaths	5,034	—	—	5,034
Kerb & Channel	1,799	—	—	1,799
Car parks	1,847	—	—	1,847
Other Structures	2,657	—	—	2,657
	167,954	7,398	—	175,352
Total Asset Revaluation Reserve	209,861	7,466	—	217,327

NOTE 31: Reserves – continued

	Balance at beginning of reporting period \$'000's	Transfer from accumulated surplus \$'000's	Transfer to accumulated surplus \$'000's	Balance at end of reporting period \$'000's
<u>(b) Other Reserves</u>				
2010				
Public Open Space	170	45	—	215
Garbage Service Reserve	282	432	—	714
Caravan Parks Reserve	—	4	—	4
General Reserve	1,625	—	—	1,625
Corner Inlet Seawall Reserve	32	—	—	32
Henry's Road Reserve	38	—	—	38
Total Other Reserves	2,147	481	—	2,628
2009				
Public Open Space	145	25	—	170
Garbage Service Reserve	172	234	(124)	282
General Reserve	1,125	500	—	1,625
Corner Inlet Seawall Reserve	32	—	—	32
Henry's Road Reserve	38	—	—	38
Total Other Reserves	1,512	759	(124)	2,147

Public Open Space

This is a statutory reserve to be used for the future development of land for public purposes.

Garbage Service Reserve

Reserve for garbage rate charges to fund future development garbage services.

Caravan Parks Reserve

Reserve created for future funding of Caravan Parks projects

General Reserve

This is a Reserve to provide for unforeseen and unavoidable future costs.

Corner Inlet Seawall Reserve

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

Henry's Road Reserve

Reserve for contributions made by developers for future road improvement works.

	2010 \$'000	2009 \$'000
NOTE 32: Adjustments directly to equity		
Adjustment arising from recognition of land under roads (note 1(g)(iv))	—	27,865
Prior period adjustment - Found assets (note 1(g)(iv))	—	130
	<u>—</u>	<u>27,995</u>

NOTE 33: Reconciliation of cash flows from operating activities to surplus

Surplus for the period	6,492	9,369
Depreciation and amortisation	6,941	6,402
Assets written off	—	53
Finance costs	222	294
(Profit) / Loss on disposal of Property, Plant and Equipment	196	158
Non-monetary developer contributions	(780)	(3,560)
Share of Library Corporation (note 17)	(26)	24
Fair value adjustment for investment property	(144)	—
<i>Change in assets and liabilities:</i>		
(Increase) / Decrease in Receivables	(183)	1,608
(Increase) / Decrease in Other Assets	(207)	(18)
(Increase) / Decrease in Inventories	(13)	(68)
Increase / (Decrease) in Payables	(350)	(536)
Increase / (Decrease) in Employee Entitlements	517	60
Increase / (Decrease) in Other Provisions	—	(74)
Net cash provided by operating activities	<u>12,665</u>	<u>13,712</u>

NOTE 34: Reconciliation of cash and cash equivalents

Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the Balance Sheet as follows:

Cash and cash equivalents (see note 19)	15,251	11,371
Total cash and cash equivalents	<u>15,251</u>	<u>11,371</u>

	2010 \$'000	2009 \$'000
NOTE 35: Financing Facilities		
Bank Overdraft		
Unused facilities	1,000	1,000
Total financing facilities	1,000	1,000

NOTE 36: Non-cash financing and investing activities

Council does not engage in any non-cash financing and investing activities.

NOTE 37: Restricted Assets

Council has cash and cash equivalents (note 19) and other financial assets (note 21) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to employee entitlements (Long Service Leave), reserve funds (Recreational Lands Reserves) and government receipts.

Current

Long Service Leave (note 29)	1,850	1,850
Government Receipts (note 6)	3,387	1,416
Reserve funds (note 31(b))	215	170
TOTAL RESTRICTED CURRENT ASSETS	5,452	3,436

Restricted asset for long service leave is based on the Local Government (Long Service Leave) Regulations 2002 and does not necessarily equate to the long service leave liability disclosed in note 29 due to a different basis of calculation prescribed by the regulation.

NOTE 38: Superannuation

Council makes employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the fund) and other Funds. Obligations for contributions are recognised as an expense in profit or loss when they are due.

There are two categories of membership, accumulation and defined benefits, each of which is funded differently.

(a) Accumulation benefits category

In accordance with the Superannuation Guarantee Legislation and Choice of Funds Legislation, Council makes employer superannuation contributions in respect of its employees to the following accumulation funds:-

- *Health and Exercise Science Technologists Association (HESTA)*
- *Australian Mutual Provident Society (AMP)*
- *MLC*
- *AXA*
- *OAMPS Super Fund*
- *Superwrap*
- *Hospitality and Tourism Employees Fund (Hostplus)*
- *Australian Retirement Fund (ARF)*
- *Health Super*
- *Vic Super*
- *Retail Employees Superannuation Trust (REST)*
- *LUCRF*
- *ING Australia Ltd (ING)*
- *MMGG Super*
- *Perpetual Super Fund*
- *Superannuation Trust of Australia (STA)*
- *Vision Super (Local Authorities Superannuation Fund)*
- *Care Super Fund*
- *Self Managed Funds*
- *COMM Life Super*
- *Australian Government Super*

The fund's accumulation category, Vision super saver, receives both employer and employee contributions on a progressive basis. Council's contributions are normally based on a fixed percentage of employee earnings (9% required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

(b) Defined benefits category

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

The Fund's Defined Benefit Plan is a multi-employer sponsored plan. As the Plan's assets and liabilities are pooled and are not allocated by employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided under Paragraph 32 (b) of AASB 119, Council does not use defined benefit accounting for these contributions.

Council makes employer contributions to the defined benefits category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. On the basis of the results of the most recent full actuarial investigation by the Fund's actuary as at 31 December 2008, Council makes the following contributions:-

- 9.25% of members' salaries (same as previous year)

NOTE 38: Superannuation – continued

(b) Defined benefits category – continued

The funds surplus or deficit (i.e. difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions) and for the calculation of accrued benefits as required in AAS 25 to provide the values needed for AASB 119 disclosure in the council's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the plan up to the measurement date, with no allowance for the future benefits that may accrue. The actuarial investigation concluded that although the Net Market Value of assets was in excess of accrued benefits at 31 December 2008, based on the assumptions adopted, there was a shortfall of \$71 million when the funding of future benefits was also considered. However, Council was advised that no additional contributions are required for 30 June 2010. The Actuary has commenced undertaking the next actuarial investigation to ascertain if additional contributions would be required. The actuarial review will be as at 30 June 2010.

The result of the actuarial review is expected to be finalised during October 2010. Should the review identify a funding shortfall requiring additional contributions, the Council will be notified of any amount payable by November 2010 for payment on 1 July 2011. A further actuarial review will be undertaken as at 30 June 2011. Based on the result of this further review, a detailed funding plan will be developed and implemented to achieve the target of fully funding the Fund by 31 December 2013.

Accounting Standard Disclosure

The Fund's liability for accrued benefits was determined by the Actuary at 31 December 2008 pursuant to the requirements of Australian Accounting Standard AAS25 as follows:

	31-Dec-08
	\$'000
Net Market Value of Assets	3,630,432
Accrued Benefits (per accounting standards)	3,616,422
Difference between Assets and Accrued Benefits	<u>14,010</u>
Vested Benefits	3,561,588

The financial assumptions used to calculate the Accrued Benefits for the defined benefit category of the Fund are:-

Net Investment Return	8.5% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

	2010	2009
	\$'000	\$'000
Defined Benefits fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	<u>133</u>	<u>158</u>
	133	158
Accumulation funds		
Employer contributions to Superannuation Guarantee Levy and Choice of Fund legislation	<u>1,076</u>	<u>954</u>
	1,076	954
Employer contributions payable to Superannuation Guarantee Levy and Choice of Fund legislation at reporting date	<u>3</u>	<u>—</u>
	3	—

NOTE 39: Commitments

The Council has entered into the following commitments

2010	Not later than 1 Year \$'000	Later than 1 year and not later than 5 Years \$'000	Later than 5 Years \$'000	Total \$'000
<i>Operating</i>				
Transfer Stations	386	—	—	386
Landfills	388	571	—	959
Litter Bins	170	—	—	170
Kerbside Recycling	238	—	—	238
Acceptance/Sorting Recyclables	44	—	—	44
Kerbside Collections	265	—	—	265
Office Cleaning	16	4	—	20
Hall Operations	17	—	—	17
Toora Swimming Pool	95	—	—	95
Mirboo North Swimming Pool	58	—	—	58
SG SPLASH	297	—	—	297
Buildings Purchase (Carinos)	1,400	—	—	1,400
Total	3,374	575	—	3,949

2009	Not later than 1 Year \$'000	Later than 1 year and not later than 5 Years \$'000	Later than 5 Years \$'000	Total \$'000
<i>Operating</i>				
Transfer Stations	651	391	—	1,042
Landfills	377	959	—	1,336
Litter Bins	165	—	—	165
Kerbside Recycling	391	235	—	626
Acceptance/Sorting Recyclables	73	44	—	117
Kerbside Collections	435	261	—	696
Office Cleaning	16	—	—	16
Hall Operations	35	—	—	35
Toora Swimming Pool	92	—	—	92
Mirboo North Swimming Pool	56	—	—	56
SG SPLASH	297	—	—	297
Total	2,588	1,890	—	4,478

	2010 \$'000	2009 \$'000
--	----------------	----------------

NOTE 40: Operating Leases

a) Operating Lease Commitments

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of plant and equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities).

Not later than one year	323	318
Later than one year and not later than five years	1,258	581
Later than five years	773	707
Total operating lease commitments	2,354	1,606

(b) Operating Lease Receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes and a quarry site. 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 minimum rentals receivable under non-cancellable operating leases are as follows:

Not later than one year	294	63
Later than one year and not later than five years	995	269
Later than five years	725	139
Total operating lease receivables	2,014	471

NOTE 41: Contingent Liabilities and Contingent Assets

Contingent Liabilities

The Council is involved in a legal matter as a result of a subdivision undertaken by the former Shire of South Gippsland. A contingent liability of \$50,000 exists as action/negotiation regarding this matter continues to proceed. Council is of the view that any claim regarding this matter would not be successful.

Council has obligation under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme to ensure that the liabilities of the fund are covered by the assets of the fund. As a result of the increased volatility in financial markets, the likelihood of making such contributions in future periods has increased. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Contingent Assets

Developer contributions to be received by Council in respect of estates currently under development total \$0.8M (2009 \$1.79M).

NOTE 42: Financial Instruments

(a) Accounting policy, terms and conditions

Recognised Financial Instruments	Note	Accounting Policy	Terms and Conditions
Financial Assets			
Cash and cash equivalents	19	Cash on hand and at bank and money market call account are valued at face value. Interest is recognised as it accrues. Investments and bills are valued at cost.	On call deposits returned a floating interest rate of 1.45% to 4.5% (1.45% to 7.75% in 2008/09). The interest rate at balance date was 4.5% (1.45% in 2008/09). Funds returned fixed interest rates of between 1.45% (1.45% in 2008/09) and 5.90% (7.76% in 2008/09) net of fees. Funds provided a return of between 1.45% (1.45% in 2008/09) and 5.90% (7.76% in 2008/09) net of fees.
Financial assets	21	Investments are held to maximise interest returns and held to maturity at amortised cost.	Funds provided a return of between 2.75% (2.5% in 2008/09) and 6.15% (8.12% in 2008/09) net of fees.
Trade and Other Receivables	20	Receivables are carried at amortised cost using the effective Interest method. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred. Collectability of overdue accounts is assessed on an ongoing basis.	General debtors are unsecured and interest free. Credit terms are usually up to 30 days.

Financial Liabilities			
Trade and Other Payables	27	Liabilities are recognised for amounts to be paid in the future for goods received and services provided to Council as at balance date whether or not invoices have been received.	General creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.
Interest-bearing loans and borrowings.	30	Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.	Borrowings are secured by way of mortgage over the general rates of the Council. The average weighted interest rate on borrowings was 6.55% (6.56% in 2008/09)

Notes to the Financial Statements — continued

NOTE 42: Financial Instruments – continued

(b) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

2010	Fixed interest maturing in:					Total \$'000
	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non interest bearing \$'000	
Financial Assets						
Trade & other receivables *	—	—	—	—	855	855
Financial Assets	—	1,850	—	—	—	1,850
Cash and cash equivalents	15,248	—	—	—	3	15,251
Total Financial Assets	15,248	1,850	—	—	858	17,956
Weighted average interest rate	4.00%	4.46%				
Financial Liabilities						
Trade and other payables	—	—	—	—	1,949	1,949
Trust funds and deposits	—	—	—	—	87	87
Interest Bearing Liabilities	—	1,060	1,580	—	—	2,640
Total Financial Liabilities	—	1,060	1,580	—	2,036	4,676
Weighted average interest rate		6.55%	6.55%			
Net financial assets/(liabilities)	15,248	790	(1,580)	—	(1,178)	13,280

2009	Fixed interest maturing in:					Total \$'000
	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non interest bearing \$'000	
Financial Assets						
Trade & other receivables *	—	—	—	—	801	801
Financial Assets	—	1,850	—	—	—	1,850
Cash and cash equivalents	11,369	—	—	—	2	11,371
Total Financial Assets	11,369	1,850	—	—	803	14,022
Weighted average interest rate	4.89%	4.80%				
Financial Liabilities						
Trade and other payables	—	—	—	—	2,299	2,299
Trust funds and deposits	—	—	—	—	210	210
Interest Bearing Liabilities	—	1,138	2,639	—	—	3,777
Total Financial Liabilities	—	1,138	2,639	—	2,509	6,286
Weighted average interest rate		6.56%	6.56%			
Net financial assets/(liabilities)	11,369	712	(2,639)	—	(1,706)	7,736

* Excludes Statutory balances

NOTE 42: Financial Instruments – continued

(c) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

Financial Instruments	Total Carrying amount as per the Balance Sheet		Aggregate net fair value	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000

Financial Assets				
Trade & other receivables	855	801	855	801
Financial Assets	1,850	1,850	1,850	1,850
Cash and cash equivalents	15,251	11,371	15,251	11,371
Total Financial Assets	17,956	14,022	17,956	14,022

Financial Liabilities				
Trade and other payables	1,949	2,299	1,949	2,299
Trust funds and deposits	87	210	87	210
Interest Bearing Liabilities	2,640	3,777	2,583	3,678
Total Financial Liabilities	4,676	6,286	4,619	6,187

(d) Credit Risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Balance Sheet.

NOTE 42: Financial Instruments – continued

(e) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices.

The Council's exposures to market risk are primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Components of market risk to which we are exposed are discussed below.

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. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk.

Our loan borrowings are sourced from major Australian banks by a tender process.

Overdrafts are arranged with the Commonwealth Bank. We manage interest rate risk on our net debt portfolio by:

- ensuring access to diverse sources of funding;
- reducing risks of refinancing by managing in accordance with target maturity profiles; and
- setting prudential limits on interest repayments as a percentage of rate revenue.

We manage the interest rate exposure on our net debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Planning and Community Development each year.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. We manage interest rate risk by adopting an investment policy that ensures:

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

NOTE 42: (e) Risks and Mitigation - continued

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with;
- we may require collateral where appropriate; and
- we only invest surplus funds with approved financial institutions under the *Local Government Act 1989*.

Trade and other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with Council's financial assets is minimal because the main debtor is the Victorian Government. Apart from the Victorian Government we do not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised.

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 41.

Movement in Provisions for Doubtful Debts

	2010	2009
	\$'000	\$'000
Balance at beginning of the year	7	—
New provisions recognised during the year	—	7
Amounts already provided for and written off as uncollectable	(7)	—
Amounts provided for but recovered during the year	—	—
Balance at end of year	—	7

Ageing of Trade and Other Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of Council's Trade and Other Receivables was:

	2010	2009
	\$'000	\$'000
Current (not yet due)	722	503
Past due by up to 30 Days	62	66
Past due between 31 and 180 days	62	229
Past due between 181 and 365 days	6	1
Past due by more than 1 year	3	2
Total Trade & Other Receivables *	855	801

* Excludes Statutory debtors

NOTE 42: (e) Risks and Mitigation - continued

Ageing of individually impaired Trade and Other Receivables

At balance date other debtors representing financial assets with a nominal value of \$ Nil (2009 \$7K) were impaired. The amount of provision raised against these debtors was \$ Nil (2009 \$7K). The individually impaired debtors relate to general and sundry debtors and 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 Trade and Other Receivables that have been individually determined as impaired at reporting date was:

	2010	2009
	\$'000	\$'000
Current (not yet due)	—	—
Past due by up to 30 Days	—	—
Past due between 31 and 180 days	—	7
Past due between 181 and 365 days	—	—
Past due by more than 1 year	—	—
Total Trade & Other Receivables	—	7

Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial assets at all.

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities 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
- have financial strategies that are specific for borrowings and the financial ramifications are reflected in the long term financial plan.

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

NOTE 42: (e) Risks and Mitigation - continued

The table below lists the contractual maturities for Financial Liabilities.

These amounts represent undiscounted gross payments including both principal and interest amounts.

	6 months or less \$'000	6 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	5+ years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
2010							
Trade and Other Payables	1,949	—	—	—	—	1,949	1,949
Trust funds and deposits	26	10	30	7	14	87	87
Interest bearing loans and borrowings	521	539	1,129	451	—	2,640	2,640
Total financial liabilities	2,496	549	1,159	458	14	4,676	4,676

	6 months or less \$'000	6 - 12 months \$'000	1 - 2 years \$'000	2 - 5 years \$'000	5+ years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
2009							
Trade and Other Payables	2,299	—	—	—	—	2,299	2,299
Trust funds and deposits	46	79	64	7	14	210	210
Interest bearing loans and borrowings	562	576	1,059	1,580	—	3,777	3,777
Total financial liabilities	2,907	655	1,123	1,587	14	6,286	6,286

NOTE 42: Financial Instruments – continued

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from Reserve Bank of Australia):

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 4.5% (2009: 1.45%)

The table below discloses the impact on net operating result and equity for each category of financial instruments held by the Council at year-end, that would be impacted if the above movements were to occur.

	Carrying amount subject to floating interest rates.	Interest rate risk			
		-1% 100 basis points		+1% 100 basis points	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2010	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	15,248	(152)	(152)	152	152
Financial liabilities:					
Interest-bearing liabilities	—	—	—	—	—
2009					
Financial assets:					
Cash and cash equivalents	11,369	(114)	(114)	114	114
Financial liabilities:					
Interest-bearing liabilities	—	—	—	—	—

NOTE 43: Auditor's Remuneration

	2010 \$'000	2009 \$'000
Audit fee to conduct external audit - Victorian Auditor-General	57	38
Internal audit fees	64	49
	121	87

NOTE 44: Events occurring after balance date

There are no events occurring after balance date that will effect the amounts stated in this financial report.

NOTE 45: Related Party Transactions

- (i) Names of persons holding the position of a Responsible Person at the South Gippsland Shire Council at any time during the reporting period are:-

Councillors	James Fawcett (Mayor)
	Kieran Kennedy
	Robert Newton
	David Lewis
	Jennie Deane
	Mimmie Jackson
	Mohya Davies
	Jeanette Harding
	Warren Raabe
Chief Executive Officer	Tim Tamlin (Appointed 04/11/09)
Acting Chief Executive Officer	Dirk Holwerda (01/07/09 to 03/11/09)

- (ii) Remuneration of Responsible Persons (in bands of \$10,000)

The number of responsible officers, whose total remuneration from Council and any related entities fall within the following bands:

Income Range:	2010 No.	2009 No.
\$0 - \$9,999	—	4
\$10,000 - \$19,999	—	9
\$20,000 - \$29,999	8	—
\$30,000 - \$39,999	—	1
\$50,000 - \$59,999	1	—
\$60,000 - \$69,999	1	—
\$120,000 - \$129,999	1	—
\$180,000 - \$189,999	—	1
TOTAL	11	15
	\$'000	\$'000

Total Remuneration for the reporting period for Responsible Persons included above, amounted to:	424	387
--	-----	-----

NOTE 45: Related Party Transactions – continued

- (iii) No retirement benefits have been made by the Council to a Responsible Person (2008/09, nil).
- (iv) No loans have been made, guaranteed or secured by the Council to a Responsible Person of the council during the reporting year (2008/09, nil).
- (v) Other Transactions
No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons during the reporting year (2008/09, nil).
- (vi) Senior Officers Remuneration
A Senior Officer other than a Responsible Person, is an officer of Council who has management responsibilities and reports directly to the Chief Executive Officer, or whose total annual remuneration exceeds \$120,000 (previous year \$100,000) per annum.

The number of Senior Officers other than Responsible Persons, are shown below in their relevant income bands:

	2010 No.	2009 No.
Income Range:		
< \$100,000	1	1
\$100,000 - \$109,999	—	2
\$110,000 - \$119,999	1	4
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	—	3
\$140,000 - \$149,999	1	2
\$150,000 - \$159,999	1	—
TOTAL	<u>5</u>	<u>13</u>
	\$'000	\$'000
Total Remuneration for the reporting period for senior officers included above, amounted to:	624	895

NOTE 46(a): Income, expenses and assets by function/activities of the Council

Details of these functions/activities are set out in note 46(b)

	Chief Executive Office		Corporate and Community		Infrastructure		Sustainability		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
INCOME										
Grants	—	1	5,969	6,947	7,845	6,318	1,560	831	15,374	14,097
Other	209	123	26,119	27,257	1,873	2,231	3,903	3,347	32,104	32,958
TOTAL INCOME	209	124	32,088	34,204	9,718	8,549	5,463	4,178	47,478	47,055
EXPENSES	(3,273)	(2,775)	(16,946)	(15,713)	(11,949)	(11,540)	(8,818)	(7,658)	(40,986)	(37,686)
SURPLUS/ (DEFICIT)	(3,064)	(2,651)	15,142	18,491	(2,231)	(2,991)	(3,355)	(3,480)	6,492	9,369
ASSETS ATTRIBUTED TO FUNCTIONS/ ACTIVITIES*	1,813	1,759	509	571	438,780	401,246	—	—	441,102	403,576

*Assets have been attributed to functions/activities based on the control and/or custodianship of specific assets.

NOTE 46(b): Component Function/Activities

The activities relating to the municipality's components reported on in Note 46(a) are as follows:

CHIEF EXECUTIVE OFFICER

- Ensure the program areas for all directorates' teams and program areas of Council are provided in an efficient, professional and timely manner.
- Administer the operation of Councillor services such as Council briefings and meetings, Councillor education and professional development.
- Administer the allocation of grants made to community groups.
- Provide officers with governance advice and agenda preparation assistance.
- Provide internal legal advice and review all contracts, agreements and other legal documents.
- Provide human resources, payroll and Work Cover services.
- Provide risk management support services to Council.
- Identify, attract and facilitate grant funding consistent with the Council Plan.

CORPORATE AND COMMUNITY

- Provide high-level strategic advice to Council, Chief Executive and Executive management group.
- Facilitate council's continuous improvement of internal systems and processes using business excellence framework.
- Manage the strategic direction of libraries across the Shire.
- Deliver Councils' business information systems.
- Provide frontline customer services to residents and visitors of South Gippsland.
- Management of Council's records.
- Provide strategic financial advice to Council including preparation of annual and long term financial plans.
- Provide high quality internal and external communication.
- Provision of valuation services to Council's rateable properties.
- Administer rates and charges on all rateable land to Council.
- Provide a range of responsive and flexible services and programs to the community to support changing needs and to optimise health and wellbeing.
- Provide Home and Community Care services.
- Increase community awareness for people with a disability.
- Maximise the health potential of all children through the early identification, intervention and prevention of issues affecting young children and their families.

NOTE 46(b): Component Function/Activities – continued

SUSTAINABILITY

- Assist individual communities through community planning, volunteerism and community focused activity.
- Encourage participation in arts and cultural activity.
- Provide leadership, engagement in civic life and role modelling opportunities for the young people of South Gippsland.
- Provide strategic recreation planning, development and promotion.
- Support and encourage enterprises that enhance the prosperity and vibrancy of the South Gippsland community.
- Facilitate economic growth in the Prom Country (South Gippsland) region.
- Prepare, administer and enforce Council's Local Laws.
- Administer and enforce relevant provisions of the Domestic (feral & nuisance) Animals Act 1994 and Impounding of Livestock Act 1994 .
- Operate, supervise and maintain Children's Crossings.
- Comply with the statutory requirements of the Country Fire Authority Act 1958.
- Ensure all buildings within the municipality comply with building regulations.
- Facilitate the assessment of town planning activities within the municipality and preparation of the strategy.
- Promote a high standard of public health through prevention, education and enforcement of Food and Health Acts.
- Facilitate the protection of public health through the regulation of wastewater disposal.
- Provide waste management services and associated infrastructure.

INFRASTRUCTURE

- Develop and implement Engineering and Asset Management policies, strategy, plans, programs and services.
- Provide a safe and trafficable local road network
- Deliver capital projects where funding is provided jointly by community groups, State and/or Federal Government and Council.
- Administer and deliver annual building maintenance program.
- Administer and deliver the fleet and plant program.
- Deliver Parks and Gardens program.

NOTE 47: Financial ratios (performance indicators)

(i) **Debt Servicing Ratio (%)**
(to identify the capacity of Council to service its outstanding debt)

Debt servicing costs	217					
Total revenue	46,504	=	0.47%	=	290	=
					45,994	=
					290	=
					42,151	=
					539	=
					42,151	=
					1.28%	

Debt servicing costs refers to the payment of interest on loan borrowings.

The ratio expresses the amount of interest paid as a percentage of Council's total revenue.

(ii) **Debt Commitment Ratio (%)**
(to identify Council's debt redemption strategy)

Debt servicing & redemption costs	1,354					
Rate revenue	25,533	=	5.30%	=	1,406	=
					24,143	=
					22,331	=
					27.24%	

The strategy involves the payment of loan principal and interest.

The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.

NOTE 47: Financial ratios (performance indicators) – continued

(iii) Revenue Ratio (%) (to identify Council's dependence on non-rate income)	2010 \$'000	2010 %	2009 \$'000	2009 %	2008 \$'000	2008 %
<u>Rate revenue</u>	25,533		24,143		22,331	
Total revenue	<u>46,504</u>	= 54.90%	<u>45,994</u>	= 52.49%	<u>42,151</u>	= 52.98%

(iv) Debt Exposure Ratio (%) (to identify Council's exposure to debt)	2010 \$'000	2010 %	2009 \$'000	2009 %	2008 \$'000	2008 %
<u>Total indebtedness</u>	3,721		6,828		9,026	
Total realisable assets	<u>137,188</u>	= 2.71%	<u>123,782</u>	= 5.52%	<u>92,557</u>	= 9.75%

The level of Council's reliance on rate revenue is determined by assessing rate revenue as a proportion of total revenue of Council.

For the purposes of the calculation of financial ratios, realisable assets are those assets which can be sold and which are not subject to any restriction on realisation or use.

Any liability represented by a restricted asset (note 37) is excluded from total indebtedness.

The following assets are excluded from total assets when calculating Council's realisable assets: land and buildings on Crown land; restricted assets; heritage assets; total infrastructure assets; and Council's investment in associate.

This ratio enables assessment of Council's solvency and exposure to debt. Total indebtedness refers to the total liabilities of Council. Total liabilities are compared to total realisable assets which are all realisable assets not subject to any restriction and are able to be realised. The ratio expresses the percentage of total liabilities for each dollar of realisable assets.

NOTE 47: Financial ratios (performance indicators) – continued

	2010 \$'000	2010 %	2009 \$'000	2009 %	2008 \$'000	2008 %
(v) Working Capital Ratio (%) (to assess Council's ability to meet current commitments).						
Current assets	19,455		15,172		11,419	
Current liabilities	<u>6,984</u>	= 278.57%	<u>6,599</u>	= 229.91%	<u>7,156</u>	= 159.57%
The ratio expresses the level of current assets the Council has available to meet its current liabilities.						
(vi) Adjusted Working Capital Ratio (%) (to assess council's ability to meet current commitments).						
Current assets	19,455		15,172		11,419	
Current liabilities	<u>6,046</u>	= 321.78%	<u>5,388</u>	= 281.59%	<u>6,043</u>	= 188.96%
The ratio expresses the level of current assets the Council has available to meet its current liabilities.						

Current liabilities have been reduced to reflect the long service leave that is shown as a current liability because Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, but is not likely to fall due within 12 months after the end of the period.

	2010 \$'000	2009 \$'000
NOTE 48: Capital Works		
Capital expenditure areas (including works in progress):		
Land	—	2
Buildings	1,005	930
Plant & Equipment	1,806	1,796
Office Furniture & Equipment	336	485
Roads	3,592	3,583
Bridges	479	59
Culverts	53	—
Footpaths	441	508
Drains	184	84
Kerb & Channel	10	53
Off-street car parks	(5)	101
Other Structures	208	380
TOTAL CAPITAL WORKS	8,109	7,981
Represented by:		
Renewal of infrastructure	3,317	4,084
Upgrade of infrastructure	1,393	600
Expansion of infrastructure	1	2
New infrastructure	251	84
Upgrade of Buildings	1,005	930
New plant and equipment	2,142	2,281
Total capital works	8,109	7,981

	2010 \$'000	2009 \$'000
NOTE 48: Capital Works – continued		
Property, plant and equipment and infrastructure movement		
The movement between the previous year and the current year in property, infrastructure, plant and equipment as shown in the Balance Sheet links to the net of the following items:		
Total capital works	8,109	7,981
Asset revaluation movement *	32,125	7,398
Items written off	—	(53)
Developer contributed assets	780	3,560
Recognition of landfill assets	—	335
Depreciation and amortisation	(6,941)	(6,402)
Written down value of assets sold	(1,000)	(1,037)
Net movement in property, plant & equipment and infrastructure	33,073	11,782

* Does not include investment in Associates (revaluation increments which occurred in 2009).

(a) Renewal

Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

(b) Upgrade

Expenditure which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the council's asset base.

(c) Expansion/New Assets

Expenditure which extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group. Where capital projects involve a combination of new and renewal expenditures, the total project cost are to be allocated accordingly.

NOTE 49: Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

Standard/Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Council's financial statements
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	Some amendments will result in accounting changes for presentation, recognition or measurement purposes, while other amendments will relate to terminology and editorial changes.	Beginning 1 Jan 2010	Terminology and editorial changes. Impact minor.
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>)	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 Jan 2013	Detail of impact is still being assessed.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]	Amendment to Interpretation 14 arising from the issuance of <i>Prepayments of a Minimum Funding Requirement</i>	Beginning 1 Jan 2011	Expected to have no significant impact

Certification of Financial Statements

South Gippsland Shire Council

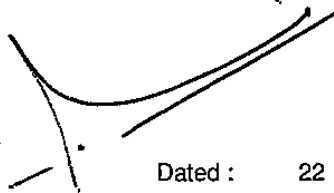
Certification of Financial Statements For the Year Ended 30 June 2010

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Finance and Reporting) Regulations 2004*, Australian Accounting Standards and other mandatory professional reporting requirements.

Financial Accountant

Mathew Oomman Kalloor - CPA

Location : Leongatha



Dated : 22 / 09 / 2010

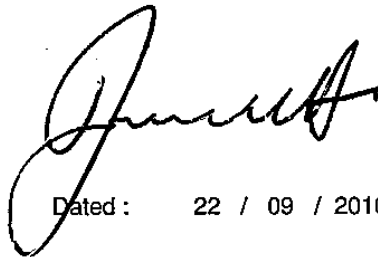
In our opinion the accompanying financial statements present fairly the financial transactions of the South Gippsland Shire Council for the year ended 30 June 2010 and the financial position of the Council as at that date.

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

We have been authorised by the Council on 22nd September 2010 to certify the financial statements in their final form.

Councillor : James Fawcett

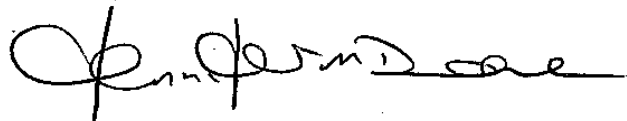
Location : Leongatha



Dated : 22 / 09 / 2010

Councillor : Jennie Deane

Location : Leongatha



Dated : 22 / 09 / 2010

Chief Executive : Tim Tamlin

Location : Leongatha



Dated : 22 / 09 / 2010

Standard Statements

FOR THE YEAR ENDED 30 JUNE 2010

Commentary on the Comparison Report - the Standard Statements for the Annual Report

The Annual Report shows the actual results for the year.

The following four Standard Statements and explanatory notes for the Annual report (Comparison Report) form a special purpose financial report prepared specifically to meet the requirements of the Local Government Act 1989 relating to Standard Statements.

The Standard Statements in this Comparison report each provide information in relation to an aspect of Council's financial management. They should be read in conjunction with one another to obtain an overall understanding of Council's financial position and management.

The Standard Statements of Financial Performance, Financial Position, Cash Flows and Capital Works for the Annual Report are consistent with the Budget and are prepared on basis consistent with the Financial Statements.

This report is a summary of the information found in the Budget and Financial report and as such cannot be expected to provide as full an understanding of financial performance as the complete reports from which it is derived. The Budget and Financial Reports together with their detailed notes should be examined for further detailed information.

Notes to the Standard Statements

1 Basis of preparation of Standard Statements

Council is required to prepare and include audited Standard Statements within its Annual Report. The four statements are Standard Income Statement, Standard Balance Sheet, Standard Cash Flow Statement and a Standard Statement of Capital Works, together with explanatory notes.

These statements and supporting notes form a special purpose financial report prepared to meet the requirements of the Local Government Act 1989 and Local Government (Finance and Reporting) Regulations 2004.

The Standard Statements have been prepared on accounting basis consistent with those used for the General Purpose Financial Statements and the Budget. The results reported in these statements are consistent with those reported in the General Purpose Financial Statements.

The Standard Statements are not a substitute for the General Purpose Financial Statements, which are included on pages **5** to **70** of the Annual Report. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The Standard Statements compare council's financial plan, expressed through its budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. The Council has adopted a materiality threshold of \$100,000. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures included in the Statements are those adopted by Council on 17 June 2009. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet council's business plan and financial performance targets for both the short and long term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial Statements on pages **5** to **70**. The detailed budget can be obtained by contacting council or through the council's website. The Standard Statements must be read with reference to these documents.

Standard Income Statement

D-1 COMPARISON REPORT FOR THE YEAR ENDED 30 JUNE 2010

	<i>Budget</i>	<i>Actual</i>	<i>Variances</i>		<i>Ref</i>	
	<i>2009/2010</i>	<i>2009/2010</i>	<i>\$'000</i>	<i>%</i>	<i>Y</i>	<i>N</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>			
Revenue						
Rates and charges	25,559	25,533	(26)	0		
Statutory fees and fines	409	498	89	22		
User fees	2,198	1,939	(259)	12	1	
Grants - recurrent	6,688	10,409	3,721	56	2	
Grants - non-recurrent	3,347	4,966	1,619	48	3	
Contributions - cash	30	258	228	760	4	
Contributions - non monetary assets	—	780	780	—	5	
Reimbursements	330	391	61	18		
Other Income	1,285	1,756	471	37	6	
Total revenues	39,846	46,530	6,684	17		
Expenses						
Employee benefits	15,185	15,588	403	3	7	
Materials and services	15,543	14,922	(621)	4	8	
Depreciation and amortisation	6,943	6,941	(2)	0		
Other expenses	2,269	2,344	75	3		
Finance costs	217	217	—	—		
Total expenses	40,157	40,012	(145)	0		
Net gain/(loss) on disposal of assets	(55)	(196)	(141)	256		
Fair value adjustment for investment property	—	144	(144)	—		
Share of net profits / (losses) of associates accounted for using the equity method	—	26	26	—		
Surplus/(deficit) for the period	(366)	6,492	6,858			

Standard Income Statement – continued

D-1 COMPARISON REPORT

Variance Explanation Report		
<i>Ref.</i>	<i>Item</i>	<i>Explanation</i>
	Revenue	
1	User fees	Due to rental income (-\$271K) being classified as user fees instead of other revenue in Budget.
2	Grants - recurrent	Due to Roads to Recovery funding by Federal Govt (+\$1636K) being classified as Non-recurrent grant in budget , Victorian Grants Commission allocation for 2010-11 received in advance in June 10 (+\$1937K) and other State Government Grants higher than budget (+\$156K).
3	Grants - non-recurrent	Due to Bushfire grants (+\$856K) received which was not budgeted for ,Grant for Corner Inlet Childcare Hub (+\$2100K) recognised in 2009-10 and Roads to Recovery funding (-\$1636K) being classified as Non-recurrent grant in budget.
4	Contributions - cash	Contributions received for Tarwin Lower Bowls (+\$78K) and Korumburra Recreation Centre (+\$88K) not provided for in budget.
5	Contributions - non monetary assets	Council did not budget for any non cash developer contributions for infrastructure asset items including roads, streets, drainage and other infrastructure assets as the amount of works to be completed during the year was not quantifiable.
6	Other income	Rental income (+\$271K) was included in user fees instead of other revenue in budget and Interest on Investments was higher than budget (+\$127K) due to favourable interest rates and more than estimated funds available for Investment.
	Expenses	
7	Employee benefits	Due to casual staff cost being higher than Budget (+\$233K) and higher provision for Long service leave (+\$145K) due to reduction of eligibility criteria from 10 Years service to 7 years service.
8	Materials and services	Due to lower: fuel prices (-\$293K); insurances/registrations (-\$113K); consultancies (-\$88K); material consumption (-\$61K); meals on wheels (-\$58K); Trainees (-\$35K); and minor furniture and equipment (-\$59K). This was partly compensated by higher, external plant hire (+\$144K); breakdown maintenance (+\$39K) etc.

Standard Balance Sheet

D-2 COMPARISON REPORT AS AT 30 JUNE 2010

	<i>Budget</i>	<i>Actual</i>	<i>Variances</i>		<i>Ref</i>	
	<i>2009/2010</i>	<i>2009/2010</i>	<i>\$'000</i>	<i>%</i>		
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>%</i>	<i>Y</i>	<i>N</i>
<i>Current assets</i>						
Cash and cash equivalents	6,894	15,251	8,357	121	1	
Trade and other receivables	2,759	1,855	(904)	33	2	
Financial assets	1,950	1,850	(100)	5	3	
Inventories	—	184	184	—	4	
Other Assets	193	315	122	63	5	
Total current assets	11,796	19,455	7,659	65		
<i>Non-current assets</i>						
Investments in associates	783	853	70	9		
Investment properties	—	624	624	—	6	
Property, plant and equipment and infrastructure	385,258	420,170	34,912	9	7	
Total non-current assets	386,041	421,647	35,606	9		
Total assets	397,837	441,102	43,265	11		
<i>Current liabilities</i>						
Trade and other payables	2,315	1,949	(366)	16	8	
Trust funds and deposits	162	87	(75)	46		
Provisions	3,013	3,888	875	29	9	
Interest-bearing loans and borrowings	1,059	1,060	1	0		
Total current liabilities	6,549	6,984	435	7		
<i>Non-current liabilities</i>						
Provisions	941	609	(332)	35	9	
Interest-bearing loans and borrowings	1,580	1,580	—	—		
Total non-current liabilities	2,521	2,189	(332)	13		
Total liabilities	9,070	9,173	103	1		
Net assets	388,767	431,929	43,162	11		
<i>Equity</i>						
Accumulated Surplus	140,705	179,849	39,144	28	10	
Asset revaluation reserve	245,915	249,452	3,537	1	11	
Other reserves	2,147	2,628	481	22	12	
Total equity	388,767	431,929	43,162	11		

Standard Balance Sheet -continued

D-2 COMPARISON REPORT AS AT 30 JUNE 2010

Variance Explanation Report

<i>Ref.</i>	<i>Item</i>	<i>Explanation</i>
1	Cash and cash equivalents	Receipts from customers were higher than budget (+\$121K). Additional and early payment of Government grants (+\$5.3M) also influenced the amount of cash at year end. Opening cash balance was also higher than budget (+\$934K). Additional interest (+\$317K) was also earned as a result of the higher funds availability and favourable interest rates. Lower payment for property (+\$1850K) and lower payment to suppliers (+\$478K). This was partly offset by: lower proceeds from sale of assets (-\$79K); higher repayment of deposits (-\$122K); and higher payment to employees (+\$482K).
2	Trade and other receivables	Receivables lower than budget estimates due to better collections and lower invoices raised at year end.
3	Financial assets	Long service Leave Investments have not been increased as budgeted even though amounts have been set aside on call to meet current liabilities due to reduction of eligibility criteria for availing Long service leave from 10 years to 7 years.
4	Inventories	The budgeted amount for inventories was included with 'other assets' classification in the budgeted balance sheet.
5	Other Assets	The budgeted amount for inventories was included with 'other assets' classification in the budgeted balance sheet. Pre-payments at the end of June 10 was however higher than budget.
6	Investment properties	This class of asset was recorded in property, plant and equipment and infrastructure section of the budgeted balance sheet.
7	Property, plant and equipment and infrastructure	Mainly due to lower opening balance estimated in Budget (+\$39.4M) and developer contributed assets (+\$730K) not provided for in budget. This was partly offset by lower Capital expenditure (-\$1.8M) and lower revaluation surplus (-\$1.7M).
8	Trade and other payables	At the end of June the amount of accruals and outstanding payments were lower than budget mainly due to carry forward of Capital expenditure to 2010/11.
9	Provisions	Higher provisions made for Long Service leave as a result of reduction in eligibility criteria from 10 years down to 7 years.
10	Accumulated Surplus	Due to: found assets (+\$130K); a larger than anticipated operating result (+\$6.83M); and a greater opening balance than budgeted (+\$32.316M) .
11	Asset revaluation reserve	Opening balance of asset revaluation reserve was higher than budget (+\$5.3M). However actual revaluation surplus was lower than budget (-\$1.8M).
12	Other reserves	Additional funds and contributions were available for transfer to Garbage Reserve (+\$432K) and Open Space reserve (+\$45K).

Standard Cash Flow Statement

D-3 COMPARISON REPORT FOR THE YEAR ENDED 30 JUNE 2010

	<i>Budget 2009/2010 \$'000</i>	<i>Actual 2009/2010 \$'000</i>	<i>Variances</i>		<i>Ref</i>	
			<i>\$'000</i>	<i>%</i>		
<i>Cash flows from operating activities</i>					Y	N
Receipts from customers	29,518	29,638	120	0	1	
Payments to suppliers (inclusive of GST)	(17,812)	(17,334)	478	3	2	
Net cash inflow/(outflow) from customers/ suppliers	11,706	12,304	598	5		
Payments to employees	(15,107)	(15,589)	(482)	3	3	
Interest received	293	610	317	108	4	
Grants from Government (inclusive of GST)	10,035	15,340	5,305	53	5	
Net cash inflow/(outflow) from operating activities	6,927	12,665	5,738	83		
<i>Cash flows from investing activities</i>						
Proceeds from sale of property, plant and equipment and infrastructure	883 (9,958)	804 (8,108)	(79) 1,850	9 19		6
Net cash inflow/(outflow) from investing activities	(9,075)	(7,304)	1,771	20		
<i>Cash flows from financing activities</i>						
Debt Redemption and financing	(1,355)	(1,359)	(4)	0		
Trust Funds	—	(122)	(122)	—	7	
Net cash inflow/(outflow) from financing activities	(1,355)	(1,481)	(126)	9		
Net increase/(decrease) in cash held	(3,503)	3,880	7,383	211		
Cash at beginning of the year	10,397	11,371	974	9	8	
Cash at the end of the year	6,894	15,251	8,357	121		
<i>Reconciliation of Operating Result and Net Cash Flows from Operating Activities For the year ending 30 June 2010</i>						
Net surplus/(deficit) from operations	(366)	6,492	6,858	1,874		
Depreciation and amortisation	6,943	6,941	(2)	0		
(Profit) / Loss on sale of property, plant and equipment	55	196	141	256		
Share of net profit / (loss) of associates	—	(26)	(26)	—		
Finance Costs	217	222	5	2		
Balance sheet movements	78	(236)	(314)	403		
Developer contributions	—	(780)	(780)	—		
Fair value adjustment for investment property	—	(144)	(144)	—		
Net cash inflow/(outflow) from operating activities	6,927	12,665	5,738	83		

D-3 COMPARISON REPORT FOR THE YEAR ENDED 30 JUNE 2010

Variance Explanation Report		
<i>Ref.</i>	<i>Item</i>	<i>Explanation</i>
1	Receipts from customers	Receipts marginally higher than budget mainly due to higher than expected Contributions (+\$140K).
2	Payments to suppliers (inclusive of GST)	Payments to suppliers lower than budget due to lower than estimated expenses on materials and services during the year.
3	Payments to employees	Due to: Higher Casual labour (+\$203K); higher annual leave paid (+\$79K); higher employer super guarantee contributions (+\$77K); and higher long service leave (+\$118K) due to reduction of eligibility from 10 years to 7 years.
4	Interest received	Interest received was higher than budget due to availability of more funds for Investment and a favourable rise in interest rates.
5	Grants from Government (inclusive of GST)	Due to Victorian Grants Commission allocation for 2010-11 received in advance in June 10 (+\$1937K); Bushfire grants (+\$856K) received which was not budgeted for, Grant for Corner Inlet Childcare Hub (+\$2100K) received in 2009-10; and other State Government Grants higher than budget.
6	Payments for property, plant and equipment and infrastructure	Expenditure on Capital projects were lower than originally planned. Some of these projects have been carried forward to next year or postponed to future years.
7	Trust Funds	Due to higher re-payment of Retentions and Deposits.
8	Cash at beginning of the year	As a result of greater than anticipated result in Cash flow for 2008/09 Financial year.

Standard Statement of Capital Works

D-4 COMPARISON REPORT FOR THE YEAR ENDED 30 JUNE 2010

Capital Works Areas	Budget	Actual	Variances		Ref.	
	2009/2010 \$'000	2009/2010 \$'000	\$'000	%		
Land	21	—	(21)	100	Y	N
Buildings	1,172	1,005	(167)	14	1	
Plant & Equipment	2,167	1,806	(361)	17	2	
Office Furniture & Equipment	539	336	(203)	38	3	
Roads	4,585	3,592	(993)	22	4	
Bridges	376	479	103	27	5	
Culverts	—	53	53	—		
Footpaths	387	441	54	14		
Drains	186	184	(2)	1		
Kerb & Channel	35	10	(25)	71		
Off-street car parks	—	(5)	(5)	—		
Other Structures	490	208	(282)	58	6	
Total capital works	9,958	8,109	(1,849)	19		
Represented by:						
Renewal of infrastructure	5,798	3,317	(2,481)	43		
Upgrade of infrastructure	(500)	1,393	1,893	379		
Expansion of infrastructure	—	1	1	—		
New infrastructure	782	251	(531)	68		
Upgrade of Buildings	1,172	1,005	(167)	14		
New plant and equipment	2,706	2,142	(564)	21		
Total capital works	9,958	8,109	(1,849)	19		

Property, Plant & Equipment and Infrastructure movement Reconciliation Worksheet	Budget	Actual	Variances		Ref.	
	2009/2010 \$'000	2009/2010 \$'000	\$'000	%		
The movement between the previous year and the current year in property, plant and equipment as shown in the Statement of Financial Position links to the net of the following items:						
Total capital works	9,958	8,109	(1,849)	19		
Asset revaluation movement *	33,906	32,125	(1,781)	5		
Developer contributed assets	—	780	780	—		
Depreciation and amortisation	(6,943)	(6,941)	2	0		
Written down value of assets sold	(1,389)	(1,000)	389	28		
Net movement in property, plant and equipment and infrastructure	35,532	33,073	(2,459)	7		
* Does not include Investment in Associates						

Standard Statement of Capital Works – continued

D-4 COMPARISON REPORT FOR THE YEAR ENDED 30 JUNE 2010

Variance Explanation Report

<i>Ref.</i>	<i>Item</i>	<i>Explanation</i>
1	Buildings	Mainly due to Capital works program on swimming pools postponed to future years (-\$250K) . This was partly offset by initial expenditure of Corner Inlet Childcare hub (+\$115K) which is a new grant funded project.
2	Plant & Equipment	Few of the Plant purchases have been carried forward to 2010-11.
3	Office Furniture & Equipment	Information Services projects (-\$88K) and Asset Management project (+\$115K) delayed and carried forward to 2010-11.
4	Roads	Mainly due to Revised allocation and carry forward of expenditure on Main South road (-\$750K) , Leongatha South Outtrim (-\$178K) and Koonwarra Inverloch road (-\$203K). This was partly compensated by higher expenditure on new grant funded projects and reclassification of Other structures as Roads.
5	Bridges	Mainly due to new grant funded project Loch Poowong Bridge (+\$81K).
6	Other Structures	Reclassification of Other Structures as Roads.

Certification of Standard Statements

South Gippsland Shire Council

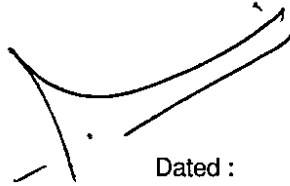
Certification of Standard Statements For the Year Ended 30 June 2010

In my opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the *Local Government Act 1989* and the *Local Government (Finance and Reporting) Regulations 2004*.

Financial Accountant

Mathew Oomman Kalloor - CPA

Location : Leongatha



Dated : 22 / 09 / 2010

In our opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the *Local Government Act 1989* and the *Local Government (Finance and Reporting) Regulations 2004*.

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

We have been authorised by the Council on 22 nd September 2010 to certify the standard statements in their final form.

Financial Accountant

Mathew Oomman Kalloor - CPA

Location : Leongatha

Dated : 22 / 09 / 2010

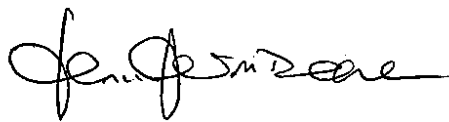
Councillor : James Fawcett



Location : Leongatha

Dated : 22 / 09 / 2010

Councillor : Jennie Deane



Location : Leongatha

Dated : 22 / 09 / 2010

Chief Executive : Tim Tamlin



Location : Leongatha

Dated : 22 / 09 / 2010

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Councillors, South Gippsland Shire Council

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2010 of South Gippsland Shire Council which comprises of comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the Certification of Financial Statements have been audited.

The accompanying standard statements for the year ended 30 June 2010 of the Council which comprises of standard income statement, standard balance sheet, standard cash flow statement, standard statement of capital works, the related notes and the Certification of Standard Statements have been audited.

The Councillors' Responsibility for the Financial Report and Standard Statements

The Councillors of South Gippsland Shire Council are responsible for the preparation and the fair presentation of:

- the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Local Government Act 1989*
- the standard statements in accordance with the basis of preparation as described in note 1 of the statements and the requirements of the *Local Government Act 1989*.

This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report and standard statements that are free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report and standard statements based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report and standard statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and standard statements. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report and standard statements, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report and standard statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report and standard statements.

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

1

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report and Standard Statements

This auditor's report relates to the financial report and standard statements published in both the annual report and on the website of South Gippsland Shire Council for the year ended 30 June 2010. The Councillors of South Gippsland Shire Council are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on South Gippsland Shire Council website.

Independence

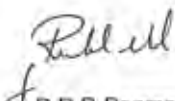
The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of South Gippsland Shire Council as at 30 June 2010 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Local Government Act 1989*.
- (b) The standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in note 1 to the statements and comply with the requirements of the *Local Government Act 1989*.

MELBOURNE
24 September 2010


D D R Pearson
Auditor-General

2

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephones 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

Department	KSA Description	KSA Measures	KSA Target	Completion Status	Status Report
Corporate and Community Management	Review Outreach Services - Library	Review completed and reported to Council	December 2009	Target Achieved	The Library Service Review was tabled at Ordinary Meeting of Council 7 April 2010. Council resolved to add library funding to its advocacy endeavours and review the Loch and Poowong services and the Leongatha facility.
Chief Executive Officer	Review and update Vision 2020	Vision adopted	June 2010	Target Not Achieved	Following consultation and consensus at the Councillor Strategic Planning Workshop of April 2010, this project was deferred pending reconsideration of timing and focus.
Engineering	Complete Asset Management Plan	Plan completed and reported to Council	June 2010	Target Not Achieved	The Asset Management Plans project, under the direction of Mr. Ashay Prabhu, ACEAM Consulting, is on-track for completion by 29 October 2010. (66 % Complete as of June 2010. Still on track for 29 October 2010 completion date)
Engineering	Develop and implement a rolling 10 year capital works program which is consistent with the Asset Management Plan and Long Term Financial Plan	Capital works program compiled and considered by Council Civil Works and Building Infrastructure: percentage of annual program (as amended by Council) complete	December 2009	Target Achieved	Capital Works Program tabled at Council on 9 December 2009. 90% of original capital works budget complete.
Environment & Community Safety	Municipal Public Health Plan	Review and Development of plan	November 2009	Target Not Achieved	Municipal Public Health Plan was on community exhibition until 13 July 2010.
Environment & Community Safety	Municipal Public Health Plan	Key actions of plan implemented	In accordance with plan timeframes	Target Not Achieved	The plan was delayed due to extended community consultation. It has been programmed to be finalised by September 2010.

Performance Statement

PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

Department	KSA Description	KSA Measures	KSA Target	Completion Status	Status Report
Environment & Community Safety	Maintain Emergency Preparedness	Review Municipal Emergency Management Plan	October 2009	Target Achieved	Council's Municipal Emergency Management Plan has undergone a full review and update followed by an external audit by the State Emergency Services. The revised plan has now been approved as having passed audit. The Municipal Emergency Management Plan sub committees continue to review the plan on an ongoing basis and all recommended amendments are brought to the full Municipal Emergency Management Plan Committee for ratification.
Environment & Community Safety	Maintain Emergency Preparedness	Complete simulation exercise	December 2009	Target Achieved	As part of meeting legislative requirements to undertake 2 training exercises per annum to test the plan, an exercise was conducted in December to test capability to establish the Municipal Emergency Control Centre (MECC) and a relief centre. A second exercise was undertaken on 3 May and this exercise tested the operational capacity of both the MECC and an Emergency Recovery Centre. Since the previous exercise a full complement of 40 volunteer Emergency Management staff have been recruited and their training commenced.
Family Services	Positive Ageing Strategy	Strategy completed and reported to Council	March 2010	Target Not Achieved	Following consultation this project has been placed on hold based on priority of essential service delivery.
Family Services	Review Outreach Services - Meals on Wheels	Review completed and reported to Council	March 2010	Target Not Achieved	Project included in Service Level Reviews process now expected to be completed by 30 June 2011.

PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

Department	KSA Description	KSA Measures	KSA Target	Completion Status	Status Report
Family Services	Review Outreach Services - Respite Services	Review completed and reported to Council	December 2009	Target Not Achieved	Project included in Service Level Reviews process now expected to be completed by 30 June 2011.
Finance	Achieving strategic financial outcomes	Weighted average of five key financial ratios being underlying result, working capital ratio, indebtedness, self financing and investment gap	> 98%	Target Achieved	Actual result 141%. Ratio assisted by Australian Accounting Standard requirement to recognise grants as revenue during the year, irrespective of whether they had been expended.
Information Services	Develop and Implement 10 year Information Technology Capital Works program.	Plan developed for information technology/telephony	March 2010	Target Achieved	Council adopted the IT Strategy in March 2010.
Organisational Development	Develop a Workforce Plan including ageing workforce issues, succession planning, staff retention, skill development etc (including consideration of replacing staff vacancies occurring by attrition with trainees and apprentices to encourage youth employment)	Plan Developed	June 2010	Target Not Achieved	Employee Opinion Survey undertaken in November/December 2009 highlighted key long and short term actions relating to Workforce Development. These actions are now being implemented.

PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

Department	KSA Description	KSA Measures	KSA Target	Completion Status	Status Report
Planning	Ensure the Planning Scheme contains appropriate policies to offer protection for sustainable agricultural activities	Complete development of the South Gippsland Rural Strategy	June 2010	Target Not Achieved	<p>The Minister for Planning introduced Amendment C51 to the Planning Scheme on 29 April 2010. This replaces Amendment C48 and allows for certain planning applications to be considered by Council and for the finalisation of the Rural Strategy towards adoption to continue.</p> <p>A report was prepared and presented to Council 2 June 2010 on the implications of Amendment C51 and the process for finalisation of the Rural Strategy. The Project Plan for the Rural Strategy now proposes November 2010 as an expected delivery time for a final Rural Strategy for the Shire.</p>
Planning	Conduct planning assessment and decision making in accordance with the South Gippsland Planning Scheme and State requirements	Increase the number of decisions made within 60 statutory days by 2% yearly (within the power of the Planning Dept to influence)	> 90%	Target Achieved	<p>Planning department increased the number of decisions made in 60 statutory days to 73%, thereby achieving the predicted increase for the next 12 years during 2009/10.</p>
Planning	Conduct planning assessment and decision making in accordance with the South Gippsland Planning Scheme and State requirements	Undertake a compliance audit annually through the Audit Committee	> 95%	Target Achieved	<p>Compliance achieved against the KSA target.</p>

PERFORMANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

Department	KSA Description	KSA Measures	KSA Target	Completion Status	Status Report
Planning	Implement the Four Year Strategic Work Program, including Township Structure Plans, Housing and Settlement Strategy and Planning Scheme review	Meeniyan and Poowong Plans developed	June 2010	Target Not Achieved	The project timelines will require reconsideration due to the departure of the consultant from the project. A new consultant will require appointment.
Planning	Implement the Four Year Strategic Work Program, including Township Structure Plans, Housing and Settlement Strategy and Planning Scheme review	Nyora and Loch Urban Design Framework review developed	June 2010	Target Not Achieved	The project timelines will require reconsideration due to the departure of the consultant from the project. A new consultant will be appointed.
Social and Economic Development	Review Economic Development Strategy	Review completed and reported to Council	April 2010	Target Not Achieved	Internal consultation has been completed. Preparation of a revised strategy is underway.
Sustainability Management	Develop and implement a Sustainable Environment Strategy	Strategy Developed and reported to Council	June 2010	Target Not Achieved	The timeline for Sustainability Accord funding for the project was changed as a result of bush fire activity. The strategy is in the final stages of being completed. It is programmed to be finalised by December 2010.

Performance Statement

South Gippsland Shire Council

Performance Statement for the year ended 30 June 2010


In our opinion, the accompanying Performance Statement of the South Gippsland Shire Council in respect of the 2009/10 financial year is presented fairly in accordance with the Local Government Act 1989.

The statement outlines the performance targets and measures set out in relation to the achievement of the business plan in respect of that year described in Council's corporate plan and describes the extent to which the business plan was met in that year having regard to those targets and measures.

As at the time of signing, we are not aware of any circumstances which would render any particular in the statement to be misleading or inaccurate.

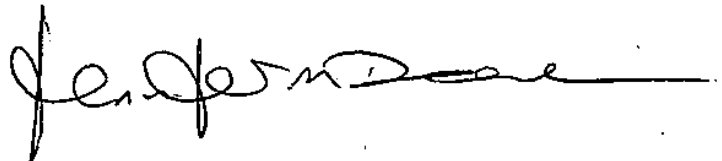
Councillor : James Fawcett

Dated : 22 / 09 / 2010



Councillor : Jennie Deane

Dated : 22 / 09 / 2010



VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Councillors, South Gippsland Shire Council

The Performance Statement

The accompanying performance statement for the year ended 30 June 2010 of South Gippsland Shire Council which comprises the statement, the related notes and the Certification of Performance Statement has been audited.

The Councillors' Responsibility for the Performance Statement

The Councillors of South Gippsland Shire Council are responsible for the preparation and fair presentation of the performance statement in accordance with the *Local Government Act 1989*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the performance statement that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Local Government Act 1989*, my responsibility is to express an opinion on the performance statement based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the performance statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance statement. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance statement, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the performance statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the overall presentation of the performance statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Matters Relating to the Electronic Presentation of the Audited Performance Statement

This auditor's report relates to the performance statement published in both the annual report and on the website of South Gippsland Shire Council for the year ended 30 June 2010. The Councillors are responsible for the integrity of the website. I have not been engaged to report on the integrity of the website. The auditor's report refers only to the statements named above. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited performance statement to confirm the information included in the audited performance statement presented on South Gippsland Shire Council website.

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the performance statement of South Gippsland Shire Council in respect of the 30 June 2010 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

MELBOURNE
24 September 2010


D D R Pearson
Auditor-General

2

Level 24, 35 Collins Street, Melbourne Vic. 3000

Telephone 61 3 8601 7000 Facsimile 61 3 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest



South Gippsland
Shire Council

Come for the beauty, Stay for the lifestyle