



# LATROBE CITY COUNCIL

## MINUTES FOR THE SPECIAL COUNCIL MEETING

HELD IN NAMBUR WARIGA MEETING ROOM  
CORPORATE HEADQUARTERS, MORWELL  
AT 6:00 PM ON  
15 SEPTEMBER 2014

SM446

**PRESENT:**

<b>Councillors:</b>	Cr Sharon Gibson, Mayor	West Ward
	Cr Dale Harriman	East Ward
	Cr Peter Gibbons	West Ward
	Cr Sandy Kam, Mayor	East Ward
	Cr Graeme Middlemiss	Central Ward
	Cr Kellie O'Callaghan	East Ward
	Cr Michael Rossiter	East Ward
	Cr Christine Sindt	Central Ward
	Cr Darrell White	South Ward
<b>Officers:</b>	John Mitchell	Acting Chief Executive Officer
	Sara Rhodes-Ward	General Manager Community Liveability
	Phil Stone	General Manager Planning & Economic Sustainability
	Alison Coe	General Manager Corporate Services
	Steven Piasente	General Manager Recreation, Culture & Community Infrastructure
	Sarah Cumming	Executive Manager Office of the Chief Executive
	Shuk Yin Liew	Acting Coordinator Governance

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**SPECIAL COUNCIL MEETING MINUTES  
15 SEPTEMBER 2014 (SM446)**

- 1. OPENING PRAYER**
- 2. ACKNOWLEDGEMENT OF THE TRADITIONAL OWNERS OF THE LAND**
- 3. APOLOGIES AND LEAVE OF ABSENCE**
- 4. DECLARATION OF CONFLICT OF INTEREST**
- 5. PUBLIC QUESTION TIME**

Cr Middlemiss entered the Chamber at 6.03 PM.

Cr Harriman entered the Chamber at 6.09 PM.

# **CORPORATE SERVICES**



**6. CORPORATE SERVICES**

**6.1 AUTHORISATION OF COUNCILLORS FOR CERTIFICATION OF  
2013/2014 FINANCIAL, STANDARD AND PERFORMANCE  
STATEMENTS**

**General Manager**

**Corporate Services**

**For Decision**

**PURPOSE**

The purpose of this report is to seek Council's approval in principle to the 2013/2014 financial, standard and performance statements and to authorise two Councillors, on behalf of the Council, to certify the financial, standard and performance statements for the year ended 30 June 2014 in their final form.

**EXECUTIVE SUMMARY**

In order for the Victorian Auditor General's Office (VAGO) to provide an audit report certifying Council's 2013/2014 financial, standard and performance statements Council must first provide in principle approval of the statements and authorise two councillors to certify the statements in their final form.

These statements are a key requirement of Council's Annual Report which in accordance with the Local Government Act must be submitted to the Minister for Local Government by 30 September each year.

The statements as attached were presented to Council's Audit Committee on 4 September 2014. Staff from VAGO's audit contractors Crowe Horwath who conducted the Latrobe City audit were in attendance and tabled a closing audit report which concluded that the financial and performance reports do present fairly in all material aspects.

As such it is recommended that Council gives its approval in principle to the 2013/2014 financial, standard and performance statements and that Council authorises audit committee delegates Councillors Darrell White and Michael Rossiter to certify these statements in their final form.

**ALTERNATE MOTION**

1. That Council defer consideration of item 6.1 until after the next meeting of the audit committee scheduled for 19 September 2014.

**Moved:** Cr Sindt

**Seconded:**

**As there was no seconder to the Motion, the Motion lapses and no further action will be taken regarding this matter.**

**RECOMMENDATION**

2. That Council, in accordance with Section 131 (7) and 132 (6) of the Local Government Act 1989, gives its approval in principle to the 2013/2014 financial, standard and performance statements.
3. That Council, in accordance with Section 131 (8) and 132 (7) of the Local Government Act 1989, authorises audit committee delegates Councillors Darrell White and Michael Rossiter to certify the financial, standard and performance statements on behalf of Council for the year ended 30 June 2014 in their final form.

**Moved:** Cr White  
**Seconded:** Cr Rossiter

**That the Recommendation be adopted.**

**CARRIED UNANIMOUSLY****DECLARATION OF INTEREST**

No officer declared an interest under the Local Government Act 1989 in the preparation of this report.

**STRATEGIC FRAMEWORK**

This report is consistent with Latrobe 2026: The Community Vision for Latrobe Valley and the Latrobe City Council Plan 2013-2017.

*Latrobe 2026: The Community Vision for Latrobe Valley*

*Strategic Objectives – Governance*

*In 2026, Latrobe Valley has a reputation for conscientious leadership and governance, strengthened by an informed and engaged community committed to enriching local decision making.*

*Latrobe City Council Plan 2013 - 2017*

*Theme and Objectives*

*Theme 3: Efficient, effective and accountable governance*

*Strategic Direction – Regularly report Council decisions and performance to the community*

*Legislation –*

*Local Government Act 1989*

## SPECIAL COUNCIL MEETING MINUTES 15 SEPTEMBER 2014 (SM446)

*Local Government (Financial and Reporting) Regulations 2004*

*Policy – Audit Policy 11 POL-4*

*The role of the Audit Committee is to assist Council in the discharge of its responsibilities for financial reporting, maintaining a reliable system of internal controls and fostering the organisation's ethical development.*

### **BACKGROUND**

The Local Government Act 1989 requires Council to prepare an annual report that includes a report on its operations for the completed financial year. The annual report includes audited financial, standard and performance statements. The auditor must not sign the auditor's report concerning the financial, standard and performance statements unless Council has completed the certification of the statements in the manner prescribed in the Local Government Act 1989 and the Local Government (Financial and Reporting) Regulations 2004.

The annual report, including the audited financial, standard and performance statements, must be lodged with the Minister within three months of the end of the financial year, which is by 30 September 2014.

### **KEY POINTS/ISSUES**

Under the provisions of the Local Government Act 1989, a Council cannot submit its financial, standard and performance statements to the Auditor-General or the Minister for Local Government (the Minister) unless a resolution has been passed by Council authorising two Councillors to certify the financial statements in their final form.

Once the auditor's report has been received by Council, public notice will be given in accordance with Section 131 (12) of the Local Government Act 1989 and the auditor's reports will be made available for inspection at all Council offices.

Similarly, once the Annual Report has been submitted to the Minister, public notice will also be given advising that the Annual Report can be inspected at all Council offices. In accordance with Section 134 of the Local Government Act 1989 a meeting of Council will be held as soon as practicable, to consider the annual report, within the time required by the regulations, being one month after providing the annual report to the Minister.

## SPECIAL COUNCIL MEETING MINUTES 15 SEPTEMBER 2014 (SM446)

The table below sets out the process:

<b>Process</b>	<b>Date</b>
Draft Audited Financial Statements presented to Audit Committee	04/09/2014
Council approval for two Councillors to certify the financial, standard and performance statements in their final form	15/09/2014
Certifications signed by the two nominated Councillors	15/09/2014
Auditor General issues audit reports	Upon receipt of signed certifications
Public notice given that audit reports have been received	Following receipt of audit reports
Annual report, including financial, standard and performance reports sent to the Minister for Local Government	By 30/09/2014
Public notice given that the annual report is available for inspection and the date of the Council meeting that Council will consider the annual report	Council meeting within one month of submitting the annual report to the Minister for Local Government

### **RISK IMPLICATIONS**

Risk has been considered as part of this report and it is considered to be consistent with the Risk Management framework.

Non-compliance with legal requirements is identified as a risk. The recommendations in this report are necessary to comply with statutory requirements of the Local Government Act 1989 and the Local Government (Financial and Reporting) Regulations 2004.

### **FINANCIAL AND RESOURCES IMPLICATIONS**

The subject reports are in respect of the Council's financial position, performance and operations for the year ended 30 June 2014. There are no financial or resource implications.

### **INTERNAL/EXTERNAL CONSULTATION**

#### *Engagement Method Used:*

Councillors White and Rossiter were the Council nominated representatives in attendance at the Audit Committee meeting held on 4 September 2013 where the Audit Committee reviewed and discussed the draft financial, standard and performance statements and provided their endorsement for Council approval in principle.

Staff from Crowe Horwath Vic, who conducted the Latrobe City audit, attended the audit committee meeting on 4 September 2013. They tabled a closing audit report to the audit committee which concluded that the

**SPECIAL COUNCIL MEETING MINUTES  
15 SEPTEMBER 2014 (SM446)**

financial reports of Latrobe City Council do present fairly in all material aspects.

*Details of Community Consultation / Results of Engagement:*

Not applicable

**OPTIONS**

This process is a legislative requirement which Council is required to comply with.

**CONCLUSION**

As Councillors White and Rossiter were Council's nominated representatives in attendance at the Audit Committee meeting held on 4 September 2014 where the 2013/2014 financial, standard and performance statements were reviewed in their final form, it is appropriate that they be nominated to certify the financial, standard and performance statements, on behalf of Council.

The recommendations below are necessary to comply with statutory requirements of the Local Government Act 1989 and the Local Government (Financial and Reporting) Regulations 2004.

**SUPPORTING DOCUMENTS**

NIL

**Attachments**

1. 2013/2014 Draft Financial, Standard and Performance Statements

## **6.1**

### **AUTHORISATION OF COUNCILLORS FOR CERTIFICATION OF 2013/2014 FINANCIAL, STANDARD AND PERFORMANCE STATEMENTS**

<b>1</b>	<b>2013/2014 Draft Financial, Standard and Performance Statements .....</b>	<b>11</b>
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# Latrobe City Council



## Financial Statements

*For the Year Ended*

*30 June 2014*



## Financial Report

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Financial Report

FINANCIAL STATEMENTS

COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$'000s	2013 \$'000s
<b>INCOME</b>			
Rates	2	66,355	62,637
Grants - Operating (recurrent)	3	16,909	21,860
Grants - Operating (non-recurrent)	3	4,056	3,746
Grants - Capital (recurrent)	3	1,175	1,689
Grants - Capital (non-recurrent)	3	5,802	2,749
User Charges	4	16,203	14,759
Other Income	5	4,222	4,479
Developer Cash Contributions	6	36	665
Developer Contributed Assets	7	4,578	2,150
Net gain(loss) on disposal of assets	19(b)	41	(28)
Recognition of Previously Unrecognised Assets	19(a)	-	407
<b>Total Income</b>		<b>119,377</b>	<b>115,113</b>
<b>EXPENSES</b>			
Employee Costs	8	(49,900)	(46,563)
Materials & Services	9	(32,686)	(33,768)
Bad and Doubtful Debts	10	(8)	(4)
Depreciation and Amortisation	11	(22,196)	(20,004)
Finance Costs	12	(1,211)	(1,086)
Other Expenditure	13	(5,151)	(4,164)
Write off Previously Recognised Assets		(574)	-
<b>Total Expenses</b>		<b>(111,725)</b>	<b>(105,590)</b>
<b>SURPLUS</b>		<b>7,653</b>	<b>9,523</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Net Asset Revaluation Increment	19(a)/25(a)	866	91,459
Reversal of Impairment losses on Revalued Assets	19(a)/25(a)	-	61
<b>TOTAL COMPREHENSIVE RESULT</b>		<b>8,519</b>	<b>101,043</b>

## Financial Report

### FINANCIAL STATEMENTS

#### BALANCE SHEET AS AT 30 JUNE 2014

	NOTE	2014 \$'000s	2013 \$'000s
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	14	42,632	27,663
Prepayments	15	293	207
Trade and Other Receivables	16	8,962	6,293
Financial Assets	17	3,310	19,500
<b>Total Current Assets</b>		<b>55,198</b>	<b>53,662</b>
<b>NON-CURRENT ASSETS</b>			
Trade and Other Receivables	16	17	26
Financial Assets	17	2	2
Property, Infrastructure, Plant and Equipment	19	1,036,036	1,029,689
Intangible Assets	20	239	261
<b>Total Non-Current Assets</b>		<b>1,036,294</b>	<b>1,029,979</b>
<b>TOTAL ASSETS</b>		<b>1,091,492</b>	<b>1,083,641</b>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	21	10,942	16,695
Interest-bearing Liabilities	22	10,823	2,959
Provisions	23	12,935	12,492
Trust Funds and Deposits	24	2,214	2,043
<b>Total Current Liabilities</b>		<b>36,914</b>	<b>34,188</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing Liabilities	22	8,828	11,427
Provisions	23	14,998	15,794
<b>Total Non-Current Liabilities</b>		<b>23,827</b>	<b>27,221</b>
<b>TOTAL LIABILITIES</b>		<b>60,740</b>	<b>61,409</b>
<b>NET ASSETS</b>		<b>1,030,751</b>	<b>1,022,232</b>
<b>EQUITY</b>			
Accumulated Surplus		628,307	620,526
Reserves	25	402,445	401,706
<b>TOTAL EQUITY</b>		<b>1,030,751</b>	<b>1,022,232</b>

*The above statement should be read with the accompanying notes*

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FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	TOTAL	ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	OTHER RESERVES
		\$'000s	\$'000s	\$'000s	\$'000s
Equity at beginning of year		1,022,232	620,526	399,253	2,453
Surplus for the period		7,653	7,653	-	-
Net Asset Revaluation Increment	25(a)	866	-	866	-
Transfers to Other Reserves	25(b)	-	(36)	-	36
Transfers for Other Reserves	25(b)	-	164	-	(164)
<b>Balance at end of the financial year</b>		<b>1,030,751</b>	<b>628,307</b>	<b>400,119</b>	<b>2,325</b>

The above statement should be read with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	TOTAL	ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE	OTHER RESERVES
		\$'000s	\$'000s	\$'000s	\$'000s
Equity at beginning of year		921,188	611,558	307,732	1,898
Surplus for the period		9,523	9,523	-	0
Net Asset Revaluation Increment	25(a)	91,459	-	91,459	0
Transfers to Other Reserves	25(b)	-	(665)	-	665
Transfers for Other Reserves	25(b)	-	110	-	(110)
Reversal of Impairment losses on Revalued Assets		61	-	61	0
<b>Balance at end of the financial year</b>		<b>1,022,232</b>	<b>620,526</b>	<b>399,253</b>	<b>2,453</b>

The above statement should be read with the accompanying notes

## Financial Report

### FINANCIAL STATEMENTS

#### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 \$'000s	2013 \$'000s
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from ratepayers		65,560	62,471
Government Grants (inclusive of GST)		27,793	30,458
Interest received		1,739	1,773
User charges, fines and fees (inclusive of GST)		16,973	15,496
Developer Contributions		36	665
Other Receipts		1,581	4,095
Payments to Employees		(49,289)	(46,008)
Payments to Suppliers (inclusive of GST)		(46,130)	(37,125)
<b>Net Cash provided by Operating Activities</b>	32	<b>18,263</b>	<b>31,824</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, infrastructure, plant and equipment		(24,108)	(24,286)
Proceeds from sale of property, infrastructure, plant and equipment	19(b)	570	828
Net movement in Financial Assets		16,190	(5,190)
<b>Net Cash used in Investing Activities</b>		<b>(7,348)</b>	<b>(28,648)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Finance Costs		(1,211)	(1,086)
Loan Funds		8,970	1,000
Repayment of Borrowings		(3,705)	(3,150)
<b>Net Cash used in Financing Activities</b>		<b>4,054</b>	<b>(3,237)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>14,970</b>	<b>(60)</b>
Cash and Cash Equivalents at beginning of the Financial Year		27,663	27,723
<b>Cash and Cash Equivalents at the end of the Financial Year</b>	14	<b>42,632</b>	<b>27,663</b>

The above statement should be read with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The Latrobe City Council was established by an Order of the Governor in Council on 2 December 1994 and is a body corporate. The Council's main office is located at 141 Commercial Road Morwell 3840.

Latrobe City Council's mission is to provide the best possible facilities, services, advocacy and leadership for Latrobe City, one of Victoria's four major regional cities. Our values are:

- Providing affordable people focussed community services;
- Planning strategically and acting responsibly, in the best interests of the whole community;
- Accountability, transparency and honesty;
- Listening to and working with the community;
- Respect, fairness and equity;
- Open to and embracing new opportunities.

These financial statements are general purpose financial statements that consist of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and notes accompanying these financial statements. The general purpose financial statements comply with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989 and the Local Government (Financial and Reporting) Regulations 2004.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

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

These financial statements have been prepared under the historical cost convention, except where specifically stated in notes 1(h).

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 the Council have been eliminated in full. The Yallourn North Housing Committee is not included in this financial report based on their materiality.

(b) Change in accounting policies

*AASB 13 Fair Value Measurements*

Council has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements. The fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other A-IFRS require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of AASB 2 Share-based Payment, leasing transactions that are within the scope of AASB 17 Leases, and measurements that have some similarities to fair value but not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.



## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) **Change in accounting policies (continued)**

**AASB 13 Fair Value Measurements (continued)**

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, Council has not made any new disclosures required by AASB 13 for the 2012 comparative period (please see note 19).

Other than the additional disclosures, the application of AASB 13 has not had any material impact on the amounts recognised in the financial statements.

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

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

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

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

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**AASB 119 Employee Benefits**

In the current year, Council has applied AASB 119 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time. AASB 119 changes the definition of short-term employee benefits. These were previously benefits that were due to be settled within twelve months after the end of the reporting period in which the employees render the related service, however, short-term employee benefits are now defined as benefits expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service. As a result, accrued annual leave balances which were previously classified by Council as short-term benefits no longer meet this definition and are now classified as long-term benefits. This has resulted in a change of measurement for that portion of annual leave provision from an undiscounted to discounted basis

This change in classification has not materially altered Councils measurement of the annual leave provision

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue Recognition

*Rates, grants and contributions*

Rates, grants, donations and contributions (including developer contributions), are recognised as revenues 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 represent 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.

Income is recognised when the 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 the 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 3. 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 first occurs.

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

*Sale of property, plant and equipment*

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

*Rental*

Rentals are recognised as revenue when the payment is due, or the payment is received, whichever first occurs.

*Interest*

Interest is recognised as it is earned.

(d) Trade and other Receivables

*Rate Debtors*

Rates are carried at amortised cost plus interest and are secured by a charge over the ratepayer's property. A provision for doubtful rate debtors is not required due to the Council's extensive legal powers for recovery, unless the value of the specific property involved is less than the outstanding debt.

*Other Debtors*

Other debtors represent amounts due to Council for the provision of services, advances and accrued income. The carrying amount of non-rate debtors (including any loans made) has been assessed for recovery at year end and provision made for doubtful debts as deemed necessary. Recoverability of debtors is reviewed on an ongoing basis throughout the course of each financial year and debts which are known to be uncollectable are written off.

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (e) **Depreciation and amortisation of property, plant and equipment, infrastructure and intangibles**  
Buildings, plant and equipment, infrastructure and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Land, Land Under Roads and Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Artworks are not depreciated.

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

Major Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

Asset Category	Depreciation/Amortisation Useful Life (Years) 2014
Building & Improvements	30 – 50
Furniture & Equipment	5 -10
Plant & Equipment	5
Drainage Works	50 – 70
Roads & Streets	7 – 73
Bridges	75
Playgrounds	11
Landfill Improvements	2 - 31
Intangible Assets - Software	5

Various sub-categories of furniture and equipment, plant and equipment, car parks and roads have different estimated useful lives and therefore attract different depreciation rates.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the date they are completed and held ready for use.

- (f) **Repairs and maintenance**  
Routine maintenance, repair costs and minor renewal costs 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.
- (g) **Finance Costs**  
Finance costs are recognised as an expense in the period in which they are incurred.



NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Recognition and Measurement of Assets

*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

*Capitalisation Thresholds*

Capitalisation thresholds for all classes of assets, with the exception of Land, are as shown below which are consistent with prior year unless otherwise stated. Land including Land Under Roads has no capitalisation threshold.

Asset Type	Threshold \$
<b>Property</b>	
Buildings & Improvements	10,000
<b>Plant and Equipment</b>	
Furniture & Equipment	1,000
Plant and Equipment	1,000
Art Works Collection	500
<b>Infrastructure</b>	
Drainage Works	10,000
Roads & Streets	10,000
Bridges	10,000
Playgrounds	5,000
<b>Intangibles</b>	
Software	5,000

*Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note XX Property Plant and Equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 3 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 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 extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) **Recognition and Measurement of Assets (continued)**

*Land under roads*

Council recognises land under roads it controls at fair value. A revaluation is undertaken every 2 years.

(i) **Cash and Cash Equivalents**

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

(j) **Financial Assets**

*Term Deposits*

Includes investments with original maturities of greater than three months.

(k) **Investment**

Investments are recognised and brought to account at their cost. Interest revenues are recognised as they accrue.

(l) **Trade and Other Payables**

Creditors and other current liabilities are amounts due to external parties for the purchase of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid within 30 days after initial recognition. Interest is not payable on these liabilities.

(m) **Deposits and Retentions**

Amounts received as tender deposits and retention amounts controlled by Council are included in the financial statements as liabilities until they are returned or forfeited.

(n) **Employee Costs**

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

*Salaries and Wages*

Liabilities for wages and salaries are measured as the amount unpaid at balance date. Entitlements include oncosts that are calculated using employee remuneration rates as at balance date.

*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 paid 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.

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

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) **Employee Costs (continued)**

**Superannuation**

The amount charged to the Comprehensive Income Statement in respect of superannuation represents contributions made or due by Latrobe City Council to the relevant superannuation plans in respect to the services of Latrobe City Council's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Latrobe City Council is required to comply with.

(o) **Leases**

All Council's leases are deemed to be "operating leases" as the lessor effectively retains substantially all of the risks and benefits incidental to ownership of the leased items. The related rentals are expensed as incurred. (refer to Note 28)

(p) **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 a liability for at least 12 months after the reporting date.

(q) **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.

(r) **Web site costs**

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

(s) **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 Tax 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.

(t) **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 assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(u) **Rounding**

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



## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) **Non-Current Assets Classified as Held for Sale**

A non-current asset held for sale 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 are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification.

(w) **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 by way of note and presented inclusive of the GST payable.

(x) **Provisions**

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, where it is probable (more likely than not) that an outflow of resources will be required to settle the obligation and the amount can be reliably measured.

(y) **Landfill Improvements Provision**

Under legislation Council is obligated to rehabilitate landfill sites to a particular standard. Current engineering projections indicate that all current landfill sites will cease operation in 2027/28. The forecast for life of the landfill site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to restore the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) 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

Pronouncement	Summary	Application Date	Impact on Council
<b>AASB 9 Financial Instruments</b>	<p>AASB 9 standard is one of a series of amendments that are expected to eventually completely replace AASB 139. During 2010-11, the standard will be expanded to include new rules on measurement of financial liabilities and hedge accounting. Currently the existing provisions of AASB 139 will continue to apply in these areas.</p> <p>AASB 9 simplifies the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value – the ‘available for sale’ and ‘held-to-maturity’ categories no longer exists. AASB 9 also simplifies requirements for embedded derivatives and removes the tainting rules associated with held-to-maturity assets.</p> <p>The new categories of financial assets are:</p> <ul style="list-style-type: none"> <li>• Amortised cost – those assets with ‘basic’ loan features’.</li> <li>• Fair value through other comprehensive income - this treatment is optional for equity instruments not held for trading (this choice is made at initial recognition and is irrevocable).</li> <li>• Fair Value through profit and Loss - everything that does not fall into the above two categories.</li> </ul> <p>The following changes also apply:</p> <ul style="list-style-type: none"> <li>• Investments in unquoted equity instruments must be measured at fair value. However, cost may be the appropriate measure of fair value where there is insufficient more recent information available to determine a fair value.</li> <li>• There is no longer any requirement to consider whether ‘significant or prolonged’ decline in the value of financial assets has occurred. The only impairment testing will be on those assets held at amortised cost, and all impairments will be eligible for reversal.</li> </ul> <p>Similarly, all movements in the fair value of a financial asset now go to the income statement, or, for equity instruments not held for trading, other comprehensive income. There is no longer any requirement to book decrements through the income statement, and increments through equity.</p>	<b>1 July 2015</b>	<p>The impact is not likely to be extensive in the local government sector. Although it will vary considerably between entities. While the rules are less complex than those of AASB 139, the option to show equity instruments at cost has been largely removed, which is likely to lead to greater volatility within the income statement. However it may also lead to an improved financial position for some entities.</p> <p>This will also create a requirement to measure some instruments annually that has not previously existed.</p>

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)			
(z) Pending Accounting Standards (continued)			
Pronouncement	Summary	Application Date	Impact on Council
<b>AASB 10 Consolidated Financial Statements</b>	<p>This Standard forms the basis for determining which entities should be consolidated into an entity's financial statements. AASB 10 defines 'control' as requiring exposure or rights to variable returns and the ability to affect those returns through power over an investee, which may broaden the concept of control for public sector entities.</p> <p>The AASB has issued an exposure draft ED 238 Consolidated Financial Statements – Australian Implementation Guidance for Not-for-Profit Entities that explains and illustrates how the principles in the Standard apply from the perspective of not-for-profit entities in the private and public sectors.</p>	<b>1 July 2014</b>	The AASB have finalised deliberations on ED 238 and any modifications made to AASB 10 for not-for-profit entities, Council will need to re-assess the nature of its relationships with other entities, including those that are currently not consolidated.
<b>AASB 11 Joint Arrangements</b>	<p>This Standard deals with the concept of joint control, and sets out a new principles-based approach for determining the type of joint arrangement that exists and the corresponding accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement.</p>	<b>1 July 2014</b>	The AASB have finalised deliberations and any modifications made to AASB 11 for not-for-profit entities, Council will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.
<b>AASB 12 Disclosure of Interests in Other Entities</b>	<p>This Standard requires disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the financial statements. This Standard replaces the disclosure requirements in AASB 127 Separate Financial Statements and AASB 131 Interests in Joint Ventures.</p> <p>The exposure draft ED 238 proposes to add some implementation guidance to AASB 12, explaining and illustrating the definition of a 'structured entity' from a not-for-profit perspective.</p>	<b>1 July 2014</b>	Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from AASB 10, AASB 11 and AASB 128 Investments in Associates and Joint Ventures.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Pending Accounting Standards (continued)

Pronouncement	Summary	Application Date	Impact on Council
<b>AASB 127 Separate Financial Statements</b>	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	<b>1 July 2014</b>	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not for profit entities.
<b>AASB 128 Investments in Associates and Joint Ventures</b>	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	<b>1 July 2014</b>	The impact of this standard will need to be assessed in line with the final deliberations by the AASB on the application of this standard to not for profit entities.
<b>AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounts Standard arising from Reduced Disclosure Requirements</b>	These standards set out the tiers of financial reporting and the reduced disclosure framework.	<b>1 July 2014</b>	Council has yet to determine the impact of this standard,



## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 2 RATES

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

This valuation base was used to calculate general rates, excluding valuations for power generation companies and Australian Paper Maryvale Ltd:

The valuation base used to calculate general rates for 2013/14 was \$9,909,313,000 (2012/13 was \$9,801,839,000).

The applicable rates in the CIV dollar were:

	2014	2013
	\$	\$
General	0.00442245	0.00421418
Farm	0.00331684	0.00316063
Recreation Land	NA	0.00163615

This derived rate revenues of:

	\$'000s	\$'000s
Residential	33,632	31,754
Commercial/Industrial	6,607	6,253
Farm	2,761	2,627
Recreation Land	(2)	34
Rating Agreements/Payments in lieu of rates	8,765	8,549
Municipal Charge	4,443	4,227
Garbage Charge	9,555	8,658
EPA Victoria Landfill Levy	592	535
<b>Total Rates</b>	<b>66,355</b>	<b>62,637</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2012, and the valuation will be first applied in the rating year commencing 1 July 2012.

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



Financial Report

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 3   GRANTS</b>		
Grants were received in respect of the following:		
<b>Summary of Grants</b>		
Federally funded grants	5,627	3,101
State funded grants	22,176	26,893
Others	140	50
<b>Total</b>	<b>27,942</b>	<b>30,044</b>
<b>Recurrent</b>		
Victorian Grants Commission – General Purpose	4,327	8,635
Aged and Disability	4,488	4,126
Preschools	3,660	3,361
Victorian Grants Commission – Local Roads	1,258	2,304
Commonwealth Government - Roads to Recovery Program	1,175	1,689
Family and Children Programs	918	898
Libraries	494	490
Maternal and Child Health	482	468
Employment Facilitation Programs	407	744
Enhanced Home Visiting Program	222	209
Arts Programs	145	145
Family Day Care	127	158
Rural Access Program	109	104
School Crossing Supervision	100	93
Health Programs	99	66
Community Support and Development Programs	31	32
Environment	42	26
<b>Total Recurrent</b>	<b>18,084</b>	<b>23,549</b>
<b>Non-Recurrent</b>		
Natural Disaster Recovery	2,509	294
Latrobe Regional Airport	1,408	1,712
Other Recreation Facilities	1,339	721
Moe Outdoor Pool	1,243	-
Moe Rail Precinct Revitalisation	924	818
Healthy Communities	850	1,165
Roads, Streets & Bridges	640	-
Federal Blackspot Program (Vic Roads)	485	847
Economic Development	207	216
Community Support and Development Programs	136	453
Fire Service Property Levy	106	39
Environment	25	55
City Planning and Development	21	-
Health Programs	7	-
Other	(42)	34
Employment Facilitation Programs	-	94
City Image Strategy	-	45
Landfill	-	4
<b>Total Non-Recurrent</b>	<b>9,858</b>	<b>6,495</b>

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 3   GRANTS (CONTINUED)</b>		
<b>Conditions on Grants</b>		
Grants & Contributions 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:		
<b>Recurrent</b>		
Aged and Disability Programs	568	402
Health Programs	358	217
Family and Children Programs	267	267
Employment Facilitation Programs	165	252
Libraries	72	82
City Planning and Development	6	-
Victorian Grants Commission – General Purpose	-	4,642
Victorian Grants Commission – Local Roads	-	1,211
Community Support and Development Programs	-	34
Arts Programs	-	10
<b>Total Recurrent</b>	<b>1,436</b>	<b>7,118</b>
<b>Non-Recurrent</b>		
Moe Rail Revitalisation Project	997	397
Healthy Communities	692	924
Lighting	342	-
Natural Disaster Recovery	299	66
Roads, Streets and Bridges	214	460
Recreation	137	364
Latrobe Regional Airport	23	-
Community Support and Development Programs	26	64
Economic Development	11	70
Other	1	6
Environment	-	44
Other Infrastructure	-	30
Family and Children Programs	-	29
Fire Service Property Levy	-	29
<b>Total Non-Recurrent</b>	<b>2,753</b>	<b>2,483</b>
<b>Total</b>	<b>4,189</b>	<b>9,601</b>

Financial Report

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 3   GRANTS (CONTINUED)</b>		
Grants & Contributions which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
<b>Recurrent</b>		
Victorian Grants Commission – General Purpose	4,642	4,684
Victorian Grants Commission – Local Roads	1,211	1,184
Aged and Disability Programs	388	392
Family and Children Programs	332	582
Employment Facilitation Programs	260	153
Health Programs	211	107
Libraries	63	52
Arts Programs	13	23
Commonwealth Government - Roads to Recovery Program	-	681
Community Support and Development Programs	-	61
City Planning and Development	-	4
<b>Total Recurrent</b>	<b>7,119</b>	<b>7,922</b>
<b>Non-Recurrent</b>		
Natural Disaster Recovery	1,390	2,053
Healthy Communities	846	308
Moe Rail Revitalisation Project	528	887
Moe Outdoor Pool	435	-
Recreation	364	237
Roads, Streets and Bridges	116	-
City Planning and Development	106	7
Community Support and Development Programs	-95	39
Economic Development	70	74
Environment	44	-
Fire Services Property Levy	29	-
Aged and Disability Programs	30	12
Other	11	8
Health Programs	-	24
Arts Programs	-	22
Family and Children Programs	-	21
Employment Facilitation Programs	-	17
<b>Total Non-Recurrent</b>	<b>4,063</b>	<b>3,709</b>
<b>Total</b>	<b>11,182</b>	<b>11,631</b>
<b>Net Increase/(Decrease) in Restricted Assets Resulting from Grant Revenues for the Year</b>	<b>(6,993)</b>	<b>(2,030)</b>

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 4</b>	<b>USER CHARGES</b>	
Leisure Centres	3,011	2,865
Outdoor Pools	92	76
Child Care / Pre Schools	4,211	3,985
Aged Services	1,982	2,055
Recreation (Halls and Reserves)	383	339
Planning	547	529
Building Services	148	148
Health Services	372	354
Local Laws	943	960
Waste Services	4,054	2,976
Library Services	48	50
Debt Collections Recovery	276	236
Council Election Fines	39	88
Other Fees and Charges	97	98
<b>Total User Charges</b>	<b>16,203</b>	<b>14,759</b>
<b>NOTE 5</b>	<b>OTHER INCOME</b>	
Interest on Rates	331	511
Interest on Investments	1,566	1,778
Sales – Non Capital	130	13
Valuation Fees	15	27
Commissions	42	47
Property Rentals	747	741
Insurance Reimbursements	227	12
Fundraising	25	12
Sponsorship	86	100
Local Contributions	230	489
Donations	18	14
Merchandise Sales	564	591
Other	241	144
<b>Total Other Income</b>	<b>4,222</b>	<b>4,479</b>
<b>NOTE 6</b>	<b>DEVELOPER CASH CONTRIBUTIONS</b>	
Public Open Space	27	79
Drainage Headworks	-	72
Street Trees	9	16
Future Roadworks	-	199
Development Plan	-	299
<b>Total Developer Cash Contributions</b>	<b>36</b>	<b>665</b>

Financial Report

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 7</b>	<b>DEVELOPER CONTRIBUTED ASSETS</b>	
Roads	2,534	870
Drains	1,102	176
Footpaths	347	452
Kerb and Channel	540	171
Land	-	467
Land Under Roads	54	14
<b>Total Developer Contributed Assets</b>	<b>4,578</b>	<b>2,150</b>
<b>NOTE 8</b>	<b>EMPLOYEE COSTS</b>	
Salaries and Wages	38,428	35,969
Long Service Leave	934	872
Annual Leave	3,848	3,492
Superannuation	3,904	3,528
Other OnCosts	1,188	1,308
Fringe Benefits Tax and Workcover Levy	1,598	1,394
<b>Total Employee Costs</b>	<b>49,900</b>	<b>46,563</b>
<b>NOTE 9</b>	<b>MATERIALS AND SERVICES</b>	
Contract Payments	14,700	15,129
Plant Hire	994	958
Utilities	3,190	2,888
Building Maintenance	988	1,194
Equipment Maintenance	709	682
IT Consumables/ Communications	1,800	1,779
Family Day Care	1,107	1,323
Consultancy	1,243	1,438
Vehicle Expenses	1,386	1,280
Other Materials	6,569	7,097
<b>Total Materials and Services</b>	<b>32,686</b>	<b>33,768</b>
<b>NOTE 10</b>	<b>BAD AND DOUBTFUL DEBTS</b>	
Other Debtors	8	4
<b>Total Bad and Doubtful Debts</b>	<b>8</b>	<b>4</b>
<b>NOTE 11</b>	<b>DEPRECIATION AND AMORTISATION EXPENSES</b>	
Building and Improvements	3,586	3,668
Furniture and Equipment	737	691
Intangible Assets	80	87
Playground Improvements	91	70
Plant and Equipment	1,649	1,601
Roads, Streets and Bridges	10,331	9,712
Drainage Works	1,493	1,332
Landfill Improvements	4,229	2,842
<b>Total Depreciation Expenses</b>	<b>22,196</b>	<b>20,004</b>

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 12   FINANCE COSTS</b>		
Interest on Borrowings	1,211	1,086
<b>Total Finance Costs</b>	<b>1,211</b>	<b>1,086</b>
<b>NOTE 13   OTHER EXPENDITURE</b>		
Auditors Remuneration	101	77
Councillors Allowances	268	264
Operating Lease Rentals	187	163
Grants & Contributions	1,519	1,162
Levies	1,610	1,125
Advertising & Promotion	557	562
Insurances	909	811
<b>Total Other Expenditure</b>	<b>5,151</b>	<b>4,164</b>
<b>NOTE 14   CASH AND CASH EQUIVALENTS</b>		
Cash on Hand	18	19
Cash at Bank	21,064	6,334
Short Term Deposits	21,550	21,310
<b>Total Cash and Cash Equivalents</b>	<b>42,632</b>	<b>27,663</b>
Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:		
Trust funds and deposits (Note 24)	2,214	2,043
Reserve funds allocated for specific future purposes	2,326	2,453
Unexpended Grants (Note 3)	5,336	12,329
<b>Restricted Funds (Note 18)</b>	<b>9,876</b>	<b>16,825</b>
<b>Total Unrestricted Cash and Cash Equivalents</b>	<b>32,756</b>	<b>10,838</b>
<b>NOTE 15   PREPAYMENTS</b>		
Registrations	110	112
Software Maintenance and Support	170	59
Memberships and Subscriptions	2	19
Property Leases	4	3
Other	7	14
<b>Total Prepayments</b>	<b>293</b>	<b>207</b>



Financial Report

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 16   TRADE AND OTHER RECEIVABLES</b>		
<b>Current</b>		
Child Care	125	112
Family Day Care	42	53
Home Care / Maintenance / Meals on Wheels	222	214
Rates *	2,906	2,172
Government Grants and Subsidies	3,137	1,104
Accrued Interest	115	288
Staff Advances	14	9
Pre Schools	3	20
Health Registrations	2	-
Advances to Community Groups/ Vendor Term Loans	10	24
Pension Claim	379	365
Latrobe Regional Airport Projects	37	44
Landfill	608	466
Other	462	727
Net GST Receivable	943	748
Provision for Doubtful Debts	(43)	(53)
<b>Total Current</b>	<b>8,962</b>	<b>6,293</b>
<i>* Rates are payable by four instalments during the year or by lump sum in February. Arrears attract interest, currently at the rate of 10.5% per annum.</i>		
<b>Non-Current</b>		
Advances to Community Group/ Vendor Term Loans	17	26
<b>Total Non-Current</b>	<b>17</b>	<b>26</b>
<b>Total Trade and Other Receivables</b>	<b>8,979</b>	<b>6,319</b>
<b>NOTE 17   FINANCIAL ASSETS</b>		
<b>Current</b>		
Term Deposits with a maturity term > 90 Days	3,310	19,500
<b>Total Current</b>	<b>3,310</b>	<b>19,500</b>
<b>Non-Current</b>		
MAPS Group Ltd. Shares	2	2
<b>Total Non-Current</b>	<b>2</b>	<b>2</b>
<b>Total Financial Assets</b>	<b>3,312</b>	<b>4,164</b>

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s

#### NOTE 18 | RESTRICTED ASSETS

##### Cash

Council has cash and cash equivalents (Note 14) that are subject to restrictions as at the reporting date. Council has legislative restrictions in relation to non discretionary reserve and grant funds, together with cash held for trust funds and deposits

##### Restricted Cash Assets

Street Lighting Reserve (1)	13	13
Off Street Parking Contributions (1)	230	230
Drainage Contributions (1)	586	732
Playground/ Public Open Space Contributions(1)	410	384
Tree Planting Contributions (1)	210	218
Future Roadwork (1)	578	578
Development Contribution Plan (1)	298	298
Trust Funds and Deposits (Note 24)	2,214	2,043
Unexpended Grants & Contributions (Note 3)	5,336	12,329
<b>Total Restricted Cash Assets</b>	<b>9,876</b>	<b>16,825</b>

(1) Funds required to be spent on projects for which contributions have been received.



Financial Report

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 19   PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT</b>		
<b>Summary</b>		
Property, Plant and Equipment		
At fair value	1,286,137	1281,656
At Cost	57,891	35,313
Less Accumulated Depreciation	(307,992)	(287,281)
<b>Total Property, Plant and Equipment</b>	<b>1,036,036</b>	<b>1,029,689</b>
Land (1)		
• at independent valuation 2013	201,546	201,546
• at cost	-	-
<b>Total Land</b>	<b>201,546</b>	<b>201,546</b>
Buildings and Improvements (1)		
• at independent valuation 2013	178,844	178,844
• at cost	5,338	-
Less Accumulated Depreciation	(3,586)	-
<b>Total Buildings and Improvements</b>	<b>180,596</b>	<b>178,844</b>
Furniture and Equipment (3)		
• at cost	7,237	6,020
Less Accumulated Depreciation	(4,774)	(4,143)
<b>Total Furniture and Equipment</b>	<b>2,463</b>	<b>1,877</b>
Plant and Equipment (3)		
• at cost	12,717	12,333
Less Accumulated Depreciation	(5,649)	(4,837)
<b>Total Plant and Equipment</b>	<b>7,068</b>	<b>7,496</b>
Drainage Works (2)		
• at Council valuation 2013	153,267	152,177
• at cost	115	-
Less Accumulated Depreciation	(61,671)	(60,188)
<b>Total Drainage Works</b>	<b>91,711</b>	<b>91,989</b>
Land Under Roads (6)		
• at Council valuation 2012	18,030	17,104
<b>Total Land Under Roads</b>	<b>18,030</b>	<b>17,104</b>
Roads, Streets and Bridges (2)		
• at Council valuation 2013	710,769	708,375
• at cost	16,631	-
Less Accumulated Depreciation	(217,294)	(207,413)
<b>Total Roads, Streets and Bridges</b>	<b>510,105</b>	<b>500,962</b>

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 19   PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)</b>		
Landfill Improvements (5)		
• at Council valuation 2014	18,822	18,751
• at cost	5,102	2,034
	23,924	20,785
Less Accumulated Amortisation	(13,928)	(9,700)
<b>Total Landfill Improvements</b>	<b>9,995</b>	<b>11,086</b>
Playground Improvements (2)		
• at Council valuation 2013	1,963	1,963
• at cost	799	-
	2,762	1,963
Less Accumulated Depreciation	(1,090)	(999)
<b>Total Playground Improvements</b>	<b>1,672</b>	<b>964</b>
Art Collection (4)		
• at Council valuation 2011	2,896	2,896
• at cost	52	37
<b>Total Art Collection</b>	<b>2,948</b>	<b>2,933</b>
Works in Progress – at cost		
• Furniture and Equipment	-	517
• Buildings and Improvements	6,424	6,667
• Roads, Streets and Bridges	3,309	4,432
• Drainage	148	-
• Playgrounds	8	222
• Landfill Improvements	12	3,052
<b>Total Works in Progress</b>	<b>9,901</b>	<b>14,889</b>
<b>Total Property, Plant and Equipment</b>	<b>1,036,036</b>	<b>1,029,689</b>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)

Fair value assessments have been performed at 30 June 2014 for Land, Buildings and Infrastructure. This assessment demonstrated that fair value was materially similar to carrying value, and therefore a full revaluation was not required this year. The next scheduled full revaluation for this purpose will be conducted in 2016/17 for Land and Buildings and 2014/15 for Infrastructure.

Details of the Council's Land, Buildings and Infrastructure and information about the fair value hierarchy as at 30 June 2014 are as follows:

	Level 1	Level 2	Level 3
	\$'000s	\$'000s	\$'000s
Land – Non Specialised	-	87,270	-
Land – Specialised	-	-	114,276
Land Under Roads	-	-	18,030
Landfill Improvements	-	-	8,298
Buildings – Specialised	-	-	175,267
Roads, Street and Bridges	-	-	493,515
Drainage	-	-	91,596
Playground Improvements	-	-	876
Art Collection	-	2,896	-
<b>Total</b>	-	<b>90,166</b>	<b>901,858</b>

No transfers between levels occurred during the year

**Valuation Basis**

**Non-specialised land, non-specialised buildings**

Non-specialised land and non-specialised buildings are valued using the market based direct comparison method. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

For non-specialised land and non-specialised buildings, an independent valuation was performed by CJA Lee Property – Valuers and Consultants (Registration number: 61902) to determine the fair value using the market based direct comparison method. Valuation of the assets was determined by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued. From the sales analysed, an appropriate rate per square metre has been applied to the subject asset. The effective date of the valuation is 30 June 2013. To the extent that non-specialised land and non-specialised buildings do not contain significant, unobservable adjustments, these assets are classified as Level 2 under the market based direct comparison approach.

**Specialised land and specialised buildings**

The market based direct comparison method is also used for specialised land although is adjusted to reflect the specialised nature of the assets being valued. For Council specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. Specialised assets contain significant, unobservable adjustments, therefore these assets are classified as Level 3 fair value measurements.

An adjustment is made to reflect a restriction on the sale or use of an asset by Council. The adjustment is an allowance made to reflect the difference in value between unrestricted assets and those held by the Council which are impacted by external restraints on their use.

An independent valuation of Council's specialised land and specialised buildings was performed by CJA Lee Property – Valuers and Consultants (Registration number: 61902). The valuation was performed using either the market based direct comparison method or depreciated replacement cost, adjusted for restrictions in use. The effective date of the valuation is 30 June 2013.

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 19 PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)

##### Land Under Roads

Land under roads is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

##### Infrastructure

Infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the property to an "as new" standard. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

Where it has not been possible to examine hidden works such as structural frames and floors, the use of reasonable materials and methods of construction have been assumed bearing in mind the age and nature of the building. The estimated cost of reconstruction including structure services and finishes, also factors in any heritage classifications as applicable. Infrastructure assets contain significant unobservable adjustments, therefore these assets are classified as Level 3.

A valuation of Council's, infrastructure assets was performed by Council's Infrastructure Planning staff. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2013.

##### Art Collection

Art collection has been valued at market value by an independent art valuer as at 30 June 2011. Valuations were carried out by:

- Guy Abrahams – Approved Valuer, Australian Government Cultural Gifts Program
- Lesley Kehoe Galleries

There were no changes in valuation techniques throughout the period to 30 June 2014.

For all assets measured at fair value, the current use is considered the highest and best use.

##### Reconciliation of Level 3 Fair Value

	Specialised Land and Land Improvements	Specialised Buildings	Land Under Roads	Infrastructure
	\$'000s	\$'000s	\$'000s	\$'000s
<b>2014</b>				
<b>Opening Balance</b>	<b>114,276</b>	<b>178,844</b>	<b>17,104</b>	<b>603,975</b>
Depreciation	-	(3,577)	-	(13,704)
Impairment Loss	-	-	-	-
Revaluation	-	-	866	-
Acquisitions/ (Disposals)	-	-	60	4,014
Transfers	-	-	-	-
<b>Closing Balance</b>	<b>114,276</b>	<b>175,267</b>	<b>18,030</b>	<b>594,285</b>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 | PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (CONTINUED)

Description of Significant Unobservable Inputs into Level 3

	Valuation Technique	Significant Unobservable Inputs	Range	Sensitivity
Specialised (\$114.3 m)	Market based direct comparison approach (refer above)	Extent and impact of restriction of use	+/- 10%	A change of 10% would result in a change in fair value by \$11.4 m..
Specialised Buildings (\$175.3 m)	Depreciated Replacement Cost	Direct cost per square metre  Useful life of specialised buildings	+/- 10%	A change of 10% would result in a change in fair value by \$17.5 m.
Land Under Roads (\$18.0 m)	Market based direct comparison approach (refer above)	Extent and impact of restriction of use	+/- 10%	A change of 10% would result in a change in fair value by \$1.8 m..
Infrastructure (\$595.892 m)	Depreciated Replacement Cost	Cost per unit  Useful life of infrastructure	+/- 10%	A change of 10% would result in a change in fair value by \$59.6 m..Increase or decrease in the estimated useful life would result in a significantly lower or higher fair value.



## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

NOTE 19	<i>(a) PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT</i>							
	Carrying Amount 30/06/2013	WDV T <sup>r</sup> for Assets Held for Sale	Recognition of Previously Unrecognised Assets	Additions 2013/14	WDV Disposals	Depreciation Expenses	Revaluation Increment/ (Decrement)	Carrying Amount 30/06/2014
		)			Note 19(b)	Note 11		
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>2014</b>								
Land	201,546	-	-	-	-	-	-	201,546
Buildings and Improvements	178,844	-	-	5,338	-	(3,586)	-	180,596
Furniture and Equipment	1,877	-	-	1,323	-	(797)	-	2,463
Plant and Equipment	7,495	-	-	1,750	(529)	(1,649)	-	7,068
Drainage Works	91,989	-	-	1,217	(2)	(1,493)	-	91,711
Land Under Roads	17,104	-	-	60	-	0	866	18,030
Roads, Streets and Bridges	500,963	-	-	20,168	(694)	(10,331)	-	510,105
Landfill Improvements	11,086	-	-	3,138	-	(4,229)	-	9,995
Playground Improvements	964	-	-	799	-	(91)	-	1,672
Art Collection	2,933	-	-	15	-	-	-	2,948
Works in Progress	14,889	-	-	(4,988)	-	-	-	9,901
<b>Total Property, Infrastructure, Plant and Equipment</b>	<b>1,029,689</b>	<b>-</b>	<b>-</b>	<b>28,820</b>	<b>(1,224)</b>	<b>(22,116)</b>	<b>866</b>	<b>1,036,036</b>
<b>2013</b>								
Land	169,192	190	554	519	-	-	31,091	201,546
Buildings and Improvements	176,558	553	(370)	1,791	-	(3,668)	3,980	178,844
Furniture and Equipment	1,874	-	-	704	(10)	(691)	-	1,877
Plant and Equipment	6,436	-	324	3,178	(841)	(1,601)	-	7,495
Drainage Works	83,937	-	-	292	-	(1,332)	9,092	91,989
Land Under Roads	17,090	-	-	14	-	-	-	17,104
Roads, Streets and Bridges	450,062	-	(101)	13,419	-	(9,712)	47,295	500,963
Landfill Improvements	11,893	-	-	2,035	-	(2,842)	-	11,086
Playground Improvements	746	-	-	231	(5)	(70)	63	964
Art Collection	2,908	-	-	24	-	-	-	2,933
Works in Progress	10,704	-	-	4,185	-	-	-	14,889
<b>Total Property, Infrastructure, Plant and Equipment</b>	<b>931,400</b>	<b>743</b>	<b>407</b>	<b>26,392</b>	<b>(856)</b>	<b>(19,916)</b>	<b>91,521</b>	<b>1,029,689</b>



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 19 (b) PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT

	Plant	Furniture and Equipment	Total 2014	Total 2013
	\$'000s	\$'000s	\$'000s	\$'000s
Proceeds of Sales	569	1	570	828
Sales Expenses	-	-	-	-
Net Proceeds	569	1	570	828
Book Values	(529)	-	(529)	(856)
<b>Gain/(Loss) on Disposals</b>	<b>40</b>	<b>1</b>	<b>41</b>	<b>(28)</b>

NOTE 20 INTANGIBLE ASSETS

	Software
	\$'000s
<b>Gross Carrying Amount</b>	
Balance at 1 July 2012	788
Additions 2012/13	44
Balance at 30 June 2013	832
Additions 2013/14	58
<b>Balance at 30 June 2014</b>	<b>890</b>
<b>Accumulated Amortisation and Impairment</b>	
Balance at 1 July 2012	(483)
Amortisation Expense 2012/13	(87)
Balance at 30 June 2013	(571)
Amortisation Expense 2013/14	(80)
<b>Balance at 30 June 2014</b>	<b>(650)</b>
<b>Net Book Value at 30 June 2013</b>	<b>261</b>
<b>Net Book Value at 30 June 2014</b>	<b>239</b>

	2014	2013
	\$'000s	\$'000s

NOTE 21 TRADE AND OTHER PAYABLES

<b>Current</b>		
Payables	8,844	14,927
Accrued Salaries and Wages	2,097	1,766
Accrued Loan Interest	1	2
<b>Total Trade and Other Payables</b>	<b>10,942</b>	<b>16,695</b>

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 22   INTEREST-BEARING LIABILITIES</b>		
<b>Current</b>		
Borrowings – Secured	10,823	2,959
<b>Total Current</b>	<b>10,823</b>	<b>2,959</b>
<b>Non-Current</b>		
Borrowings – Secured	8,828	11,427
<b>Total Non-Current</b>	<b>8,828</b>	<b>11,427</b>
<b>Total Interest-Bearing Liabilities</b>	<b>19,651</b>	<b>14,386</b>
All borrowings are secured over Council's Rate Revenue.		
The maturity profile for Council's borrowing is:		
Within 12 months	10,823	2,959
Later than 1 year but not later than 5 years	7,485	8,711
After 5 years	1,343	2,716
	<b>19,651</b>	<b>14,386</b>

Financial Report

NOTES TO THE FINANCIAL STATEMENTS

NOTE 23 PROVISIONS

	Annual Leave	Long Service Leave	Landfill Improvements	Total
	\$'000s	\$'000s	\$'000s	\$'000s
<b>2014</b>				
Balance at beginning of the financial year	3,707	8,164	16,415	28,285
Additional provisions	3,805	742	-	4,547
Amounts Used	(3,587)	(807)	(738)	(5,131)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	5	156	71	232
<b>Balance at the end of the financial year</b>	<b>3,930</b>	<b>8,256</b>	<b>15,748</b>	<b>27,933</b>

<b>2013</b>				
Balance at beginning of the financial year	3,563	7,896	16,589	28,048
Additional provisions	3,504	1,463	193	5,160
Amounts Used	(3,360)	(632)	(367)	(4,359)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	(563)	-	(563)
<b>Balance at the end of the financial year</b>	<b>3,707</b>	<b>8,164</b>	<b>16,415</b>	<b>28,286</b>

	2014	2013
	\$'000s	\$'000s
<b>Current Provisions expected to be settled within 12 months</b>		
Annual Leave	3,650	3,707
Long Service Leave	1,882	1,903
Landfill Rehabilitation	2,119	2,027
	<b>7,651</b>	<b>7,637</b>
<b>Current Provisions expected to be settled after 12 months</b>		
Annual Leave	280	-
Long Service Leave	5,003	4,855
	<b>5,283</b>	<b>4,855</b>
<b>Total Current Provisions</b>	<b>12,935</b>	<b>12,492</b>
<b>Non-Current Provisions</b>		
Long Service Leave	1,370	1,406
Landfill Rehabilitation	13,628	14,388
<b>Total Non-Current Provisions</b>	<b>14,998</b>	<b>15,794</b>

The following assumptions were adopted in measuring the present value of employee benefits

Weighted average increase in employee costs	4.44%	4.50%
Weighted average discount rates	3.06%	3.24%
Weighted average settlement period	12	12

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 24   TRUST FUNDS AND DEPOSITS</b>		
Contracts and Sundry Deposits	2,214	2,043
<b>Total Trust Funds and Deposits</b>	<b>2,214</b>	<b>2,043</b>

<b>NOTE 25   RESERVES</b>						
(a) Asset Revaluation Reserve	Balance at beginning of reporting period		Increment/ (decrement)		Balance at end of reporting period	
	2014	2013	2014	2013	2014	2013
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Land	160,054	128,963	-	31,091	160,054	160,054
Buildings and Improvements	89,547	85,567	-	3,980	89,547	89,547
Land Under Roads	6,319	6,319	866	-	7,185	6,319
Plant and Equipment	14	14	-	-	14	14
Roads, Streets and Bridges	96,285	48,990	-	47,295	96,285	96,285
Drainage	46,244	37,152	-	9,092	46,244	46,244
Playgrounds	63	-	-	63	63	63
Artworks	727	727	-	-	727	727
<b>Total</b>	<b>399,253</b>	<b>307,732</b>	<b>866</b>	<b>91,521</b>	<b>400,119</b>	<b>399,253</b>

#### (b) Other Reserves

	2014	2013
	\$'000s	\$'000s
<b>Developer Contributions</b>		
Balance at beginning of reporting period	2,453	1,898
Transfer from accumulated surplus	(164)	(110)
Transfer to accumulated surplus	36	665
<b>Balance at end of reporting period</b>	<b>2,326</b>	<b>2,453</b>
<b>Total Reserves</b>	<b>402,445</b>	<b>401,706</b>

The development contribution reserve is maintained to account for funds held by the Council for specific development purposes. Such purposes include off street parking, drainage, playgrounds and public open spaces and tree planting development.

### NOTE 26 | CONTINGENT LIABILITIES AND CONTINGENT ASSETS

#### Contingent Liabilities

Council has been served with an unquantified claim under the Water Act 1989 in relation to the Morwell Land Movement. Council will be defending this claim in the Victorian Civil and Administrative Tribunal and the Supreme Court in the 2014-2015 financial year and as this matter is yet to be finalised, and as the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

Council has obligations 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 26 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)

**Contingent Liabilities (continued)**

Council has varying obligations for the rehabilitation of five former landfill sites, estimated costs associated with undertaking these works have been included in the balance sheet provisions, however there is still some uncertainty around the Environmental Protection Agency (EPA) requirements, which could lead to additional costs that cannot currently be reliably measured.

**Contingent Assets**

Construction of infrastructure assets by developers in the course of creating new subdivisions results in the infrastructure assets being vested in Council when Council issues a Statement of Compliance. These assets are brought to account as revenue and capitalised.

At reporting date, developers had commenced construction of assets that will eventually be transferred to Council contingent upon Council issuing a Statement of Compliance.

Due to the nature of the arrangements in place and the assets involved, a contingent asset cannot be reliably measured prior to completion.

NOTE 27 COMMITMENTS

	Not Later than 1 Year	Later than 1 Year and Not Later than 2 Years	Later than 2 Years and Not Later Than 5 Years	Later than 5 Years	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>2014</b>					
<b>Operating</b>					
Garbage Collection	3,110	3,203	8,447	-	14,760
Transfer Station Operations	1,007	1,037	2,168	-	4,211
Street Sweeping	385	198	-	-	583
Cleaning Services	353	-	-	-	353
Landfill Leachate Treatment	297	306	158	-	760
Meals On Wheels	96	-	-	-	96
Latrobe Regional Airport Master Plan	89	-	-	-	89
Landfill Rehabilitation	94	-	-	-	94
Hazelwood Pondage Caravan Park	65	-	-	-	65
Waste Water Disposal					
Sanitary Disposal Services	56	5	-	-	61
Materials Recovery Facility - Recycling	53	54	114	-	221
Courier Services	23	-	-	-	23
	<b>5,628</b>	<b>4,803</b>	<b>10,887</b>	<b>-</b>	<b>21,317</b>
<b>Capital Construction</b>					
Roads, Streets & Bridges	1,033	-	-	-	1,033
Recreation	5	-	-	-	5
	<b>1,038</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,038</b>



## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 27 COMMITMENTS (CONTINUED)

	Not Later than 1 Year	Later than 1 Year and Not Later than 2 Years	Later than 2 Years and Not Later Than 5 Years	Later than 5 Years	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>2013</b>					
<b>Operating</b>					
Garbage Collection	3,097	3,189	10,154	1,795	18,235
Street Sweeping	377	388	200	-	965
Meals on Wheels	347	209	-	-	556
Public Convenience Cleaning	185	-	-	-	185
Website and Intranet Development	52	-	-	-	52
Green Waste Acceptance and Processing	847	872	1,824	-	3,543
Transfer Station Operations	997	1,027	3,269	-	5,293
Materials Recovery Facility - Recycling	54	55	175	-	284
Emergency Management	62	-	-	-	62
	<b>6,016</b>	<b>5,741</b>	<b>15,622</b>	<b>1,795</b>	<b>29,173</b>
<b>Capital Construction</b>					
Roads, Streets and Bridges	2,567	-	-	-	2,567
Recreation	2,429	-	-	-	2,429
Latrobe Regional Airport	285	-	-	-	285
Buildings and Improvements	249	-	-	-	249
Telecommunications Solution Replacement	191	-	-	-	191
	<b>5,721</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,721</b>

2014	2013
\$'000s	\$'000s

#### NOTE 28 OPERATING LEASES

At the reporting date, the municipality had the following obligations under non-cancellable operating leases. (These obligations are not recognised as liabilities):

Not Later than one year	163	80
Later than one year and not later than five years	403	370
Later than five years	1,401	1,210
	<b>1,967</b>	<b>1,660</b>

#### NOTE 29 EVENTS OCCURRING AFTER BALANCE DATE

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



NOTE 30 SUPERANNUATION

Latrobe City Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. The defined benefit section provides lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Latrobe City Council and the Latrobe City Council's legal or constructive obligation is limited to these contributions.

Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

**Accumulation**

The Fund's accumulation category, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2014, this was 9.25% required under Superannuation Guarantee legislation). Our commitment to defined contribution plans is limited to making contributions in accordance with our minimum statutory requirements. 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.

Effective from 1 July 2014, the Superannuation Guarantee contribution rate will increase to 9.5%, and will progressively increase to 12% by 2019. Based on announcements included in the May 2014 Federal Budget, this progressive increase to 12% will be delayed until 2022.

**Defined Benefit**

As provided under Paragraph 34 of AASB 119, Latrobe City Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a multi-employer sponsored plan.

As a multi-employer sponsored plan, the Fund was established as a mutual scheme to allow for the mobility of the workforce between the participating employers without attaching a specific liability to particular employees and their current employer. Therefore, there is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Latrobe City Council in the Fund cannot be measured as a percentage compared with other participating employers. While there is an agreed methodology to allocate any shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate benefit liabilities, assets and costs between the participating employers for accounting purposes. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

**Funding Arrangements**

Latrobe City Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary. The Fund's employer funding arrangements comprise of three components (which are detailed below) are:

- 1) Regular contributions - which are ongoing contributions needed to fund the balance of benefits for current members and pensioners;
- 2) Funding calls - which are contributions in respect of each participating employer's share of any funding shortfalls that arise; and
- 3) Retrenchment increments - which are additional contributions to cover the increase in liability arising from retrenchments.

Latrobe City Council is also required to make additional contributions to cover the contribution tax payable on the contributions referred to above.

Employees are also required to make member contributions to the Fund. As such, assets accumulate in the Fund to meet member benefits, as defined in the Trust Deed, as they accrue.

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 30 SUPERANNUATION (CONTINUED)

##### **Regular Contributions**

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2011, Latrobe City Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 9.25% of members' salaries. This rate increased to 9.5% on 1 July 2014 and is expected to increase in line with the required Superannuation Guarantee contribution rate.

In addition, Latrobe City Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit (the funded resignation or retirement benefit is calculated as the VBI multiplied by the benefit).

##### **Funding Calls**

The Fund is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund is required to target full funding of its vested benefits. There may be circumstances where:

- a fund is in an unsatisfactory financial position at an actuarial investigation (i.e. its vested benefit index (VBI) is less than 100% at the date of the actuarial investigation); or
- a fund's VBI is below its shortfall limit at any time other than at the date of the actuarial investigations.

If either of the above occur, the fund has a shortfall for the purposes of SPS 160 and the fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the Australian Prudential Regulation Authority (APRA) may approve a period longer than three years.

The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Latrobe City Council) are required to make an employer contribution to cover the shortfall. The methodology used to allocate the shortfall was agreed in 1997 to fairly and reasonably apportion the shortfall between the participating employers.

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

The pre 1 July 1993 and post 30 June 1993 service liabilities of the Fund are based on:

- The service periods of all active members split between the active members pre 1 July 1993 and post 30 June 1993 service period;
- The service periods of all deferred members split between the deferred members pre 1 July 1993 and post 30 June 1993 service period; and
- The pensioner (including fixed term pension) liabilities which are allocated to the pre 1993 period.

The pre 1 July 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at 30 June 1993.

The post 30 June 1993 component of the shortfall is apportioned between the participating employers based on the employer's share of the total participating employer payroll at the date the shortfall has been calculated.

NOTE 30 SUPERANNUATION (CONTINUED)

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. In the unlikely event that the Fund is wound up and there is a surplus in the Fund, the surplus cannot be applied for the benefit of the defined benefit employers where there are on-going defined benefit obligations. The surplus would be transferred to the fund accepting those defined benefit obligations (including the lifetime pension obligations) of the Fund.

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

*Differences between calculations*

The Fund surplus or deficit (i.e. the difference between fund assets and liabilities) is calculated differently for funding purposes (i.e. calculating required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosure in the Latrobe City 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 future benefits that may accrue.

**Retrenchment Increments**

During 2013-14, Latrobe City Council was not required to make payments to the Fund in respect of retrenchment increments (Nil in 2012-13).

**Shortfall Amounts**

The Local Authorities Superannuation Fund's latest actuarial investigation as at 31 December 2011 identified an unfunded liability of \$406 million (excluding contributions tax) in the defined benefit category of which Latrobe City Council is a contributing employer.

Latrobe City Council was made aware of the expected shortfall during the 2011/12 year and was informed of its share of the shortfall on 2 August 2012.

Latrobe City Council has not been advised of any further adjustments.

Latrobe City Council's share of the shortfall amounted to \$5.928 million (plus contributions tax) which was accounted for in the 2011/12 Comprehensive Income Statement within Employee Costs (Note 8) and in the Balance Sheet in Non-Current Liabilities Trade and Other Payables (Note 18).

No further amount has been accounted for in the 2013/14 Comprehensive Income Statement within Employee Costs (Note 8) (\$Nil 2012/13) and in the Balance Sheet in Current Liabilities Trade and Other Payables (Note 22) (\$Nil for 2012/13).

The amount of the unpaid shortfall at 30 June 2014 is \$Nil (\$5.928 million plus contributions tax for 2012/13).



## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 30 SUPERANNUATION (CONTINUED)

##### Accrued Benefits

The Fund's liability for accrued benefits was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of Australian Accounting Standard Board AAS25 follows:

	31-Dec-2011
	\$'000s
Net Market Value of Assets	4,315,324
Accrued Benefits (per accounting standards)	4,642,133
Difference between Assets and Accrued Benefits	(326,809)
Vested Benefits (Minimum sum which must be paid to members when they leave)	4,838,503

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

Net Investment Return	7.50% p.a.
Salary Inflation	4.25% p.a.
Price Inflation	2.75% p.a.

The next full actuarial investigation of the Fund's liability for accrued benefits will be based on the Fund's position as at 30 June 2014. The anticipated completion date of this actuarial investigation is 19 December 2014.

	2014	2013
	\$'000s	\$'000s
<b>Superannuation Contributions</b>		
Contributions by Latrobe City Council to the above superannuation plans for the financial year ended 30 June 2014 are detailed below:		
<b>Defined Benefit Plans</b>		
Employer contributions paid to Local Authorities Superannuation Fund (Vision Super)	516	476
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	-	6,975
	<b>516</b>	<b>7,451</b>
<b>Accumulation Funds</b>		
Employer contributions paid to Accumulation Funds	2,924	2,645
Employer contributions payable to Accumulation Funds at reporting date	464	407
	<b>3,388</b>	<b>3,052</b>

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2015 is \$0.550 million.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 31 RELATED PARTY TRANSACTIONS

(i) Responsible Persons

Names of persons holding the position of Responsible Person at the Latrobe City Council during the reporting period are:

		From	To
<b>Councillors:</b>	Darrell White	01/07/13	30/06/14
	Graeme Middlemiss	01/07/13	30/06/14
	Sandy Kam	01/07/13	30/06/14
	Kellie O'Callaghan	01/07/13	30/06/14
	Sharon Gibson	01/07/13	30/06/14
	Dale Harriman	01/07/13	30/06/14
	Michael Rossiter	01/07/13	30/06/14
	Christine Sindt	01/07/13	30/06/14
	Peter Gibbons	01/07/13	30/06/14
<b>Chief Executive Officer:</b>	Paul Buckley	01/07/13	14/02/14
	John Mitchell (Acting)	24/12/13	30/06/14

(ii) Remuneration of Responsible Persons

The numbers of Responsible Officers, whose total remuneration from Council and any related entities fall within the following bands;

	2014	2013
	\$'000s	\$'000s
<b>Income Range</b>		
<\$20,000	-	5
\$20,000 - \$29,999	7	5
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	-	1
\$60,000 - \$69,999	1	-
\$140,000 - \$149,999	1	-
\$210,000 - \$219,999	1	-
\$300,000 - \$309,999	-	1
<b>Total</b>	<b>11</b>	<b>13</b>
<b>Total Remuneration for the reporting period for Responsible Persons included above, amounted to:</b>	<b>650</b>	<b>571</b>

(iii) Retirement Benefits

No Retirement benefits have been paid by the Council in connection with the retirement of Responsible Persons of the Council. (2012/13: \$Nil)

(iv) Loans

No Loans have been made, guaranteed or secured by the Council to a Responsible Person of the Council during the reporting period. (2012/13: \$Nil)

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 31 RELATED PARTY TRANSACTIONS (CONTINUED)

(v)

##### Other Transactions

During the year, a number of transactions were entered into that require additional disclosures in this note. All transactions listed below occurred under normal commercial terms and conditions.

##### (a) Apprenticeships Group Australia

Councillor Darrell White is the Director of Apprenticeships Group Australia (AGA). For the year ended 30 June 2014, Council paid AGA \$6,600 in Wage Subsidy payments.

##### (b) Morwell Bowling Club

Councillor Darrell White is the Director of Morwell Bowling Club. For the year ended 30 June 2014, Council paid Morwell Bowling Club \$7,305.40 for Catering and Room Hire.

##### (c) Power Works Holdings Ltd

Councillor Darrell White is the Director of Power Works Holdings Ltd. For the year ended 30 June 2014, Council has not made any payments to Power Works Holdings Ltd.

##### (d) Gippsland Regional Waste Management Group

Councillor Graeme Middlemiss is the Director and Deputy Chair of Gippsland Regional Waste Management Group (GRWMG). For the year ended 30 June 2014, Council has not made any payments to GRWMG.

##### (e) South Eastern Australian Transport Strategy Inc.

Councillor Graeme Middlemiss is the Secretary and Executive Member of South Eastern Australia Transport Strategy Inc (SEATS). For the year ended 30 June 2014, Council paid SEATS \$6,514.76 for a membership subscription.

##### (f) Victorian District of Mining and Energy Division of the Construction, Forestry, Mining and Energy Union

Councillor Graeme Middlemiss is the Vice President of Victorian District of Mining and Energy Division of the Construction, Forestry, Mining and Energy Union (CFMEU). For the year ended 30 June 2014, Council has not made any payments to CFMEU.

##### (g) Gippsland Road Safe

Councillor Sandy Kam is the Secretary, Treasurer and Public Office of Gippsland Road Safe. For the year ended 30 June 2014, Council has not made any payments to Gippsland Road Safe.

##### (h) Barrier Breakers

Councillor Sandy Kam is the Returning Officer of Barrier Breakers. For the year ended 30 June 2014, Council has not made any payments to Barrier Breakers.

##### (i) Latrobe New Arrivals Driving Program

Councillor Sandy Kam is the Chair of Latrobe New Arrivals Driving Program (LNADP). For the year ended 30 June 2014, Council has not made any payments to LNADP.

##### (j) Gippsland Regional Advisory Council for Victorian Multicultural Commission

Councillor Sandy Kam is a member of Gippsland Regional Advisory Council for Victorian Multicultural Commission. For the year ended 30 June 2014, Council has not made any payments to Gippsland Regional Advisory Council for Victorian Multicultural Commission.

##### (k) Timber Towns Victoria

Councillor Sandy Kam is the Deputy Chair (Vice President) of Timber Towns Victoria. For the year ended 30 June 2014, Council paid Timber Towns Victoria \$3,300 for a membership subscription.

##### (l) Latrobe Regional Hospital

Councillor Kellie O'Callaghan is the Board Chair of Latrobe Regional Hospital (LRH). For the year ended 30 June 2014, Council paid LRH \$5,625 for Sponsorship for a Gala Ball including 5 x Gala Ball Tickets. Council also reimbursed LRH \$1,096.60 in overpaid fees for council services.



NOTE 31 RELATED PARTY TRANSACTIONS (CONTINUED)

(v) Other Transactions (continued)

**(m) Community Advisory Committee, Clean Coal Victoria**

Councillor Kellie O'Callaghan is the Chair of Community Advisory Committee, Clean Coal Victoria. For the year ended 30 June 2014, Council has not made any payments to Community Advisory Committee, Clean Coal Victoria.

**(n) Gippsland Medicare Local**

Councillor Kellie O'Callaghan is the Director of Gippsland Medicare Local. For the year ended 30 June 2014, Council has not made any payments to Gippsland Medicare Local.

**(o) St Gabriel's Primary School**

Councillor Dale Harriman is on the Board of St Gabriel's Primary School. For the year ended 30 June 2014, Council has paid St Gabriel's Primary School \$126 for Traffic School Hire Refund.

**(p) Cool One Refrigeration Pty Ltd**

Councillor Michael Rossiter has declared an interest in Cool One Refrigeration Pty Ltd. For the year ended 30 June 2014, Council has not made any payments to Cool One Refrigeration Pty Ltd.

**(q) Rotary Club of Traralgon**

Councillor Michael Rossiter has declared an interest in the Rotary Club of Traralgon. For the year ended 30 June 2014, Council has not made any payments to Rotary Club of Traralgon.

**(r) Sindt Pty Ltd**

Councillor Christine Sindt is the Trustee for Sindt Pty Ltd. For the year ended 30 June 2014, Council has not made any payments to Sindt Pty Ltd.

**(s) Gibbo River Pty Ltd Mitchell Family Trust**

Acting CEO John Mitchell is the Director of Gibbo River Pty Ltd Mitchell Family Trust. For the year ended 30 June 2014, Council has not made any payments to Gibbo River Pty Ltd Mitchell Family Trust.

**(t) Sunderman Water Power Ltd**

Acting CEO John Mitchell is the Director of Sunderman Water Power Ltd. For the year ended 30 June 2014, Council has not made any payments to Sunderman Water Power Ltd.

**(u) Gunai Kurnai Traditional Land Owners Management Board**

Acting CEO John Mitchell is the Deputy Chairman of Gunai Kurnai Traditional Land Owners Management Board. For the year ended 30 June 2014, Council has not made any payments to Gunai Kurnai Traditional Land Owners Management Board.

**(v) Gippsland Emergency Relief Fund**

Acting CEO John Mitchell is the President of Gippsland Emergency Relief Fund (GERF). For the year ended 30 June 2014, Council has not made any payments to GERF.

**(w) Gippstafe**

Acting CEO John Mitchell was the Chairman of Gippstafe. For the year ended 30 June 2014, Council made payments of \$65,362.63 for training, catering of functions, refunds of overpaid council services and a contribution to a forum.

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 31 RELATED PARTY TRANSACTIONS (CONTINUED)

##### (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 \$133,000 (2012/13 \$130,000).

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

	2014	2013
	\$'000s	\$'000s
<b>Income Range</b>		
<\$133,000	-	-
\$130,000 - \$139,999	5	10
\$140,000 - \$149,999	3	3
\$150,000 - \$159,999	2	-
\$170,000 - \$179,999	2	-
\$190,000 - \$199,999	1	-
\$200,000 - \$209,999	-	3
\$210,000 - \$219,999	-	2
\$220,000 - \$229,999	1	-
<b>Total</b>	<b>14</b>	<b>18</b>
<b>Total remuneration for the reporting period for senior officers included above, amounted to:</b>	<b>2,187</b>	<b>2,807</b>

#### NOTE 32 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS (DEFICIT)

<b>Surplus for the Period</b>	7,653	9,523
Depreciation and Amortisation	22,195	20,004
Finance Costs	1,211	1,086
(Profit)/Loss on Sale of Property, Plant and Equipment	(41)	28
Recognition of Previously Unrecognised Assets	574	(407)
Developer Contributions for Contributed Assets	(4,578)	(2,150)
<b>Changes in Assets and Liabilities:</b>		
(Increase)/decrease in Trade and Other Receivables	(2,661)	1,086
Increase/(decrease) in Trade and Other Payables	(5,753)	1,747
(Increase)/decrease in Prepayments	(86)	147
Increase/(decrease) in Provisions	(423)	237
Increase/(decrease) in Contract and Security Deposits	172	523
<b>Net Cash provided by Operating Activities</b>	<b>18,263</b>	<b>31,824</b>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 33 FINANCIAL INSTRUMENTS

(a) Accounting Policy, Terms and Conditions

Recognised Financial Instrument	Note	Accounting Policy	Terms and Conditions
<b>Financial Assets</b>			
Cash and Cash Equivalents	14	<p>Cash on hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <ul style="list-style-type: none"> <li>-Investments and Bills were valued at cost</li> <li>-Investments are held to maximise interest returns of surplus cash.</li> <li>-Interest revenues are recognised as they accrue.</li> </ul>	<p>Cash at Bank and At call deposits returned a floating interest rate of 2.40% (3.04% in 2012/13). The interest rate at balance date was 2.39% (2.69% in 2012/13).</p> <p>Funds returned fixed interest rates of between 3.39% (4.15% in 2012/13), and 4.38% (6.05% in 2012/13) net of fees.</p>
Trade and Other Receivables	16	<p>Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred.</p>	<p>General debtors are unsecured and arrears attract an interest rate of 10.5% (10.5% in 2012/13). Credit terms are based on 30 days.</p>
Financial Assets	17	<ul style="list-style-type: none"> <li>-Investments and Bills were valued at amortised cost using the effective interest method.</li> <li>-Investments are held to maximise interest returns of surplus cash.</li> <li>-Interest revenues are recognised as they accrue.</li> </ul>	<p>Funds returned fixed interest rates of between 3.65% (4.20% in 2012/13), and 4.70% (4.70% in 2012/13) net of fees.</p>
<b>Financial Liabilities</b>			
Trade and Other Payables	21	<p>Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.</p>	<p>General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.</p>
Interest Bearing Liabilities	22	<ul style="list-style-type: none"> <li>-Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt.</li> <li>-Interest is accrued over the period it becomes due and is recognised as part of payables</li> </ul>	<p>Borrowings are secured by way of mortgage over the general rates of the Council.</p> <p>The weighted average interest rate on borrowings is 5.57% during 2012/13 (7.11% in 2012/13)</p>
Bank Overdraft		<p>Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.</p>	<p>The overdraft is subject to annual review. Council has a \$1M overdraft facility. It is secured by a mortgage over Council's general rates and is repayable on demand.</p> <p>No overdraft was utilised during 2013/14 or 2012/13.</p>

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 33 FINANCIAL INSTRUMENTS (CONTINUED)

##### (b) Interest Rate Risk

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

	Floating Interest Rate	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non-Interest Bearing	Total
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>2014</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	21,064	21,550	-	-	18	42,632
Financial Assets	-	3,310	-	-	2	3,312
Trade and Other Receivable	-	-	-	-	5,130	5,130
<b>Total Financial Assets</b>	<b>21,064</b>	<b>24,860</b>	<b>-</b>	<b>-</b>	<b>5,150</b>	<b>51,074</b>
Weighted Average Interest Rates	2.39%	3.61%	-	-	-	-
<b>Financial Liabilities</b>						
Trade and Other Payables	-	-	-	-	10,942	10,942
Trust Funds and Deposits	-	-	-	-	2,214	2,214
Interest-Bearing Liabilities	-	10,823	7,485	1,343	-	19,651
<b>Total Financial Liabilities</b>	<b>-</b>	<b>10,823</b>	<b>7,485</b>	<b>1,343</b>	<b>13,156</b>	<b>32,807</b>
Weighted Average Interest Rates	-	4.24%	7.37%	6.34%	-	-
<b>Net Financial Assets (Liabilities)</b>	<b>21,064</b>	<b>14,037</b>	<b>(7,485)</b>	<b>(1,343)</b>	<b>(8,006)</b>	<b>18,267</b>
<b>2013</b>						
<b>Financial Assets</b>						
Cash and Cash Equivalents	6,334	21,310	-	-	19	27,663
Financial Assets	-	19,500	-	-	-	19,500
Trade and Other Receivable	-	-	-	-	3,416	3,416
<b>Total Financial Assets</b>	<b>6,334</b>	<b>40,810</b>	<b>-</b>	<b>-</b>	<b>3,435</b>	<b>50,579</b>
Weighted Average Interest Rates	3.04%	4.32%	-	-	-	-
<b>Financial Liabilities</b>						
Trade and Other Payables	-	-	-	-	16,695	16,695
Trust Funds and Deposits	-	-	-	-	2,043	2,043
Interest-Bearing Liabilities	-	2,959	8,710	2,717	-	14,386
<b>Total Financial Liabilities</b>	<b>-</b>	<b>2,959</b>	<b>8,710</b>	<b>2,717</b>	<b>18,738</b>	<b>33,124</b>
Weighted Average Interest Rates	-	6.89%	7.30%	6.76%	-	-
<b>Net Financial Assets (Liabilities)</b>	<b>6,334</b>	<b>37,851</b>	<b>(8,710)</b>	<b>(2,717)</b>	<b>(15,303)</b>	<b>17,455</b>



NOTES TO THE FINANCIAL STATEMENTS

NOTE 33 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Net Fair Value

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

	Total Carrying Amount as per Balance Sheet		Aggregate Net Fair Value	
	2014 \$'000s	2013 \$'000s	2014 \$'000s	2013 \$'000s
<b>Financial Assets</b>				
Cash and Cash Equivalents	42,632	27,663	42,632	27,663
Financial Assets	3,312	19,500	3,312	19,500
Trade and Other Receivable	5,130	3,416	5,130	3,416
<b>Total Financial Assets</b>	<b>51,074</b>	<b>50,579</b>	<b>51,074</b>	<b>50,579</b>
<b>Financial Liabilities</b>				
Trade and Other Payables	10,942	16,695	10,942	16,695
Trust Funds and Deposits	2,214	2,043	2,214	2,043
Interest-Bearing Liabilities	19,651	14,386	19,651	14,386
<b>Total Financial Liabilities</b>	<b>32,807</b>	<b>33,124</b>	<b>32,807</b>	<b>33,124</b>

(d) Risk 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. We manage interest rate risk on our net debt portfolio by:

- 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.

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,
- adequate safety,
- 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.

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 33 FINANCIAL INSTRUMENTS (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 all 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 financial institutions which has a recognised credit rating specified in our investment policy.

Trade and other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the 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 26.

##### Movement in Provision for Doubtful Debts

Balance at the beginning of the year	53	66
New Provisions recognised during the year	18	23
Amounts already provided for and written off as uncollectible	(12)	(15)
Amounts provided for but recovered during the year	(16)	(21)
<b>Balance at the end of the year</b>	<b>43</b>	<b>53</b>

	2014	2013
	\$'000s	\$'000s
	53	66
	18	23
	(12)	(15)
	(16)	(21)
<b>Balance at the end of the year</b>	<b>43</b>	<b>53</b>

##### 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 the Councils' Trade and Other Receivables at reporting date was:

Current (not yet overdue)	2,445	2,314
Past due by up to 30 days	2,326	616
Past due between 31 and 60 days	85	100
Past due between 61 and 90 days	48	28
Past due by more than 90 days	226	358
	<b>5,130</b>	<b>3,416</b>



NOTES TO THE FINANCIAL STATEMENTS

NOTE 33 FINANCIAL INSTRUMENTS (CONTINUED)

**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 financial assets at all.

To help reduce these risks we:

- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

The table below lists the contractual maturities for Council's Financial Liabilities.

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

	6 Months or Less	6-12 Months	1-2 Years	2-5 Years	>5 Years	Total Amount	Carrying Amount
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>2014</b>							
Trade and Other Payables	10,942	-	-	-	-	10,942	10,942
Trust Funds and Deposits	2,214	-	-	-	-	2,214	2,214
Interest-Bearing Liabilities	9,933	1,647	2,921	5,918	1,425	21,844	19,651
	<b>25,103</b>	<b>3,661</b>	<b>4,935</b>	<b>7,932</b>	<b>3,439</b>	<b>37,014</b>	<b>34,821</b>
<b>2013</b>							
Trade and Other Payables	16,695	-	-	-	-	16,695	16,695
Trust Funds and Deposits	2,043	-	-	-	-	2,043	2,043
Interest-Bearing Liabilities	2,055	1,832	3,334	7,333	2,941	17,495	14,386
	<b>20,793</b>	<b>1,832</b>	<b>3,334</b>	<b>7,333</b>	<b>2,941</b>	<b>36,233</b>	<b>33,124</b>

**(e) 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 the Commonwealth Bank of Australia):

- A parallel shift of +1% and -2% in market interest rates (AUD) from year end rates of 2.50%. (2012/13 2.75%)

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

Based on a market interest rate (AUD) at year end of 2.50% (2012/13 2.75%) a parallel shift of +1% will result in an increase of \$211K (2012/13 \$63K) in operating surplus and equity and accordingly a parallel shift of -2% would have resulted in a decrease of \$422K and (2012/13 \$126K) in operating surplus and equity on those balances subject to floating interest rates.

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 34   AUDITOR'S REMUNERATION</b>		
Audit Fee to conduct External Audit – Victorian Auditor-General	59	58
Internal Audit Fees	39	66
	<b>98</b>	<b>124</b>

<b>NOTE 35   INCOME, EXPENSES AND ASSETS BY FUNCTION/ACTIVITY</b>								
	TOTAL	Executive Office	Economic Sustainability	Organisational Excellence	Recreation, and Community Infrastructure	Community Liveability	Planning and Governance	Other
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
<b>2014</b>								
<b>Income</b>								
Grants	27,942	-	406	3	1,961	13,134	153	12,286
Other	91,435	3	5,027	59	8,883	7,763	919	68,781
<b>Total Income</b>	<b>119,377</b>	<b>3</b>	<b>5,433</b>	<b>62</b>	<b>10,843</b>	<b>20,897</b>	<b>1,072</b>	<b>81,067</b>
<b>Expenses</b>								
	<b>111,725</b>	<b>1,467</b>	<b>12,223</b>	<b>6,835</b>	<b>23,713</b>	<b>29,208</b>	<b>8,487</b>	<b>29,792</b>
<b>Surplus (deficit) for the year</b>	<b>7,653</b>	<b>(1,465)</b>	<b>(6,789)</b>	<b>(6,773)</b>	<b>(12,869)</b>	<b>(8,311)</b>	<b>(7,414)</b>	<b>51,275</b>
<b>Assets attributed to Function/Activities *</b>	<b>1,091,492</b>	<b>545</b>	<b>47,614</b>	<b>746</b>	<b>883,900</b>	<b>106,172</b>	<b>1,742</b>	<b>50,773</b>

<b>2013</b>								
<b>Income</b>								
Grants	30,044	3	361	1	2,178	12,527	181	14,794
Other	85,069	2	4,020	111	6,945	7,485	1,123	65,382
<b>Total Income</b>	<b>115,113</b>	<b>5</b>	<b>4,381</b>	<b>113</b>	<b>9,123</b>	<b>20,012</b>	<b>1,304</b>	<b>80,175</b>
<b>Expenses</b>								
	<b>105,590</b>	<b>1,227</b>	<b>11,822</b>	<b>6,743</b>	<b>22,682</b>	<b>26,532</b>	<b>7,855</b>	<b>28,729</b>
<b>Surplus (deficit) for the year</b>	<b>9,523</b>	<b>(1,222)</b>	<b>(7,441)</b>	<b>(6,630)</b>	<b>(13,558)</b>	<b>(6,520)</b>	<b>(6,552)</b>	<b>51,446</b>
<b>Assets attributed to Function/Activities *</b>	<b>1,083,641</b>	<b>463</b>	<b>44,944</b>	<b>944</b>	<b>874,274</b>	<b>108,925</b>	<b>1,764</b>	<b>52,327</b>

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

NOTE 35

INCOME, EXPENSES AND ASSETS BY FUNCTION/ACTIVITY (CONTINUED)

**EXECUTIVE OFFICE**

This division is responsible for the management of council operations and chief executive office functions.

**ECONOMIC SUSTAINABILITY**

This division is responsible for investment facilitation, tourism and Latrobe Regional Airport activities and natural environment sustainability including the management of waste services.

**ORGANISATIONAL EXCELLENCE**

This division is responsible for people management and development, corporate strategy and information services.

**RECREATION, & COMMUNITY INFRASTRUCTURE**

This division is responsible for recreational and cultural activities, infrastructure operations such as the maintenance of buildings, roads, drains and parks and gardens, transit cities and the management of capital projects. It is also responsible for cleansing services such as street and footpath sweeping and cleaning of public conveniences.

**COMMUNITY LIVEABILITY**

This division is responsible for the provision of family and children services programs including preschool, childcare and maternal and child health. Community Liveability is also responsible for community wellbeing programs including home care, meals on wheels ADASS and environmental health. This division also manages community information services including libraries, service centres and local laws. Community capacity building programs are also part of this division's responsibility.

**PLANNING AND GOVERNANCE**

This division is responsible for council operations and legal counsel, financial management, community relations, risk management, statutory and strategic planning and building services.

**OTHER**

Other includes the Victoria Grants Commission general purpose grants and rate revenue together with expenditure that is not attributable to any other division.

## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

#### NOTE 36 FINANCIAL RATIOS

	2014	2014	2013	2013	2012	2012
	\$'000s	%	\$'000s	%	\$'000s	%

#### (i) Debt Servicing Ratio

(to identify the capacity of Council to service its outstanding debt)

Debt Servicing Cost	1,211	= 1.01%	1,086	= 0.94%	1,226	= 1.08%
Total Revenue	119,377		115,113		113,545	

Debt servicing costs refer to the payment of interest on loan borrowings, finance lease, and bank overdraft.

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

#### (ii) Debt Commitment Ratio

(to identify a Council's debt redemption strategy)

Debt Servicing & Redemption Costs	4,916	= 7.41%	4,237	= 6.76%	4,069	= 6.92%
Rate Revenue	66,355		62,637		58,762	

The strategy involves the payment of loan principal and interest, finance lease principal and interest.

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

#### (iii) Revenue Ratio

(to identify a Council's dependence on non-rate income)

Rate Revenue	66,355	= 55.58%	62,637	= 54.41%	58,762	= 51.75%
Total Revenue	119,377		115,113		113,545	

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

#### (iv) Debt Exposure Ratio

(to identify a Council's exposure to debt)

Total Indebtedness	60,740	= 13.59%	61,409	= 13.87%	61,053	= 15.08%
Total Realisable Assets	446,889		442,882		404,902	

For the purpose 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 19) 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 and total infrastructure assets.

The 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 Council assets not subject to any restriction and are able to be realised. The ratio expresses the percentage to total liabilities for each dollar of realisable assets.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 36 FINANCIAL RATIOS (CONTINUED)

2014	2014	2013	2013	2012	2012
\$'000s	%	\$'000s	%	\$'000s	%

(v) Working Capital Ratio

(to assess a Council's ability to meet current commitments)

Current Assets	55,198	=	150%	53,662	=	157%	50,490	=	204%
Current Liabilities	36,914			34,188			24,704		

The ratio expresses the level of current assets the Council has available to meet its current liabilities.

(vi) Adjusted Working Capital Ratio

(to assess a Council's ability to meet current commitments)

Current Assets	55,198	=	175%	53,662	=	183%	50,490	=	268%
Current Liabilities	31,631			29,334			18,816		

The ratio expresses the level of current assets the Council has available to meet its adjusted 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.



## Financial Report

### NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	\$'000s	\$'000s
<b>NOTE 37   CAPITAL EXPENDITURE</b>		
<b>Capital Expenditure Areas</b>		
Roads, Paths, Bridges and Carparks	16,602	13,997
Drainage	263	75
Land, Buildings and Improvements	4,002	4,352
Plant and Equipment	1,750	3,178
Furniture, Equipment and Intangibles	864	1,231
Playgrounds	584	423
Artworks	15	24
Landfill Cell Construction	27	1,006
<b>Total Capital Works</b>	<b>24,108</b>	<b>24,286</b>
<b>Represented by:</b>		
Asset Renewal (a)	18,617	14,260
New Assets (b)	3,510	4,038
Asset Expansion/ Upgrade (c)	1,981	5,988
<b>Total Capital Works</b>	<b>24,108</b>	<b>24,286</b>

#### Property, Infrastructure, Plant and Equipment and Intangibles Movement

The movement between the previous year and the current year in Property, Infrastructure, Plant and Equipment and Intangibles as shown in the Balance Sheet links to the net of the following items:

<b>Total Capital Works</b>	<b>24,108</b>	<b>24,286</b>
Depreciation and Amortisation	(22,195)	(20,004)
Less Written Down Value of Assets Sold	(529)	(856)
Developer Contributed Assets	4,578	2,150
Write-off Previously Recognised Assets	(574)	407
Landfill Provision Present Value Increase	71	744
Asset Revaluation Reserve	866	91,521
<b>Net Movement in Property, Infrastructure, Plant and Equipment and Intangibles</b>	<b>6,325</b>	<b>98,247</b>

#### (a) Asset 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) New Assets

Expenditure which creates a new asset that provides a new service that did not previously exist. New asset expenditure does not have any element of renewal, expansion or upgrade of existing assets. New capital expenditure may or may not result in additional revenue for council and will result in an additional burden for future operation, maintenance and capital renewal.

#### (c) Asset Expansion/ Upgrade

Expenditure that extends the capacity of an existing asset to provide benefits, at the same standard as is currently enjoyed by existing beneficiaries, to new 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.

Expenditure which enhances an existing asset to provide a higher level of service or that will increase the life of the asset beyond that which it originally had. Asset 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.

CERTIFICATION OF THE FINANCIAL REPORT

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.

Principal Accounting Officer

Matthew Rogers, CPA  
Dated: xx September 2014

In our opinion the accompanying financial statements present fairly the financial transactions of the Latrobe City Council for the year ended 30 June 2014 and the financial position of the Council as at the 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 xx September 2014 to certify the financial statements in their final form.

Councillor

Cr.  
Dated: xx September 4

Councillor

Cr.  
Dated: xxSeptember 2014

Acting Chief Executive Officer

John Mitchell  
Dated: 1x September 4

## Financial Report

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STANDARD STATEMENTS

STANDARD INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

REF	Actual	Budget	Variances	
	2013/14	2013/14	\$'000s	%
	\$'000s	\$'000s	\$'000s	%
<b>INCOME</b>				
Rates	66,355	66,530	(175)	(0)
Operating Grants and Contributions	1 20,965	23,504	(2,539)	(11)
Capital Grants and Contributions	2 6,977	11,777	(4,800)	(41)
Interest	3 1,566	1,223	343	28
User Fees and Charges	4 16,203	14,060	2,143	15
Other Income	5 2,655	1,869	786	42
Developer Contributions	6 36	72	(36)	(50)
Developer Contributed Assets	7 4,578	2,000	2,578	129
<b>Total Income</b>	<b>119,336</b>	<b>121,035</b>	<b>(1,699)</b>	<b>(1)</b>
<b>EXPENSES</b>				
Employee Costs	8 (49,900)	(49,696)	(204)	0
Materials and Services	9 (32,686)	(31,995)	(691)	2
Bad and Doubtful Debts	10 (8)	(18)	10	(57)
Finance Costs	(1,211)	(1,337)	126	(9)
Other Expenditure	11 (5,151)	(4,378)	(773)	18
Depreciation and Amortisation	(22,195)	(22,100)	(95)	0
Write off Previously Recognised Assets	12 (533)	0	(533)	100
<b>Total Expenses</b>	<b>(111,683)</b>	<b>(109,525)</b>	<b>(2,158)</b>	<b>2</b>
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>7,653</b>	<b>11,510</b>	<b>(3,857)</b>	<b>(34)</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Other	13 866	19,130	(18,264)	(95)
<b>Total Comprehensive Income for the Year</b>	<b>8,519</b>	<b>30,639</b>	<b>(22,120)</b>	<b>(72)</b>

## Financial Report

### NOTES TO THE STANDARD STATEMENTS

#### STANDARD INCOME STATEMENT

##### Variance Explanation Report

REF	ITEM	COMMENTARY
1	<b>Operating Grants and Contributions</b>	<b>Outcome: Unfavourable \$2.539 million or 11%</b>  The unfavourable variance is mainly as a result of Victoria Grants Commission funding for the 2013/14 financial year that was advanced to Council in the previous financial year, no such advance was made in June 2014.
2	<b>Capital Grants and Contributions</b>	<b>Outcome: Unfavourable \$4.800 million or 41%</b>  The unfavourable variance is mainly a result of funding originally budgeted for the Moe Rail Precinct Revitalisation and other projects which are now expected to be received during the 2014/2015 financial year.
3	<b>Interest</b>	<b>Outcome: Favourable \$0.343 million or 28%</b>  Additional interest income was achieved mainly due to greater than expected cash holdings as a result of the receipt of additional program and project funding in advance of the timing of expenditure and some delays in capital works projects.
4	<b>User Fees and Charges</b>	<b>Outcome: Favourable \$2.143 million or 15%</b>  The additional income is primarily due to greater than expected commercial & industrial waste received at Council's Landfill facility. Other favourable variances were received for child care and subdivision supervision fees.
5	<b>Other Income</b>	<b>Outcome: Favourable \$0.786 million or 42%</b>  The additional income relates to an insurance claim refund for Moe Tennis Complex together with greater than budgeted interest on outstanding rates and charges.
6	<b>Developer Contributions</b>	<b>Outcome: Unfavourable \$0.036 million or 50%</b>  Cash contributions from developers were lower than expected mainly due to the timing of these contributions being difficult to predict.
7	<b>Developer Contributed Assets</b>	<b>Outcome: Favourable \$2.578 million or 129%</b>  Infrastructure asset contributions from developers were higher than expected mainly due to the timing of these contributions being difficult to predict.
8	<b>Employee Costs</b>	<b>Outcome: Unfavourable \$0.204 million or 0%</b>  The additional expenditure was mainly a result of higher than expected parental leave, workcover premium, recruitment costs and overtime associated with the February fires.
9	<b>Materials and Services</b>	<b>Outcome: Unfavourable \$0.691 million or 2%</b>  The additional expenditure was mainly a result of additional costs associated with the February Fires and mine fire response which is expected to be recouped through Natural Disaster funding in 2014/2015.



NOTES TO THE STANDARD STATEMENTS

STANDARD INCOME STATEMENT (CONTINUED)

Variance Explanation Report

REF	ITEM	COMMENTARY
10	<b>Bad and Doubtful Debts</b>	<b>Outcome: Favourable \$0.010 million or 57%</b>  The favourable result is primarily due to a doubtful debt recognised in the previous financial year that was subsequently received in full in the 2013/14 financial year.
11	<b>Other Expenditure</b>	<b>Outcome: Unfavourable \$0.773 million or 18%</b>  The additional expenditure is mainly due to higher than expected Environmental Protection Agency (EPA) levies as a result of the higher than expected commercial and industrial waste received at Council's landfill facility. These levies are recouped through user fees and charges.
12	<b>Write-off Previously Recognised Assets</b>	<b>Outcome: Unfavourable \$0.533 million or 100%</b>  During the financial year a review of Council's Infrastructure assets identified some duplications and assets which were no longer controlled by Council.
13	<b>Other Comprehensive Income</b>	<b>Outcome: Unfavourable \$18.264 million or 95%</b>  An anticipated revaluation of Council's infrastructure assets was unable to be completed during the financial year meaning that only the Land Under Roads asset class was revalued. Reference to inflation factors suggested that any indexation increments would be immaterial.

## Financial Report

### STANDARD STATEMENTS

#### STANDARD BALANCE SHEET AS AT 30 JUNE 2014

	REF	Actual	Budget	Variances	
		2013/14	2013/14	\$'000s	%
		\$'000s	\$'000s	\$'000s	%
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents and Financial Assets	1	45,942	17,026	28,916	170
Trade and Other Receivables		8,962	9,087	(125)	(1)
Prepayments	2	293	354	(61)	(17)
<b>Total Current Assets</b>		<b>55,198</b>	<b>26,467</b>	<b>28,731</b>	<b>109</b>
<b>NON-CURRENT ASSETS</b>					
Trade and Other Receivables	3	17	10	7	68
Property, Plant, Equipment and Intangibles	4	1,036,275	996,071	40,204	4
Financial Assets		2	2	0	0
<b>Total Non-Current Assets</b>		<b>1,036,294</b>	<b>996,083</b>	<b>40,211</b>	<b>4</b>
<b>TOTAL ASSETS</b>		<b>1,091,492</b>	<b>1,022,550</b>	<b>68,941</b>	<b>7</b>
<b>CURRENT LIABILITIES</b>					
Trade and Other Payables	5	10,942	7,267	3,675	51
Interest-Bearing Liabilities	6	10,823	3,316	7,507	226
Provisions - Employee Benefits		10,815	10,976	(161)	(1)
Provisions - Landfill Improvements	7	2,120	1,500	620	41
Trust Funds and Deposits	8	2,214	1,566	648	41
<b>Total Current Liabilities</b>		<b>36,914</b>	<b>24,625</b>	<b>12,289</b>	<b>50</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest-Bearing Liabilities	9	8,828	16,557	(7,729)	(47)
Provisions - Employee Benefits		1,370	1,538	(168)	(11)
Provisions - Landfill Improvements	10	13,628	11,580	2,048	18
<b>Total Non-Current Liabilities</b>		<b>23,827</b>	<b>29,675</b>	<b>(5,848)</b>	<b>(20)</b>
<b>TOTAL LIABILITIES</b>		<b>60,740</b>	<b>54,300</b>	<b>6,440</b>	<b>12</b>
<b>NET ASSETS</b>		<b>1,030,751</b>	<b>968,250</b>	<b>62,501</b>	<b>6</b>
<b>EQUITY</b>					
Accumulated Surplus	11	628,307	620,939	7,368	1
Asset Revaluation Reserve	12	400,119	345,433	54,686	16
Other Reserves	13	2,325	1,878	447	24
<b>TOTAL EQUITY</b>		<b>1,030,751</b>	<b>968,250</b>	<b>62,501</b>	<b>6</b>

NOTES TO THE STANDARD STATEMENTS

STANDARD BALANCE SHEET

Variance Explanation Report

REF	ITEM	COMMENTARY
1	<b>Cash and Cash Equivalents and Financial Assets</b>	<b>Outcome: Favourable \$28.916 million or 170%</b> Cash and financial assets are higher than budgeted mainly due to the early receipt of government grant funding, together with incomplete capital works at the end of the reporting period.
2	<b>Prepayments</b>	<b>Outcome: Unfavourable \$0.061 million or 17%</b> The level of prepayments lower than expected mainly due to the later than expected receipt of software maintenance invoices for 2014/2015.
3	<b>Trade and Other Receivables – Non current</b>	<b>Outcome: Favourable \$0.007 million or 68%</b> Minor variance showing as large percentage due small budget amount.
4	<b>Property, Plant, Equipment and Intangibles</b>	<b>Outcome: Favourable \$40.204 million or 4%</b> The additional valuation is mainly a result of asset revaluations that were processed at the end of the 2012/13 financial year but after the 2013/14 budget had been prepared.
5	<b>Trade and Other Payables</b>	<b>Outcome: Unfavourable \$3.675 million or 51%</b> The value of supplier invoices received after 30 June for works performed in the 2013/2014 reporting period was higher than anticipated in the budget which allowed for these payments being made prior year end.
6	<b>Interest-Bearing Liabilities</b>	<b>Outcome: Unfavourable \$7.507 million or 226%</b> Council's 2013/14 borrowings have been placed in a short term loan facility pending the first issuance of the Local Government Funding Vehicle. As the short term facility matures in the new financial year the whole amount is required to be treated as current as at balance date.
7	<b>Provisions – Landfill Improvements (Current)</b>	<b>Outcome: Unfavourable \$0.620 million or 41%</b> The current provision is higher than anticipated due to works budgeted for 2013/14 that have not been completed as at the balance date.
8	<b>Trust Funds and Deposits</b>	<b>Outcome: Unfavourable \$0.648 million or 41%</b> The higher than budgeted balance is due to greater than anticipated holdings of security deposits and contract retention amounts at the end of the financial year.
9	<b>Interest-Bearing Liabilities – (Non-current)</b>	<b>Outcome: Favourable \$7.729 million or 41%</b> Council's 2013/14 borrowings have been placed in a short term loan facility pending the first issuance of the Local Government Funding Vehicle. As the short term facility matures in the new financial year the whole amount is required to be treated as current as at balance date. The budget assumed a ten year loan with nine years of principal repayment treated as non-current.

## Financial Report

### NOTES TO THE STANDARD STATEMENTS

#### STANDARD BALANCE SHEET (CONTINUED)

##### Variance Explanation Report

REF	ITEM	COMMENTARY
10	<b>Provisions – Landfill Improvements (Non Current)</b>	<b>Outcome: Unfavourable \$2.048 million or 18%</b>  This provision is higher than anticipated as a result of delays in commencing rehabilitation works together with increments in the provision due to inflation and present value calculations.
11	<b>Accumulated Surplus</b>	<b>Outcome: Favourable \$7.368 million or 1%</b>  The increased surplus relates mainly to higher than expected opening equity in the 2013/14 financial year partially offset by a lower than expected surplus in the current reporting period. The additional surplus was largely due to government grants and other funds received in advance together with some other project/program expenditures that were delayed to the 2013/14 financial year.
12	<b>Asset Revaluation Reserve</b>	<b>Outcome: Favourable \$54.686 million or 16%</b>  The additional balance is mainly a result of asset revaluations that were processed at the end of the 2012/13 financial year but after the 2013/14 budget had been prepared.
13	<b>Other Reserves</b>	<b>Outcome: Favourable \$0.447 million or 24%</b>  The additional balance is due to delays in drainage works that were earmarked to be funded from reserve during the reporting period.

Financial Report

STANDARD STATEMENTS

STANDARD CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

REF	Actual	Budget	Variances		
	2013/14	2013/14	\$'000s	%	
	\$'000s	\$'000s	\$'000s	%	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<i>Receipts</i>					
	65,560	65,534	26	0	
Rates and Charges					
User Fees and Fines	1	16,973	14,060	2,913	21
Grants	2	27,793	35,209	(7,416)	(21)
Interest	3	1,739	1,223	516	42
Developer Contributions	4	36	72	(36)	(50)
Other Receipts	5	1,581	1,941	(360)	(19)
	113,683	118,039	(4,356)	(4)	
<i>Payments</i>					
Employee Costs		(49,289)	(49,112)	(177)	0
Other Payments	6	(46,130)	(46,467)	337	(1)
	(95,419)	(95,579)	160	(0)	
<b>Net Cash Flows from Operating Activities</b>	<b>18,263</b>	<b>22,460</b>	<b>(4,197)</b>	<b>(19)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from Property, Plant and Equipment	570	621	(51)	(8)	
Payments for Property, Plant and Equipment	7	(24,108)	(41,216)	17,108	42
Net movement in Financial Assets	8	16,190	-	16,190	(100)
<b>Net Cash Flows from/(used in) Investing Activities</b>	<b>(7,348)</b>	<b>(40,595)</b>	<b>33,247</b>	<b>(82)</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Finance Costs	(1,211)	(1,337)	126	9	
Proceeds from Borrowings	8,970	8,970	0	0	
Repayment of Borrowings	(3,705)	(3,483)	(222)	(6)	
<b>Net Cash Flows from/(used in) Financing Activities</b>	<b>4,054</b>	<b>4,150</b>	<b>(96)</b>	<b>0</b>	
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>14,970</b>	<b>(13,985)</b>	<b>28,955</b>	<b>207</b>	
Cash and Cash Equivalents at Beginning of Financial Year	9	27,663	31,011	(3,348)	(11)
<b>Cash at End of Financial Year</b>	<b>42,632</b>	<b>17,026</b>	<b>25,606</b>	<b>150</b>	



## Financial Report

### NOTES TO THE STANDARD STATEMENTS

#### STANDARD CASH FLOW STATEMENT

##### Variance Explanation Report

REF	ITEM	COMMENTARY
1	<b>User Fees and Fines</b>	<b>Outcome: Favourable \$2.913 million or 21%</b> The additional income is primarily due to greater than expected commercial & industrial waste received at Council's Landfill facility. Other favourable variances were received for child care and subdivision supervision fees.
2	<b>Grants</b>	<b>Outcome: Unfavourable \$7.416 million or 21%</b> The unfavourable variance is mainly as a result of Victoria Grants Commission funding for the 2013/14 financial year that was advanced to Council in the previous financial year, no such advance was made in June 2014. The other factor was Capital grants that are now expected to be received in the 2014/2015 reporting period.
3	<b>Interest</b>	<b>Outcome: Favourable \$0.516 million or 42%</b> Additional interest income was achieved mainly due to greater than expected cash holdings as a result of the receipt of additional program and project funding in advance of the timing of expenditure and some delays in capital works projects.
4	<b>Developer Contributions</b>	<b>Outcome: Unfavourable \$0.036 million or 50%</b> Cash contributions from developers were lower than expected mainly due to the timing of these contributions being difficult to predict.
5	<b>Other Receipts</b>	<b>Outcome: Unfavourable \$0.360 million or 19%</b> Cash flow for other receipts is lower than expected mainly due to higher than expected outstanding sundry debtors as at the balance date.
6	<b>Other Payments</b>	<b>Outcome: Favourable \$0.337 million or 1%</b> The lower than anticipated level of payments was mainly due to delayed project and program expenditure which will now be incurred in the 2014/2015 financial year.
7	<b>Payments for Property , Plant and Equipment</b>	<b>Outcome: Favourable \$17.108 million or 42%</b> The lower than anticipated level of payments was mainly due to delayed capital project expenditure which will now be incurred in the 2014/2015 financial year..
8	<b>Net movement in Financial Assets</b>	<b>Outcome: Favourable \$16.190 million or 100%</b> Payments for term deposits with an original maturity of greater than 90 days were treated as Cash and Cash Equivalents in the budget but have been actually classified as Financial Assets as a result of advice from the Victorian Auditor General's Office.

NOTES TO THE STANDARD STATEMENTS

STANDARD CASH FLOW STATEMENT (CONTINUED)

Variance Explanation Report

REF	ITEM	COMMENTARY
9	Cash and Cash Equivalents at Beginning of Financial Year	<p><b>Outcome: Unfavourable \$3.348 million or 11%</b></p> <p>The lower than expected balance at the beginning of the year was mainly due to term deposits with an original maturity of greater than 90 days which were treated as Cash and Cash Equivalents in the budget but have been actually classified as Financial Assets as a result of advice from the Victorian Auditor General's Office. This was largely offset by funding that was advanced to Council in the previous financial year together with capital and operational projects funds which were carried forward to be expended in 2013/14.</p>

## Financial Report

### STANDARD STATEMENTS

#### STANDARD CAPITAL WORKS STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

REF	Actual	Budget	Variances		
	2013/14	2013/14	\$'000s	%	
	\$'000s	\$'000s	\$'000s	%	
<b>CAPITAL WORKS AREAS</b>					
Roads, Paths, Bridges and Carparks	1	16,602	19,283	(2,682)	(14)
Drainage	2	263	1,361	(1,097)	(81)
Land, Buildings and Improvements	3	4,002	13,205	(9,203)	(70)
Plant and Equipment	4	1,750	2,291	(541)	(24)
Furniture, Equipment and Intangibles		864	800	64	8
Playgrounds	5	584	761	(176)	(23)
Artworks		15	15	0	2
Landfill Cell Construction	6	27	3,500	(3,473)	(99)
<b>Total Capital Works</b>		<b>24,108</b>	<b>41,216</b>	<b>(17,108)</b>	<b>(42)</b>
<b>Represented by:</b>					
Asset Renewal		18,617	18,802	(185)	(1)
New Assets	7	3,510	17,615	(14,105)	(80)
Asset Expansion/ Upgrade	8	1,981	4,799	(2,818)	(59)
<b>Total Capital Works</b>		<b>24,108</b>	<b>41,216</b>	<b>(17,108)</b>	<b>(42)</b>

#### Property, Infrastructure, Plant and Equipment and Intangibles movement reconciliation worksheet

<b>Total Capital Works</b>	<b>24,108</b>	<b>41,216</b>	<b>(17,108)</b>	<b>(42)</b>
Depreciation and Amortisation	(22,195)	(22,100)	(95)	0
Less Written down value of assets sold	(529)	(621)	92	(15)
Developer contributed assets	4,578	2,000	2,578	129
Write-off Previously Recognised Assets	(574)	-	(574)	100
Landfill Provision present value increase	71	-	71	100
Asset Revaluation Reserve	866	19,130	(18,264)	(95)
<b>Net movement in Property, Infrastructure, Plant and Equipment and Intangibles</b>	<b>6,325</b>	<b>39,625</b>	<b>(33,300)</b>	<b>(84)</b>

STANDARD CAPITAL WORKS STATEMENT

Variance Explanation Report

REF	ITEM	COMMENTARY
1	<b>Roads, Paths, Bridges and Carparks</b>	<b>Outcome: Under budget \$2.682 million or 14%</b>  The lower than anticipated expenditure is largely due to delays experienced in Churchill Activity Centre Plan works, road rehabilitation projects, rural gravel road sealing program and the timber haulage program. These funds will be carried over to complete these projects in the 2014/2015 financial reporting period.
2	<b>Drainage</b>	<b>Outcome: Under budget \$1.097 million or 81%</b>  The variance relates to delays in drainage projects including Moe North West, Crinigan Road and Milburn Court. These funds will be carried over to complete these projects in the 2014/2015 financial reporting period.
3	<b>Land, Buildings and Improvements</b>	<b>Outcome: Under budget \$9.203 million or 70%</b>  The variance relates mainly to the Moe Rail Precinct Revitalisation Project stage 1 which was originally budgeted to commence in 2013/14 but due to delays in securing funding will now be commenced in the 2014/2015 financial reporting period. Other major carry forward projects include Hazelwood Pondage wastewater and Latrobe Regional Airport upgrade works.
4	<b>Plant and Equipment</b>	<b>Outcome: Under budget \$0.541 million or 24%</b>  Due to a review of Council's Motor Vehicle Framework there was a delay in the fleet replacement program for the year, unspent funds are planned to be carried forward for expenditure in the 2014/2015 financial reporting period.
5	<b>Playgrounds</b>	<b>Outcome: Under budget \$0.176 million or 23%</b>  The variance relates mainly to delays in the Morwell Town Common AAA Playground project as a result of later than expected timing of external funding confirmation.
6	<b>Landfill Cell Construction</b>	<b>Outcome: Under budget \$3.473 million or 99%</b>  The construction of cell 4 is now expected to commence in the 2014/2015 financial reporting period.
7	<b>New Assets</b>	<b>Outcome: Under budget \$14.105 million or 80%</b>  The variance relates mainly to the delays in the Moe Rail Precinct Revitalisation Program, Landfill Cell Construction, Latrobe Regional Airport, Hazelwood Pondage wastewater and Churchill Activity Centre Plan works.
8	<b>Asset Expansion/ Upgrade</b>	<b>Outcome: Under budget \$2.818 million or 59%</b>  The variance relates mainly to delays in Rural Gravel Road Sealing Program, Timber Haulage Program, and drainage upgrade works.

## Financial Report

### STANDARD STATEMENTS

#### BASIS OF PREPARATION OF STANDARD STATEMENTS

Council is required to prepare and include audited Standard Statements within its Annual Report. Four Statements are required a Standard Statement of Financial Performance, a Standard Balance Sheet, a Standard Statement of Cash Flows, 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 an 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 at the beginning of the Financial Statements section 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 City has adopted a materiality threshold of 10 per cent or \$250,000. 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 5 August 2013. 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 is contained in the General Purpose Financial Statements. The detailed budget can be obtained by contacting council. The Standard Statements must be read with reference to these documents.



CERTIFICATION OF STANDARD STATEMENTS

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*, the *Local Government (Finance and Reporting) Regulations 2004*.

Principal Accounting Officer

Matthew Rogers, CPA  
Dated: xxSeptember 2014

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 16 September 2013 to certify the standard statements in their final form.

Councillor

Cr. Dated: xx September 4

Councillor

Cr.  
Dated: xx September 4

Acting Chief Executive Officer

John Mitchell  
Dated: 1x September 4

## Financial Report

### *AUDITOR GENERAL'S REPORT ON FINANCIAL AND STANDARD STATEMENTS*

INSERT AUDIT REPORT HERE

*AUDITOR GENERAL'S REPORT ON FINANCIAL AND STANDARD STATEMENTS*

INSERT AUDIT REPORT HERE

## Financial Report

### PERFORMANCE STATEMENT

#### INTRODUCTION TO THE PERFORMANCE STATEMENT

The Performance Statement reports the result of Strategic Activities adopted by Council in its annual budget in accordance with the requirements of the *Local Government Act 1989*.

#### *Job Creation & Economic Sustainability*

##### KEY STRATEGIC ACTIVITY

*In accordance with the Economic Sustainability Strategy advocate for the creation of an industrial park and the Gippsland Logistics Precinct.*

**Achieved** - within the 2013/14 financial year, with performance targets met, as outlined below.

Performance Measure	Target	Actual
<b>Cost</b>	Latrobe City Council's financial contribution during the 2013/14 financial year will be limited to resources allocated within Council's adopted budget.	<b>Achieved.</b> Latrobe City Council allocated \$40,762 within the adopted budget towards the Gippsland Heavy Industry Park and the Gippsland Logistics Precinct, with actual expenditure of \$29,637 incurred.
<b>Time</b>	The Ordinary Council Meeting, at which a report detailing progress and activities during 2013/14 financial year will be presented to Council for consideration, will be no later than 30 June 2014.	<b>Achieved.</b> A report detailing the progress of the Gippsland Heavy Industry Park was presented to the 3 March 2014 Council meeting
<b>Quantity</b>	A report on the progress support of the creation of an industrial park and the Gippsland Logistics Precinct will be presented to Council for consideration.	<b>Achieved.</b> A report detailing the progress of the Gippsland Heavy Industry Park was presented to the 3 March 2014 Council meeting.
<b>Quality</b>	The creation of an industrial park and Gippsland Logistics Precinct are prioritised within Economic Sustainability Strategy 2011 as key Latrobe City Employment Zones.	<b>Achieved.</b> The Gippsland Heavy Industry Park and Gippsland Logistics Precinct are key employment zones within the Economic Sustainability Strategy 2011-2015.

### Job Creation & Economic Sustainability

#### KEY STRATEGIC ACTIVITY

*In accordance with the Economic Sustainability Strategy, present the outcomes of 2014 Gippsland Major Projects and Opportunities Summit to Council.*

**Not Achieved** – This event was cancelled due to bushfires and the Morwell Mine fire.

Performance Measure	Target	Actual
<b>Cost</b>	Latrobe City Council's financial contribution during the 2013/14 financial year will be limited to resources allocated within Council's adopted budget.	<b>Not Achieved.</b> As the event was not delivered the budget for the event was not expended.
<b>Time</b>	The Ordinary Council Meeting, at which a report detailing the outcomes of the Summit will be presented to Council for consideration, will be no later than 31 April 2014.	<b>Not Achieved.</b> The planned event has been cancelled due to the Hazelwood Mine fire.
<b>Quantity</b>	At least 80 representatives of business and government will attend the 2014 Gippsland Major Projects and Opportunities Summit.	<b>Not Achieved.</b> 270 invitees indicated an intention to attend the event.
<b>Quality</b>	The 2014 Gippsland Major Projects and Opportunities Summit will present details of five or more identified major investment opportunities within Gippsland.	<b>Not Achieved.</b> The preparation of the Summit was fully complete however due to the impact of the Hazelwood Mine fire the event was cancelled.



## Financial Report

### PERFORMANCE STATEMENT

#### *Appropriate, Affordable & Sustainable Facilities, Services & Recreation*

##### KEY STRATEGIC ACTIVITY

*Develop a Latrobe City Council 2013-2017 Arts Strategy and Action Plan for Council endorsement.*

**Not Achieved** - This project is now behind schedule with a tender process for consultancy scheduled to be undertaken during July 2014.

Performance Measure	Target	Actual
<b>Cost</b>	Latrobe City Council's financial contribution during the 2013/14 financial year will be limited to resources allocated within Council's adopted budget.	<b>Achieved.</b> Putting Locals First Program funding confirmed (\$40K), total budget now \$60K with a \$20K budget allocation from Latrobe City Council. Year to date actuals are \$0.
<b>Time</b>	The Ordinary Council Meeting, at which the 2013-2017 Arts Strategy and supporting action plan is presented to Council for consideration, will be no later than 30 June 2014.	<b>Not Achieved.</b> A project brief has been prepared and funding application with the State Government Putting Local First Program has been received. This project is now behind schedule with a tender process for consultancy scheduled to be undertaken during July 2014. The project has been deferred and will now be delivered during the 2014-2015 financial year. The decision has been made due to insufficient resources and workload priorities.
<b>Quantity</b>	An Arts Strategy which is adopted by Council.	<b>Not Achieved.</b> Funding has been confirmed, project will now be progressed during 2014-2015.
<b>Quality</b>	The creation of an Arts Strategy will guide Council in the future in respect to its provision of Arts based facilities and programs, with a view of increasing participation in the Arts.	<b>Not Achieved.</b> A project brief has been prepared.

PERFORMANCE STATEMENT

**Appropriate, Affordable & Sustainable Facilities, Services & Recreation**

KEY STRATEGIC ACTIVITY

*Complete the development of master plans for Morwell and Traralgon Recreation Reserves.*

**Not Achieved** - The Morwell Recreation Reserve Precinct Master plan was adopted by Council on 30/6/2014. A Council report presenting the Traralgon Recreation Reserve & Showgrounds master plan was presented to Council on 30/6/2014 seeking a deferment until further engagement activities have been undertaken.

Performance Measure	Target	Actual
<b>Cost</b>	Latrobe City Council's financial contribution during the 2013/14 financial year will be limited to resources allocated within Council's adopted budget.	<b>Achieved.</b> Latrobe City Council allocated \$119,800 within the adopted budget towards the master plans for Morwell and Traralgon Recreation Reserves, with actual expenditure of \$117,272 incurred.
<b>Time</b>	The Ordinary Council Meeting, at which the master plan for Morwell and Traralgon Recreation Reserves is presented to Council for consideration, will be no later than 30 June 2014.	<b>Achieved.</b> The Morwell Recreation Reserve Precinct Master Plan and the Traralgon Recreation Reserve & Showgrounds master plan were presented to Council on 30/6/2014.
<b>Quantity</b>	The two master plans will be presented to Council following extensive engagement with the key users and stakeholders of the two reserves, as well as the wider community.	<b>Not Achieved.</b> The Morwell Recreation Reserve Precinct Master plan was adopted by Council on 30/6/2014. A Council report presenting the Traralgon Recreation Reserve & Showgrounds master plan was presented to Council on 30/6/2014 seeking a deferment until further engagement activities have been undertaken.
<b>Quality</b>	Both of the master plans when completed will provide clear direction for the future development of the precincts and be supporting documents for the future pursuit of external funding.	<b>Not Achieved.</b> The Morwell Recreation Reserve Precinct master plan was adopted by Council on 30/6/2014.

## Financial Report

### PERFORMANCE STATEMENT

#### *Efficient, Effective & Accountable Governance*

##### KEY STRATEGIC ACTIVITY

*Review Council's procurement policy to maximise the proportion of local goods and services purchased.*

**Achieved** - within the 2013/14 financial year, with performance targets met, as outlined below.

Performance Measure	Target	Actual
<b>Cost</b>	Latrobe City Council's financial contribution during the 2013/14 financial year will be limited to resources allocated within Council's adopted budget.	<b>Achieved.</b> Latrobe City Council's contribution was limited to the cost of internal resources only.
<b>Time</b>	The Ordinary Council Meeting, at which a revised procurement policy is presented to Council for consideration, will be no later than 30 June 2014.	<b>Achieved.</b> The Procurement Policy was adopted by Council on 7 October 2013 and 6 November following further amendments. Another review was undertaken in January 2014 with Council amending the Policy on 28 January 2014.
<b>Quantity</b>	A procurement policy which is adopted by Council.	<b>Achieved.</b> The Procurement Policy was adopted by Council on 7 October 2013 and 6 November following further amendments. Another review was undertaken in January 2014 with Council amending the Policy on 28 January 2014. Policy incorporated weightings consistent with maximising use of local providers.
<b>Quality</b>	The adopted procurement policy will be compliant with the <i>Local Government Act 1989</i> and consistent with the Victorian Local Government Procurement Best Practice Guidelines 2013.	<b>Achieved.</b> The policy is compliant with Local Government Act and best Practice Guidelines.

*(Latrobe City Council acknowledges the subjective nature of this measure, but is constrained in its ability to provide an alternative quality measure that is quantifiable within the reporting period).*

**Advocacy for & Consultation with Our Community**

KEY STRATEGIC ACTIVITY

*Develop and conduct a program of Councillor Meetings with peak industry and community bodies.*

**Achieved** - within the 2013/14 financial year, with performance targets met, as outlined below.

Performance Measure	Target	Actual
<b>Cost</b>	Latrobe City Council's financial contribution during the 2013/14 financial year will be limited to resources allocated within Council's adopted budget.	<b>Achieved.</b> Latrobe City Council's contribution was limited to the cost of internal resources only.
<b>Time</b>	The Ordinary Council Meeting, at which a report outlining progress on the program of meetings will be presented to Council of consideration no later than 30 June 2014.	<b>Achieved.</b> A Council Report 'Summary of meetings between Latrobe City Council and Peak Industry Bodies' was considered and noted by Council at its Ordinary Meeting on 30 June 2014.
<b>Quantity</b>	A minimum of three meetings will be scheduled.	<b>Achieved.</b> Three meetings were held between peak industry bodies and Latrobe City Council including; AGL Loy Yang on 6 February 2014, Qube Logistics on 8 May 2014 and Port of Hastings Development Authority on 23 May 2014.
<b>Quality</b>	Meetings will be consistent with Council's new innovative and holistic approach to job creation, economic development, investment attraction and the transformation of Latrobe City.	<b>Achieved.</b> Meetings with peak industry bodies included discussion around the opportunities and challenges associated with job creation, economic development and investment attraction for Latrobe City. A summary of meeting discussion is outlined in the Council report 'Summary of meetings between Latrobe City Council and Peak Industry Bodies' which was noted by Council at its Ordinary Meeting on 30 June 2014.



## Financial Report

### PERFORMANCE STATEMENT

#### Planning for the Future

##### KEY STRATEGIC ACTIVITY

*Undertake improvements to Council's Statutory Planning procedures and delegations to improve timely processing of planning applications.*

**Achieved** - within the 2013/14 financial year, with performance targets met, as outlined below.

Performance Measure	Target	Actual
<b>Cost</b>	Latrobe City Council's financial contribution during the 2013/14 financial year will be limited to resources allocated within Council's adopted budget.	<b>Achieved.</b> Latrobe City Council's contribution was limited to the cost of internal resources only.
<b>Time</b>	A service improvement plan will be developed and presented to Councillors and implementation commenced by 30 June 2014.	<b>Achieved.</b> A report was presented to Councillors on the 11 November 2013 and the implementation of process improvement, including changes to Delegations which were approved by Council on the 3 March 2014.
<b>Quantity</b>	A service improvement plan will be developed and presented to Councillors and implementation commenced.	<b>Achieved.</b> A service improvement plan was developed and presented to Councillors and the implementation of process improvement, including changes to Delegations have commenced.
<b>Quality</b>	The service improvement plan will be consistent with strategic directions provided in the Council Plan 2013/2017 and the Planning and Environment Act 1987.	<b>Achieved.</b> A recognised core objective of the Council Plan 2013/2017 requires the planning department to reduce time taken to process planning applications. The service improvement plan identified improvement processes, including a change in delegations to achieve this directive. If council fails to make a decision on an application within 60 statutory days, as per Regulation 31 of the Planning and Environment Regulations 2005, the applicant can apply for a review to VCAT. By implementing the outcomes of the Service Improvement Plan, Planning has improved the percentage of decisions made within 60 days from 33% August 2013 to 71% in June 2014, therefore providing efficient and effective outcomes for the community as required under the Council plan and the Act.

*(Latrobe City Council acknowledges the subjective nature of this measure, but is constrained in its ability to provide an alternative quality measure that is quantifiable within the reporting period).*



*COUNCIL APPROVAL OF THE PERFORMANCE STATEMENT*

In our opinion the accompanying performance statement of the Latrobe City Council in respect of the 2013/14 financial year is presented fairly.

At the time of signing we are not aware of any circumstance which would render any particular in the statement to be misleading or inaccurate.

We have been authorised by the Council on 1x September 2014 to certify the performance statement in its final form.

Councillor

Cr.  
Dated: 1x September 4

Councillor

Cr.  
Dated: 1x September 4

Acting Chief Executive Officer

John Mitchell  
Dated: xxSeptember 2014

## Financial Report

### *AUDITOR GENERAL'S REPORT ON PERFORMANCE STATEMENT*

INSERT AUDIT REPORT HERE

*AUDITOR GENERAL'S REPORT ON PERFORMANCE STATEMENT*

INSERT AUDIT REPORT HERE

# **MEETING CLOSED TO THE PUBLIC**

**7. MEETING CLOSED TO THE PUBLIC**

Section 89(2) of the Local Government Act 1989 enables the Council to close the meeting to the public if the meeting is discussing any of the following:

- (a) Personnel matters;
- (b) The personal hardship of any resident or ratepayer;
- (c) Industrial matters;
- (d) Contractual matters;
- (e) Proposed developments;
- (f) Legal advice;
- (g) Matters affecting the security of Council property;
- (h) Any other matter which the Council or Special Committee considers would prejudice the Council or any person;
- (i) A resolution to close the meeting to members of the public.

**RECOMMENDATION**

**That the Ordinary Meeting of Council closes this meeting to the public to consider the following items which are of a confidential nature, pursuant to section 89(2) of the Local Government Act (LGA) 1989 for the reasons indicated:**

**7.1 LCC-216 PAVEMENT REHABILITATION OF FOURTH ROAD AT HAZELWOOD NORTH**

**Agenda item 7.1 *LCC-216 PAVEMENT REHABILITATION OF FOURTH ROAD AT HAZELWOOD NORTH* is designated as confidential as it relates to contractual matters (s89 2d)**

**7.2 INSTRUMENT OF DELEGATION - ACTING CHIEF EXECUTIVE OFFICER**

**Agenda item 7.2 *Instrument of Delegation - Acting Chief Executive Officer* is designated as confidential as it relates to personnel matters (s89 2a)**

**The Meeting closed to the public at 6.23 PM.**

**Moved:** Cr Rossiter  
**Seconded:** Cr Harriman

**That the Recommendation be adopted.**

**CARRIED UNANIMOUSLY**



**7.1 LCC-216 PAVEMENT REHABILITATION OF FOURTH ROAD AT  
HAZELWOOD NORTH****General Manager****Corporate Services**

*This matter is considered to be confidential under Section 89(2) (d) of the Local Government Act 1989, as it deals with contractual matters.*

**For Decision****PURPOSE**

The purpose of this report is to seek Council's acceptance of a tender response for the Pavement Rehabilitation of Fourth Road at Hazelwood North.

**EXECUTIVE SUMMARY**

The Pavement Rehabilitation of Fourth Road at Hazelwood North is stage one of a jointly funded project by the state government and Latrobe City Council. The project involves the reconstruction of road pavement and drainage along the primary alignment of the Access Roads and will provide access for current and future developments in the Gippsland Heavy Industry Park. The evaluation process has been undertaken and Sure Constructions (Vic) Pty Ltd has scored highest. The evaluation panel is satisfied that they have both the capacity and expertise to complete the contract.

**Cr Harriman left the Chamber at 6.28 PM.**

**Cr Harriman returned to the Chamber at 6.29 PM**

**RECOMMENDATION**

- 1 That Council accepts the tender submitted by Sure Constructions (Vic) Pty Ltd for Invitation to Tender No: LCC-216 Pavement Rehabilitation of Fourth Road at Hazelwood North, and awards a contract for the \$1,428,239.25, excluding GST, as this tender provides the best value for money outcome for the community when assessed against the evaluation criteria.**
- 2 That Council delegates the authority to the Acting Chief Executive Officer to sign and seal contracts with Sure Constructions (Vic) Pty Ltd resulting from Invitation to Tender No: LCC-216 Pavement Rehabilitation of Fourth Road at Hazelwood North.**

**SPECIAL COUNCIL MEETING MINUTES  
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**Moved:** Cr Middlemiss  
**Seconded:** Cr White

**That the Recommendation be adopted.**

**For the Motion**

Councillor/s Gibbons, Harriman, White, Middlemiss, O'Callaghan, Sindt, Gibson.

**Against the Motion**

Councillor/s Rossiter, Kam.

**The Mayor confirmed that the Recommendation had been CARRIED**

**DECLARATION OF INTEREST**

No officer declared an interest under the Local Government Act 1989 in the preparation of this report.

**STRATEGIC FRAMEWORK**

This report is consistent with Latrobe 2026: The Community Vision for Latrobe Valley and the Latrobe City Council Plan 2013-2017.

**Latrobe 2026: The Community Vision for Latrobe Valley*****Strategic Objectives - Governance***

*In 2026, Latrobe Valley has a reputation for conscientious leadership and governance, strengthened by an informed and engaged community, committed to enriching local decision making.*

**Latrobe City Council Plan 2013 - 2017****Theme, Objectives and Strategic Directions**

*Theme 2: Appropriate, affordable and sustainable facilities, services and recreation.*

*Objective: To provide facilities and services that are accessible and meet the needs of our diverse community.*

*Strategic Direction: Develop and maintain community infrastructure that meets the needs of our community.*

***Legislation***

Section 186 of the Local Government Act 1989.

**SPECIAL COUNCIL MEETING MINUTES  
15 SEPTEMBER 2014 (SM446)***Policy – Procurement Policy 14 POL-7*

The purpose of this Procurement Policy is to provide a framework to assist and ensure the efficient, effective, socially and ecologically responsible procurement of goods, services and works for Latrobe City Council.

**BACKGROUND**

The Gippsland Heavy Industry Park project is jointly funded by the state government and Latrobe City Council. It involves the construction of infrastructure of sufficient capacity and quality to improve the Gippsland Heavy Industry Park site to a standard normally required for an industrial precinct.

This stage of the project involves the reconstruction of road pavement and drainage along the primary alignment of the Access Roads. The project will provide access for current and future developments in the Gippsland Heavy Industry Park project and will assist in the development of 28 ha of vacant land. This will result in an increase to the capacity to create jobs for new or expanded businesses in the area.

Invitation to Tender No: LCC-216 Pavement Rehabilitation of Fourth Road at Hazelwood North was advertised in the Latrobe Valley Express on Monday 11 August and Thursday 14 August and The Age on Saturday, 9 August 2014.

Council received tenders from the following contractors:

- 1 Fulton Hogan Industries Pty Ltd
- 2 McInnes Earthmoving Pty Ltd
- 3 QR Construction (Gippsland) Pty Ltd
- 4 Sure Constructions (Vic) Pty Ltd
- 5 Civil Construction Network Services (CCNS)

**KEY POINTS/ISSUES**

The tenders were assessed against the evaluation criteria of price, capacity, track record, time performance, occupational health and safety, benefit to regional economy and employment of trainees/apprentices. The attached evaluation report details the scores given to the tenders. The following comments should be read in conjunction with this report.

*Price*

Price will be discussed in detail within the Financial and Resources Implications section.

*Capacity*

Fulton Hogan, Sure Constructions and McInnes Earthmoving all scored an eight for this criteria.

Fulton Hogan have advised that they have the personnel and equipment available to complete the works. They also advised that they have no other ongoing projects at the time of the contract.

Sure's have advised that they have the required equipment and personnel at their disposal to complete the works. They have advised that they have another two smaller private contracts ongoing at the time of the works. Due to the large size of the organisation they have the ability to deliver to multiple deadlines.

McInnes Earthmoving have also demonstrated that they have the required equipment and personnel available to complete the project. They have minimal ongoing projects at the time of contract. They have demonstrated experience and expertise in the project work.

QR Construction and CCNS both scored a seven for this criteria.

QR Construction have the required personnel and equipment to complete the works however they have listed a large ongoing contract at the time of the contract.

CCNS are a smaller organisation that has minimal ongoing contracts however they have never completed a project of this size before. They have not advised in their submission the personnel and equipment they would have available to complete the contract.

*Track Record*

QR Constructions, Sure Constructions and McInnes Earthmoving scored an eight for this criteria as all have worked on contracts of this size and nature in the past. They have all completed projects for Council in the past that have been of a high standard and quality. All demonstrate professional customer service and work hard to rectify any issues that arise.

Fulton Hogan scored a seven for this criteria as the have completed projects of a similar size and nature in the past and have delivered multiple projects for Council. Their work is to a high standard and they are professional to deal with however they have been difficult to deal with regarding the rectification of defects during the defects liability period. This has resulted in further costs to Council.

CCNS scored a six for this criteria have completed work for Council in the past of a similar nature but not of this size. Their work has generally been to a high standard however they have demonstrated reckless behaviour on site in the past.

*Time Performance*

Fulton Hogan, QR Construction, Sure Constructions and McInnes Earthmoving scored a nine for this criteria as all four have completed multiple projects for Council in the past and have met set deadlines. All have ensured work is completed by the date of practical completion and work hard to complete projects in the required timeframes.

CCNS scored a seven for this criteria as they have completed projects for Council in the past within set deadlines however there have been some instances where they have been delayed and have not completed work before the agreed upon practical completion date.

*Occupational Health and Safety*

The tenderers were scored on their OH&S and the performance of their systems and practices.

Fulton Hogan and QR Constructions scored a nine for this criteria as both have an OH&S Management System that meets Council's requirements and is certified to AS / NZS 4801:2001 standard by an independent industry body. Both have always behaved in a safe manner when completing work for Council in the past.

Sure Constructions and McInnes Earthmoving both scored an eight for this criteria as both have an OH&S Management System that meets Council's requirements and are also certified by the industry body CCF (Civil Contractors Federation). Sure's are also currently in the process of becoming ISO9001 accredited. Both have demonstrated an understanding and commitment to safety when completing work for Council in the past.

CCNS scored a six for this criteria as they have an OH&S Management System that meet's Council's requirements. However it is not certified or audited by an industry body. There have also been issues relating to occupational health and safety experience when working on Council projects in the past.

*Benefit to the Regional Economy*

The tenderers were scored on the basis of the location of the business head office, the percentage of the business that is locally owned, the percentage of goods and services that will be sourced from within the Latrobe City region and other information such as local sponsorship of community or sporting groups

CCNS scored a nine for this criteria as they are owned and located within Latrobe City. The also advised they would source a high percentage of goods and services for the contract within Latrobe City.

QR Constructions and Sure Constructions scored an eight for this criteria.



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Sure Constructions is partially owned within Latrobe City and are located in a neighbouring municipality with an office in Traralgon. They advised that a high percentage of goods and services for the contract would be sourced within Latrobe City. They also sponsor local sporting and community groups.

QR Construction is a Melbourne based company with an office located and owned within Latrobe City. They advised they would source a high percentage of goods and services for the contract within Latrobe City.

Fulton Hogan and McInnes Earthmoving scored a six for this criteria, as both are located neighbouring municipality and advised they would source a high percentage of goods and services for the contract within Latrobe City.

### *Employment of Trainees/Apprentices*

Fulton Hogan, QR Constructions and Sure Constructions all scored a ten for this criteria as they advised they all employ trainees and apprentices that would be utilised during the contract works.

CCNS and McInnes both scored a zero for this criteria as they advised that they currently do not employ any trainees or apprentices.

### **RISK IMPLICATIONS**

Risk has been considered as part of this report and it is considered to be consistent with the Risk Management framework.

### **FINANCIAL AND RESOURCES IMPLICATIONS**

The following tenders were received:

Tenderer	Lump Sum Price
Civil Construction Network Services	\$ 1,394,521.44
Sure Constructions	\$ 1,428,239.25
QR Constructions	\$ 1,576,000.45
Fulton Hogan Industries	\$ 1,602,390.68
McInnes Earthmoving	\$ 1,608,105.75

*All above amounts are excluding GST*

The tenders have been evaluated on the 'Lump Sum Price'.

This is a \$5M project that is equally funded by Latrobe City Council and the State Government. The 2014/2015 Heavy Industrial Park Road Infrastructure Construction Budget has an allocation of \$2,571,124.38 for these works.

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In line with the funding agreement, any savings from this stage will be transferred to future stages of the project.

**INTERNAL/EXTERNAL CONSULTATION***Engagement Method Used:*

Print media by way of advertising locally and nationally was utilised during the Invitation to Tender process, thus meeting the requirements of section 186 of the *Local Government Act 1989*.

*Details of Community Consultation / Results of Engagement:*

Not Applicable.

*Evaluation Panel*

The evaluation panel consisted of the Procurement Administration Officer, Project Engineer, Project Engineer and General Manager Corporate Services.

**OPTIONS**

Council has the following options:

- 1 Accept the Sure Constructions (Vic) Pty Ltd tender for the Pavement Rehabilitation of Fourth Road at Hazelwood North.
- 2 Not award a contract at this time and re-tender for the Pavement Rehabilitation of Fourth Road at Hazelwood North. It is unclear though that Council would receive any benefit in doing this and it would delay the start of the works for at least 12 weeks.
- 3 Award the contract to an alternative tenderer. However, as Sure Constructions (Vic) Pty Ltd scored the highest in the evaluation process such a decision may not be consistent with the advertised evaluation criteria.

**SUPPORTING DOCUMENTS**

NIL

**CONCLUSION**

Sure Constructions (Vic) Pty Ltd scored the highest in the evaluation process and the evaluation panel is satisfied that they have both the expertise and capacity to undertake the works.

**Attachments**

1. LCC-216 Tender Evaluation Matrix

## **7.1**

### **LCC-216 PAVEMENT REHABILITATION OF FOURTH ROAD AT HAZELWOOD NORTH**

<b>1</b>	<b>LCC-216 Tender Evaluation Matrix.....</b>	<b>105</b>
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<b>LCC-216 Pavement Rehabilitation of Fourth Road at Hazelwood North</b>																
Evaluated by: Procurement Administration Officer  Project Engineer Project Engineer General Manager Corporate Services	TOTALS	Price	Capacity	Track Record	Time Performance	Occupational Health & Safety	Benefit to the Regional Economy	Employment of Trainees / Apprentices								
									WEIGHTING (%)							
		100	30	13	13	13	13	13	13	13	5					
		POINT SCORE (PS) / WEIGHTED SCORE (WS)														
<b>TENDERERS</b>	<b>WS</b>	<b>PS</b>	<b>WS</b>	<b>PS</b>	<b>WS</b>	<b>PS</b>	<b>WS</b>	<b>PS</b>	<b>WS</b>	<b>PS</b>	<b>WS</b>	<b>PS</b>	<b>WS</b>	<b>PS</b>	<b>WS</b>	
Sure Constructions	760	5.9	177	8	104	8	104	9	117	8	104	8	104	10	50	
QR Constructions	733	5.0	150	7	91	8	104	9	117	9	117	8	104	10	50	
Fulton Hogan Industries	701	4.8	144	8	104	7	91	9	117	9	117	6	78	10	50	
McInnes Earthmoving	651	4.8	144	8	104	8	104	9	117	8	104	6	78	0		
Civil Construction Network Services	641	6.2	186	7	91	6	78	7	91	6	78	9	117	0		

<b>Tenderer</b>	<b>Total of prices compared</b>
Civil Construction Network Services	\$ 1,394,521.44
Sure Constructions	\$ 1,428,239.25
QR Constructions	\$ 1,576,000.45
Fulton Hogan Industries	\$ 1,602,390.68
McInnes Earthmoving	\$ 1,608,105.75

## SPECIAL COUNCIL MEETING MINUTES 15 SEPTEMBER 2014 (SM446)

### **7.2 INSTRUMENT OF DELEGATION - ACTING CHIEF EXECUTIVE OFFICER**

#### **Office of the Chief Executive**

*This matter is considered to be confidential under Section 89(2) (a) of the Local Government Act 1989, as it deals with personnel matters.*

#### **For Decision**

#### **PURPOSE**

This recommendation is made following consultation with the Mayor and is intended to cover the period the acting CEO, Mr John Mitchell is on leave. This report recommends that Council approves the appointment of Mr Vince Haining to act in the position of Chief Executive Officer from Wednesday, 17 September 2014 until Friday, 17 October 2014.

#### **RECOMMENDATION**

**That Council appoints Mr Vince Haining as Acting Chief Executive Officer from Wednesday, 17 September 2014 until Friday, 17 October 2014.**

**Moved:** Cr Gibbons  
**Seconded:** Cr Harriman

**That the Recommendation be adopted.**

#### **CARRIED UNANIMOUSLY**

#### **DECLARATION OF INTEREST**

No officer declared an interest under the Local Government Act 1989 in the preparation of this report.

#### **STRATEGIC FRAMEWORK**

This report is consistent with Latrobe 2026: The Community Vision for Latrobe Valley and the Latrobe City Council Plan 2013-2017.

#### **Latrobe 2026: The Community Vision for Latrobe Valley**

##### *Strategic Objectives – Governance*

In 2026, Latrobe Valley has a reputation for conscientious leadership and governance, strengthened by an informed and engaged community committed to enriching local decision making.

#### **Latrobe City Council Plan 2013 – 2017**

##### **Theme and Objectives**

*Theme 3: Efficient, effective and accountable governance*



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*Legislation* – Local Government Act 1989

The Council is required, pursuant to the *Local Government Act* 1989, to appoint a Chief Executive Officer.

Section 94 of the *Local Government Act* 1989 enables the Council to appoint an acting Chief Executive Officer for a period of less than 12 months.

**BACKGROUND**

During the formal appointment process of Mr John Mitchell as acting CEO, he advised that a period of leave had been pre-arranged from 18 September 2014 to the 16 October 2014, for an overseas trip. Until recently it was intended to cover this period by the appointment of an internal Manager. Following the review of CEO applications it is necessary to make an external appointment. This recommendation has been discussed with the Mayor and Local Government Victoria over the past two days.

Due to the impending leave of the Acting Chief Executive Officer, Mr John Mitchell, from Wednesday 17 September 2014 to Friday 17 October 2014, Council is asked to approve the appointment of an Acting Chief Executive Officer until the return of Mr John Mitchell.

The recommended appointment, Mr Vince Haining, has recently retired after an extensive period in local government. Most recently he held the position of Chief Executive Officer at Maribyrnong City Council from June 2010 to July 2014.

To allow the Council to undertake its usual powers, duties or functions it is necessary for Council to approve the appointment.

The Council, by resolution on 30 April 2014 delegated 'to the member of Council staff holding, acting in or performing the position of Chief Executive Officer, the powers, duties and functions set out in the Schedule' of the Instrument of Delegation.

**KEY POINTS/ISSUES**

The Instrument of Delegation, resolution and appointment is prepared pursuant to section 98 of the *Local Government Act* 1989 which states:

98. Delegations

- (1) A Council may by instrument of delegation, delegate to a member of its staff and power, duty or function of a Council under this Act or any other Act other than:
  - (a) this power of delegation;
  - (b) the power to declare a rate or charge;
  - € the power to borrow money except as provided in section 149;

**SPECIAL COUNCIL MEETING MINUTES  
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- (d) the power to approve any expenditure not contained in a budget approved by the Council;
  - € any power, duty or function of the Council under section 223; and
  - (f) any prescribed power.
- (2) The Chief Executive Officer may by instrument of delegation, delegate to the member of the Council staff any power, duty or function of his or her office other than this power of delegation unless sub-section (3) applies.
- (3) The instrument of delegation to the Chief Executive Officer may empower the Chief Executive Officer to delegate a power of the Council other than the power of delegation to a member of the Council staff.

In accordance with S5. Instrument of Delegation to Chief Executive Officer, together with the exercise of power conferred by section 98(1) of the *Local Government Act 1989* and all the powers enabling it, the existing Chief Executive Officer delegations remain in force.

**RISK IMPLICATIONS**

Risk has been considered as part of this report and it is considered to be consistent with the Risk Management framework.

**FINANCIAL AND RESOURCES IMPLICATIONS**

There is no effect to budget allocations.

**INTERNAL/EXTERNAL CONSULTATION**

*Engagement Method Used:*

The Municipal Association of Victoria (MAV) were consulted to ensure compliance with the Local Government Act 1989.

**OPTIONS**

The appointment of an Acting Chief Executive Officer is required to enable the day-to-day operation of the organisation to proceed during the absence of the Acting Chief Executive Officer, Mr John Mitchell.

**CONCLUSION**

This report ensures the delegation of functions, duties and powers to Mr Vince Haining until the return of the Acting CEO, John Mitchell.

**Attachments**  
1. CV Vince Haining

## **7.2**

### **Instrument of Delegation – Acting Chief Executive Officer**

<b>1</b>	<b>CV Vince Haining.....</b>	<b>111</b>
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Career Summary &amp; Experience

Vince Haining

**KEY SKILLS &  
ATTRIBUTES**

- An excellent understanding of the operations and functions of local government, its Agencies and Departments and the interface issues between local and state levels of government
- A proven track record in devising and implementing strategic change and in achieving high levels of stakeholder buy in to these change initiatives
- Skilled in managing diverse workforces and in shaping the culture of an organisation to achieve service excellence with a community and customer focus
- Proven capability to operate effectively and collaboratively in a sensitive political environment working with community groups at all levels
- Extensive senior management experience in all aspects of complex service delivery within a local government context including engineering and operations, risk management analysis, complex contracting and project management, asset management systems, policy development and effective community engagement
- Successful management of large and complex portfolios and budgets, building dynamic, skilled and committed teams.
- Strong communication and people management skills
- Development of policy solutions using systematic, comprehensive and extensive consultation processes engaging with industry associations, government agencies, stakeholder groups and resident associations.
- Excellent understanding of financial management issues and a Fellow and graduate of the Australian institute of Company Directors.

Career Summary & Experience

Vince Haining

## **EMPLOYMENT HISTORY**

### **CEO – Maribyrnong City Council**

**June 2010 – July 2014**

**Overall responsibility for the effective and efficient management of the physical, financial and human resources of the Maribyrnong City Council, including its relationship with the elected Council, other tiers of government, community and key stakeholders**

#### **❖ Key Achievements**

Recruited new senior executive team for the organisation

Integrated Maribyrnong into the Inner Melbourne Action Plan (IMAP) group of Councils

Introduced the “University Town” agenda in collaboration with Victoria University

Expanded Council’s social justice charter and embedded recognition of human rights issues into Council’s reporting processes

Significantly improved City amenity outcomes

Negotiated successfully EBA Agreements in a difficult industrial climate

Delivered revised and improved Council governance structures

Implemented new contracting and procurement standards and processes across Council’s activities

Developed a major Advocacy capacity with a range of associated projects and programs being delivered

### **Acting CEO – Maribyrnong City Council**

**June 2010 – October 2010**

#### **❖ Key Achievements**

Substantially improved relationships with key stakeholder groups, the State government and its agencies



## Career Summary &amp; Experience

Vince Haining

Introduced revised project development and approval processes which now integrates the work being undertaken across a number of departments of Council

Established joint approaches with other western region Councils on key strategic issues such as regional rail, land use development in industrial zones etc.,

Commenced a significant focus on the development of arts and festivals as a key marketing and community strengthening opportunity across Maribyrnong

Introduced revised reporting into the Executive Management Team to ensure collaborative decision making is achieved across the organisation.

Undertook major organisation restructure

Developed new Long Term Financial Strategy

Implemented new enterprise IT systems

Implemented an integrated business transformation agenda, embracing systems reviews, best value, leadership development and cultural change

**General Manager – Infrastructure Services – Maribyrnong City Council****February 2010 – June 2010**

**Responsible for the effective and efficient management of the physical , financial and human resources of the infrastructure Services branch which includes the areas of transport, physical amenity and infrastructure , asset management and works.**

**❖ Key Achievements**

Restructured the infrastructure team to achieve improved organisational efficiency and effectiveness targeted at achieving sustainable improved asset and amenity outcomes

Addressed long standing poor management and work practices at Councils Works Depot

Successfully undertook on behalf of the Victorian Ombudsman detailed investigations into corrupt practices within Councils Infrastructure Branch

Career Summary &amp; Experience

Vince Haining

**Director City Works - City of Boroondara**

2005 – 2010

**Responsible for the safe, reliable and cost effective provision of all operations and engineering functions, capital works, asset systems, depots, parks and gardens, waste services, facilities management and local laws functions for the city (\$2.3B assets under control) through in house services and outsourced contracts**

**❖ Key Achievements**

Actively developed a collaborative culture across the organisation to enable open, shared and accountable decision making to occur at all levels.

Focused strongly on relationship management bringing together divergent political agendas into shared solutions, often involving state government agencies or departments

Reshaped the management team achieving a substantially improved interface with elected representatives and a real commitment to consultative processes

Successfully managed \$90M budget inclusive of \$50M capital works program (Both operating and capital budgets were delivered within 5% of target)

Introduced cross corporate project teams for improving capital works and property planning performance.

Completed an Integrated Transport Strategy for the city, coordinated council responses to the Eddington Study, Victorian Transport Plan, clearways, and road prioritisation options.

Introduced "walkability" initiatives and the "travelsmart" behavioural change program. Expanded the bicycle network, especially the off road component.

Developed the city's Parking Management Policy, Residential Permit Policy, Waste Minimisation Strategy & Traffic Management Policy.

Completed comprehensive Asset Management Plans for all key asset groups

Worked closely with the Metropolitan Waste Management Group on the development of the metropolitan strategy for waste. Managed Councils interest in the Clayton joint venture and landfill site

Worked closely with the MAV, water agencies and community and stakeholder groups on the response to the water crisis. (Converted 21 grounds to warm season grasses in 2 years).

## Career Summary &amp; Experience

Vince Haining

Implemented water sensitive urban design solutions within local catchments and at activity centres.

Built the Glen Iris wetlands and the Koonung Creek wetlands .

Undertook an extensive program of process reengineering across business workflows to achieve efficiency improvements and adopted quality assurance techniques to embed improvements achieved

Established project management teams to address complex building / service delivery options and managed these complex projects through sensitive councillor discussions

Introduced major sustainability principles and environmental initiatives into Councils operating and capital works portfolios

Organisationally enabled innovation across operating businesses through actively recognising and promoting individual and team successes

Introduced quality management principles across a range of operational functions and extended asset management systems and people capabilities to enable service improvements and cost savings to be realised in key operational areas

Acted in CEO role when required

**Group Manager – Parks and Recreation Group - City Assets and Services Division -City of Melbourne**

1999– 2005 Group Manager

1995 – 1998 – Manager Contracts and Operations

**Responsible for the management of \$750M in infrastructure assets and the development, marketing and management of Melbourne's parklands (15 million visitations each year) the city's municipal open spaces, a range of tourism assets and works of art, various local recreation centres, major stadia leases, provision of facilities to over 80 primary sports user groups, the risk management and control of over 7000 large and small events and festivals conducted across the asset network annually.**

**❖ Key Achievements**

Delivered highly successful outcomes via extensive collaboration and negotiation with key stakeholders involving projects such as the MCG Redevelopment, Sports precinct redevelopment, Royal Park, Commonwealth games

## Career Summary &amp; Experience

Vince Haining

Developed Councils "Growing Green" Environmental Management Plan – a vision and strategy for the sustainable development of Melbourne's Parks, Gardens and open spaces for the next 30 years

Managed the development and delivery of the Royal Park wetlands a major environmental initiative for the City of Melbourne

Managed services utilizing comprehensive outcome based maintenance and capital contracts, in house service agreements and selective use of day labour

Introduced revised service contract management processes and systems which substantially improved contractor accountability and delivered a measured 50% improvement in the quality of service whilst reducing costs by 30%.

Managed stakeholder relationships on politically sensitive issues at senior management level and successfully managed complex projects at business and community level through systematic engagement of groups with divergent policy positions

Implemented a Stakeholder relationship management program which introduced a comprehensive approach to systematically working with key groups to ensure policy and strategy positions were developed reflective of broad community views

Devised and introduced revised service level agreements with support Departments to ensure strong accountabilities and clear roles and responsibilities were in place

Implemented a strong commercial focus with an emphasis on bottom line deliverable's

Introduced a substantial focus on business outcomes and a culture of success through collaboration with key providers and stakeholders utilising the AQC model of service excellence

Implemented a "best value" approach to contractor selection

Provided strong and effective leadership within a complex political environment

Introduced an integrated planning approach in the management of \$750M in assets linking market analysis and customer needs to improvement strategies through revised maintenance regime

Career Summary &amp; Experience

Vince Haining

**Manager Logistics**

1993-1995

United Energy

**United Energy is a major electrical distribution company with assets of \$525M, over 500,000 customers and annual sales revenue of \$680M. Responsibilities included all contracting and materials support, warehousing, distribution, and inventory management. Management of all property assets leases and fleet.**

**❖ Key Achievements**

Redesign of the logistics support system (inclusive of financial modelling) reducing inventories by 30% whilst delivering a measured service rate of 98%.

Introduction of major asset demand planning improvements based on internal business unit Service Level Agreements.

Introduction of a comprehensive purchasing policy and contract management framework for procurement

Establishment of partnering principles with contractors based on risk identification and benefit sharing.

Introduced risk management principles to plant replacement decisions

Removed "retail" warehouse assets, redesigned the logistics support process and achieved a turn rate increase of 400% without reducing customer satisfaction rates.

Outsourced all provisioning for stationary, forms and documents on a direct to desk basis

Career Summary &amp; Experience

Vince Haining

**Manager Logistics**

1987 - 1993

Electricity Services Victoria (SECV)

**Responsible for procurement and contract formation and management with an annual spend in excess of \$100M. This included, commercial and risk assessment of complex bid options, post tender negotiation, development of performance monitoring systems and line management of staff undertaking these functions.**

**Responsible for procurement strategy and contracting in support of the state's electrical distribution network (poles and wires) including contracting for distribution hardware, plant, support products and commercial lines**

**❖ Key Achievements**

Developed policy on long term contracting (supplier alliances)

Introduced a program of contestable work packages to achieve strategic change within the Distribution Business Centres across the state

Developed policy on consequential liability management for proprietary plant acquisition

Negotiated significant contractual arrangements across a diverse range of industries.

Reduced the vendor base by 25% thereby delivering major reductions in administrative costs.

Reduced inventories by \$80M through redesigning and implementing revised logistics support systems.

Responsible for developing and implementing the logistics network and materials and services contractual arrangements associated with the formation of the 5 distribution businesses.

Lead numerous complex tender evaluation panels



Career Summary & Experience

Vince Haining

**1977 – 1987 Various Roles SECV -**

Worked within the Production (LaTrobe Valley), Construction, Transmission and Distribution Businesses of the industry in a variety of commercial roles

**QUALIFICATIONS**

Bachelor of Economics (Monash)

Graduate of the Australian Institute of Company Directors

Fellow of the Australian Institute of Company Directors

Various management and contract law short courses

Skilled in Microsoft Applications

**INTERESTS**

Family, Fitness, Local Cricket Club, reading

**REFEREES**

Ms Alison Lyon

Director Governance MAV

**SPECIAL COUNCIL MEETING MINUTES  
15 SEPTEMBER 2014 (SM446)**

**RECOMMENDATION**

**That the meeting be re-opened to the public.**

**Moved:** Cr Gibbons

**Seconded:** Cr White

**That the Recommendation be adopted.**

**CARRIED UNANIMOUSLY**

**The meeting re-opened to the public at 6.48 PM.**

**There being no further business the meeting was declared closed at 6.48 PM.**

**I certify that these minutes have been confirmed.**

**Mayor:** \_\_\_\_\_

**Date:** \_\_\_\_\_