

HOW TO READ THE FINANCIAL REPORT

READING OUR FINANCIALS

Our financial statements provide an insight into the City of Melbourne's financial health.

Our financial statements show:

- how the City of Melbourne and its subsidiaries performed during the year
- the value of assets held by the City of Melbourne
- the ability of the City of Melbourne to pay its debts.

WHAT'S IN THE FINANCIAL STATEMENTS?

The financial statements consist of four financial reports, explanatory notes supporting the reports and endorsement from the Melbourne City Council and the Victorian Auditor-General.

The four financial reports are:

- income statement
- balance sheet
- statement of cash flows
- statement of changes in equity.

The explanatory notes detail the City of Melbourne's accounting policies and the make-up of values contained in the statements.

HOW ARE THE FINANCIAL STATEMENTS AUDITED?

These Financial Statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Local Government Act 1989* (Vic), including the requirements of the Local Government (Finance and Reporting) Regulations 2014 (Vic).

They are audited by the Victorian Auditor-General, approved in principle by the City of Melbourne's Audit Committee and by Melbourne City Council. These auditing measures ensure the information provided is correct.

The City of Melbourne has received a clear audit of its financial statements for 2013-14.

PROPERTY HOLDINGS

Address	2014 Consolidated value \$million	2013 Consolidated value \$million
Royal Park, Flemington Road, PARKVILLE VIC 3052	\$287.1	\$307.8
Fawkner Park, 24-88 Commercial Road, SOUTH YARRA VIC 3141	\$190.1	\$189.6
Fitzroy Gardens, 230-298 Wellington Parade, EAST MELBOURNE VIC 3002	\$162.8	\$162.9
Kings Domain, Alexandra Avenue, MELBOURNE VIC 3004	\$130.9	\$130.9
Queen Victoria Market, 65-159 Victoria Street, MELBOURNE VIC 3000	\$103.3	\$80.8
Princes Park, 200-590 Royal Parade, CARLTON NORTH VIC 3054	\$97.4	\$97.1
Melbourne Town Hall - "including Administration Building" 90-130 Swanston Street, MELBOURNE VIC 3000	\$96.3	\$81.1
Council House 2, 218-242 Little Collins Street, MELBOURNE VIC 3000	\$53.7	\$51.1
Flagstaff Gardens, 309-311 William Street, WEST MELBOURNE VIC 3003	\$50.3	\$49.3
Birrarung Marr, Batman Avenue, MELBOURNE VIC 3000	\$40.4	\$41.1
Carlton Gardens South, Victoria Street, CARLTON VIC 3053	\$36.2	\$36.3
Alexandra Gardens, St Kilda Road, MELBOURNE VIC 3004	\$33.7	\$33.7
Queen Victoria Gardens, St Kilda Road, MELBOURNE VIC 3004	\$33.0	\$32.7
Alexandra Park, Alexandra Avenue, MELBOURNE VIC 3004	\$31.6	\$31.7
Council House, 196-212 Little Collins Street, MELBOURNE VIC 3000	\$31.0	\$25.9
Carlton Gardens North, 1-111 Carlton Street, CARLTON VIC 3053	\$29.6	\$29.6
Treasury Gardens, 2-18 Spring Street, EAST MELBOURNE VIC 3002	\$29.3	\$29.4
J.J. Holland Park, 67-121 Kensington Road, KENSINGTON VIC 3031	\$27.8	\$23.1
Carlton Baths, 216-248 Rathdowne Street, CARLTON VIC 3053	\$25.0	\$29.0
City Square, 199-209 Collins Street, MELBOURNE VIC 3000	\$19.0	\$19.3

- All valuations as at 30 June of the respective year.
- The consolidated values contained within this list include both land and building asset values applicable to the specific sites.
- The land values included in the Council Asset Register relate to land holdings both owned and controlled by Council.
- The city has significant crown land holdings controlled on behalf of the Crown via various structures including crown grants, committees of management and other reservations.
- Council is required to value land and building assets pursuant to the provisions of AASB 116 and AASB 13. The 'fair value' applicable to land value assessments, specifically parks and alike, are significantly adjusted against full market value reflecting legislative provisions, site control, use restrictions and other limitations directly associated with their public use.

SIGNIFICANT CHANGES TO OUR FACILITIES IN 2013-14

- We opened The Library at the Dock, Docklands
- Purchased the Harbour Masters Office, Docklands
- Built the new Cook's Cottage visitor centre and café at Fitzroy Gardens
- Progressed construction of the Kathleen Syme Library and Community Centre
- Progressed the renovation of the Kensington Town Hall

STANDARD STATEMENTS FOR MELBOURNE CITY COUNCIL

ANNUAL REPORT 2013 – 2014 BUDGET V ACTUAL

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of these Standard Statements, are:

a) Basis of preparation

Melbourne City Council is required to prepare and include audited Standard Statements within its Annual Report. The following four Standard Statements and explanatory notes form a special purpose financial report prepared specifically to meet the requirements of the *Local Government Act 1989* and the Local Government (Finance and Reporting) Regulations 2014.

The Standard Statements have been prepared on an accounting basis consistent with those used for the General Purpose Financial Report and the Budget.

The results reported in these Statements are consistent with those reported in the General Purpose Financial Report. The Standard Statements are not a substitute for the General Purpose Financial 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 Annual Budget, with actual performance. The *Local Government Act 1989* requires explanation of any material variances. The Council has adopted a materiality threshold of 10 per cent. Explanations have been provided for variations below the materiality threshold if considered to be material because of their nature.

The budget figures included in the Standard Statements are those adopted by the Council at its meeting on 25 June 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 the Council's business plan and financial performance targets for both the short and long term. The budget did not reflect expected changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial Report. The detailed budget can be obtained by reference to Council's web site. The Standard Statements must be read with reference to those documents.

STANDARD INCOME STATEMENT

	Actuals 2013-14 \$'000's	Budget 2013-14 \$'000's	Variance		Ref
			\$'000's	%	
Revenues					
Rates	213,837	215,568	(1,731)	(1%)	
Grants and Subsidies					
- Operating (recurrent)	9,380	9,781	(401)	(4%)	1
- Operating (non- recurrent)	2,312	901	1,411	157%	1
- Capital Contributions (recurrent)	13,743	7,890	5,853	74%	2
- Capital Contributions (non-recurrent)	7,606	5,207	2,399	46%	2
Parking Fees	46,796	47,364	(568)	(1%)	
Parking Fines	38,495	40,418	(1,923)	(5%)	
Sundry Fees & Charges	24,131	21,467	2,664	12%	3
Property Rental and Hire	7,110	7,466	(356)	(5%)	
Sales & Recoveries	5,085	3,156	1,929	61%	4
Finance Income	3,884	3,505	379	11%	5
Intercompany Revenue	12,826	16,372	(3,546)	(22%)	6
Total Revenue	385,205	379,095	6,110	2%	
Expenses					
Employee Cost	129,481	128,199	(1,282)	(1%)	
Materials and Services	147,246	146,944	(302)	(0%)	
Financial and Insurance Cost	7,677	10,188	2,511	25%	7
Grants and Contributions	13,348	12,656	(692)	(5%)	
Government Taxes & Levies	813	1,334	521	39%	8
Depreciation and Amortisation	55,281	55,332	51	0%	
Maintenance Costs	10,305	10,399	94	1%	
Financial Performance Expenditure	364,151	365,052	901	0%	
Fair Value Adjustment of Investment Properties*	5,640	-	5,640	-	9
Net Gain on Asset Disposal	954	154	800	519%	10
Derecognition of assets to external parties*	(4,200)	-	(4,200)	-	11
Contributed Assets*	7,895	-	7,895	-	2
Result from Ordinary Activities	31,343	14,197	17,146	121%	
Net asset revaluation increment*	76,569	-	76,569	-	
Other Comprehensive Income	76,569	-	76,569	-	
Total Comprehensive Income	107,912	14,197	93,715	660%	
Less Capital Contributions	(21,349)	(13,097)	(8,252)	63%	
Less Net asset revaluation increment*	(76,569)	-	(76,569)	-	
Less Fair value adjustment of investment properties*	(5,640)	-	(5,640)	-	
Less Contributed Assets*	(7,895)	-	(7,895)	-	
Add Derecognition of assets to external parties*	4,200	-	4,200	-	
Add Written down on Investment*	541	-	541	-	
Underlying Surplus/(Deficit)	1,200	1,100	100	9%	

* Not budgeted

STANDARD INCOME STATEMENT – COMPARISON REPORT

Ref.	Item	Commentary
1	<i>Operating Grants</i>	Due to additional grants for various programs and projects, mainly the Active Cities program (\$0.90 million) and arts programs (\$0.53 million).
2	<i>Capital and Asset Contributions</i>	Due to additional public open space capital contributions (\$5.85 million), external capital contributions for Northbank Promenade development (\$3.00 million) and Docklands land and building asset contributions (\$3.88 million).
3	<i>Sundry Fees and Charges</i>	Due to higher fees and charges, including tree removal fees (\$0.84 million), building fees (\$0.54 million), event income and planning fees.
4	<i>Sales & Recoveries</i>	Mainly due to additional recoveries received in relation to Grants in Kind revenue (\$0.92 million, fully offset from Grant in Kind payments).
5	<i>Finance Income</i>	Due to higher interest revenue generated by higher cash balances.
6	<i>Intercompany Revenue</i>	Due to lower returns from subsidiaries.
7	<i>Financial and Insurance Cost</i>	Mainly due to lower doubtful parking infringement provisions.
8	<i>Government Taxes & Levies</i>	Due to lower than budgeted fire services levy expenditure.
9	<i>Fair Value Adjustment of Investment Properties</i>	Due to the revaluation of the Council's investment properties.
10	<i>Net Gain on Asset Disposal</i>	Mainly due to the sale of portions of laneways including Bensons Lane and Mary Street Lane.
11	<i>Derecognition of assets to external parties</i>	Due to the derecognition of the Flinders Park Reserve to external party.

STANDARD BALANCE SHEET

	Actuals 2013-14 \$'000's	Budget 2013-14 \$'000's	Variance \$'000's	Ref %
ASSETS				
Current Assets				
Cash Assets	99,339	76,275	23,064	30% 1
Receivables	26,626	24,041	2,585	11% 2
Other Assets	3,920	3,900	20	1%
Total Current Assets	129,885	104,216	25,669	25%
Non-Current Assets				
Investments	32,316	31,632	684	2%
Intangibles	11,004	-	11,004	100% 3
Investment Properties	113,789	89,446	24,343	27% 3
Property, Plant and Infrastructure	3,340,611	3,337,959	2,652	0% 3
Total Non-Current Assets	3,497,720	3,459,037	38,683	1%
TOTAL ASSETS	3,627,605	3,563,253	64,352	2%
LIABILITIES				
Current Liabilities				
Payables	65,966	62,499	(3,467)	(6%)
Employee Entitlements	29,358	23,819	(5,539)	(23%) 4
Provisions	1,991	401	(1,590)	(397%) 5
Total Current Liabilities	97,315	86,719	(10,596)	(12%)
Non-Current Liabilities				
Employee Entitlements	3,042	6,307	3,265	52% 4
Total Non-Current Liabilities	3,042	6,307	3,265	52%
TOTAL LIABILITIES	100,357	93,026	(7,331)	(8%)
NET ASSETS	3,527,248	3,470,227	57,021	2%
EQUITY				
Accumulated Surplus	1,838,385	1,783,401	54,984	3%
Reserves	1,688,863	1,686,826	2,037	0%
TOTAL EQUITY	3,527,248	3,470,227	57,021	2%

STANDARD BALANCE SHEET – COMPARISON REPORT

Ref.	Item	Commentary
1	<i>Cash assets</i>	The higher cash balance is due to some capital works projects carried forward to 2014-15.
2	<i>Receivables</i>	Mainly due to higher GST input tax credit receivable and Fire Services Levy debtors.
3	<i>Intangible Assets, Property, Plant & Infrastructure & Investment Properties</i>	The higher balances are due to revaluation increments in assets such as land buildings and infrastructure following valuations conducted in 2014. Intangible assets increase relates to the capitalisation of IT software.
4	<i>Employee Entitlement</i>	Total employee entitlements are higher than budget due to higher provisions of annual leave and long service leave as well as classification between current and non-current liabilities.
5	<i>Provisions</i>	Primarily due to higher Rate Objection provisions.

STANDARD STATEMENT OF CASH FLOWS

	Actuals 2013-14 \$'000's	Budget 2013-14 \$'000's	Variance \$'000's	Ref %	
Cash Flows from Operating Activities					
Receipts					
Rates, Fees and Charges	342,735	316,639	26,096	8%	1
Grants and Other Contributions	34,801	23,779	11,022	46%	2
Interest	4,585	3,505	1,080	31%	3
Other (including Sales & Recoveries)	26,599	38,935	(12,336)	(32%)	4
Payments					
Employee Cost	(128,422)	(126,404)	(2,018)	(2%)	
Materials and Services	(166,573)	(172,191)	5,618	3%	
Other Costs	(17,505)	(10,188)	(7,317)	(72%)	5
Net Cash Provided by Operating Activities	96,220	74,075	22,145	30%	
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant Equipment and Infrastructure	1,819	726	1,093	151%	6
Payments for Property, Plant Equipment and Infrastructure	(105,238)	(89,725)	(15,513)	(17%)	7
Net Cash Used by Investing Activities	(103,419)	(88,999)	(14,420)	16%	
Cash Flows from Financing Activities					
Dividend Received	3,662	-	3,662	100%	8
Net Cash Used by Financing Activities	3,662	-	3,662	100%	
Net Decrease in Cash Held	(3,537)	(14,925)	11,388	76%	
Cash at Beginning of the Financial Year	102,876	91,200	11,676	13%	
Cash at End of the Financial Year	99,339	76,275	23,064	30%	

STANDARD STATEMENT OF CASH FLOWS – COMPARISON REPORT

Ref.	Item	Commentary
1	<i>Rates, Fees and Charges</i>	Mainly due to project income, property revenue and intercompany revenue (excluding dividends) categorised differently in the budget under Other (Including Sales & Recoveries).
2	<i>Grants and Other Contributions</i>	Due to additional operational grants for various programs and projects, public open space capital contributions (\$5.85 million) and external capital contributions for the Northbank Promenade development project (\$3.00 million).
3	<i>Interest</i>	Higher cash inflow from interest was due to higher cash balances during the year.
4	<i>Other (including Sales & Recoveries)</i>	Mainly due to project income, property revenue and intercompany revenue (excluding dividends) categorised differently in the budget under Other (Including Sales & Recoveries).
5	<i>Other Costs</i>	Due to higher grants and contributions paid.
6	<i>Proceeds from Sale of Property, Plant Equipment and Infrastructure</i>	Mainly due to sale of Bensons Lane and Mary Street Lane.
7	<i>(Payments) Receipts for Property, Plant Equipment and Infrastructure</i>	Higher payment for property, plant equipment and infrastructure was due to carry forward capital projects from 2012-13 completed during the year.
8	<i>Dividend Received</i>	Due to reclassification of dividends received.

STANDARD STATEMENT OF CASH FLOWS - RECONCILIATION

	Actuals 2013-14 \$'000's	Budget 2013-14 \$'000's	Variance \$'000's	Ref %
Net Surplus from Operations	31,343	14,197	17,146	121%
Add Back:				
Depreciation and Amortisation	55,281	55,332	(51)	(0%)
Loss/(Profit) on Sale of Assets	(954)	-	(954)	(100%) 1
Increase in Investment*	(5,640)	-	(5,640)	- 2
Contributed Assets*	(7,895)	-	(7,895)	- 3
Derecognition of assets to external parties*	4,200	-	4,200	- 4
Movement of Investments Held*	541	-	541	- 5
Surplus Before Non Cash Items	76,876	69,529	7,347	11%
Net Movement in Working Capital	23,006	4,545	18,461	406% 6
Funds Available for Investing Activities	99,882	74,074	25,808	35%
Capital				
Capital Expenditure	(105,238)	(89,725)	(15,513)	17% 7
Proceeds from Sale of Assets	1,819	726	1,093	151% 2
Cash Outflow	(3,537)	(14,925)	11,388	76%

* Not budgeted

STANDARD STATEMENT OF CASH FLOWS - RECONCILIATION COMPARISON REPORT

Ref.	Item	Commentary
1	<i>Loss/(Profit) on sale of assets</i>	Mainly due to the sale of portions of laneways including Bensons Lane and Mary Street Lane.
2	<i>Increase in Investment</i>	The revaluation of Council's investment properties has resulted in a non-cash gain.
3	<i>Contributed assets</i>	Due to contributed land and building assets including land at Docklands.
4	<i>Derecognition of assets to external parties</i>	Due to derecognition of Flinders Park Reserve to external party.
5	<i>Movement of Investments held</i>	Revaluation loss of Sustainable Melbourne Fund.
6	<i>Net movement in working capital</i>	The net movement in working capital reflects an increase in creditors due to a higher level of accrued expenditure and lower creditor payments.
7	<i>Capital expenditure</i>	Due to higher than budgeted capital works carried forward from 2012-13.

STANDARD STATEMENT OF CAPITAL WORKS

	Actuals 2013-14 \$'000's	Budget 2013-14 \$'000's	Variance \$'000's	Ref %
Council Works				
Maintenance	10,305	10,399	(94)	(1%)
Capital Works	98,982	88,225	10,757	12%
Total Council Works Completed	109,287	98,624	10,663	11%
Carried Forward Capital Works	21,452	-	-	-
Total Council Works Proposed	130,739	-	-	-

STANDARD STATEMENT OF CAPITAL WORKS – COMPARISON REPORT

Ref.	Item	Commentary
1	<i>Capital Expenditure</i>	<p>The value of capital and maintenance works completed for 2013-14 is \$109,287 million. A carry forward of \$21.45 million into 2014-15 is required to complete the programs.</p> <p>The major projects within the carry forward are:</p> <ul style="list-style-type: none"> • Living Victoria Fund (\$3.25 million) • Docklands Community Boating/Family Services Hub (\$2.85 million) • New Neighbourhood Recreation Area Neill Street Carlton (\$1.94 million) • Streetscape Improvements and Design (\$1.33 million) • Property Services Corporate Renewal Works (\$1.29 million) • Bicycle Improvement Program (\$1.21 million).

FINANCIAL REPORT

COMPREHENSIVE INCOME STATEMENT

	Consolidated			Council	
	2014 \$'000	2013 \$'000	Note	2014 \$'000	2013 \$'000
Revenues					
Rates	213,837	203,576	3(a)	213,837	203,576
Grants and other contributions	33,187	40,769	3(b)	33,041	40,375
Parking fees	50,828	43,744	3(c)	46,796	40,022
Fines	40,258	43,006		40,258	43,006
Property revenue	24,227	23,872		7,110	7,126
Other fees & charges	199,195	210,688		22,368	20,335
Intercompany revenue	-	-		9,164	12,380
Dividend income	-	-		3,662	7,593
Finance income	4,339	6,539	3(d)	3,884	5,907
Sales & recoveries	18,249	16,240		5,085	5,776
	370,283	384,858		171,368	182,520
Total Revenue	584,120	588,434		385,205	386,096
Expenses					
Employee benefit expense	221,828	209,301	4(a)	129,481	117,939
Contract payments, materials and services	243,095	252,315	4(b)	157,551	157,820
Depreciation and amortisation	69,467	67,328	4(c)	55,281	52,822
Other expenses	24,126	31,392	4(d)	21,838	28,482
Total Expenses	558,516	560,336		364,151	357,063
Fair value adjustment of investment properties	5,640	1,468		5,640	1,468
Net gain on disposal of assets	1,097	2,450	16	954	102
Contributed assets	7,895	20,611		7,895	20,611
Derecognition of assets to external parties	(4,200)	-		(4,200)	-
Surplus	36,036	52,627		31,343	51,214
Other Comprehensive Income					
Fair value adjustments for investment assets	-	4,649		-	4,649
Net asset revaluation increment	76,569	31,554	15	76,569	29,521
Gain/(loss) on defined benefits plans	4,024	7,455	20	-	-
Total Other Comprehensive Income	80,593	43,658		76,569	34,170
Total Comprehensive Income	116,629	96,285		107,912	85,384

The Comprehensive Income Statement should be read in conjunction with the accompanying notes to the financial report.

BALANCE SHEET

	Consolidated			Council	
	2014 \$'000	2013 \$'000	Note	2014 \$'000	2013 \$'000
ASSETS					
Current Assets					
Cash and cash equivalents	110,724	114,001	17(b)	99,339	102,876
Trade and other receivables	57,695	57,563	5	26,626	29,131
Accrued income	5,316	7,649		1,109	879
Inventories	656	491	6	-	-
Other assets	1,307	1,470	7	2,811	3,081
Total Current Assets	175,698	181,174		129,885	135,967
Non-Current Assets					
Other financial assets	7,675	7,675	8	32,316	32,856
Net assets of City of Melbourne's Defined Benefits Superannuation Fund	423	-	20	-	-
Property, plant equipment and infrastructure	3,407,643	3,291,114	9	3,340,611	3,219,798
Intangible assets	38,207	28,978	10	11,004	8,738
Investment property	113,789	108,149	11	113,789	108,149
Total Non-Current Assets	3,567,737	3,435,916		3,497,720	3,369,541
TOTAL ASSETS	3,743,435	3,617,090		3,627,605	3,505,508
LIABILITIES					
Current Liabilities					
Trade and other payables	96,897	90,068	12	65,966	56,660
Employee benefits	42,230	39,271	13	29,358	26,351
Provisions	2,283	826	14	1,991	518
Total Current Liabilities	141,410	130,165		97,315	83,529
Non-Current Liabilities					
Employee benefits	5,551	5,279	13	3,042	2,643
Interest bearing liabilities	6,000	4,500	22	-	-
Net liabilities of City of Melbourne's Defined Benefits Superannuation Fund	-	3,301	20	-	-
Total Non-Current Liabilities	11,551	13,080		3,042	2,643
TOTAL LIABILITIES	152,961	143,245		100,357	86,172
NET ASSETS	3,590,474	3,473,845		3,527,248	3,419,336
Equity					
Accumulated surplus	1,897,574	1,861,508		1,838,385	1,811,036
Reserves	1,692,900	1,612,337	15	1,688,863	1,608,300
TOTAL EQUITY	3,590,474	3,473,845		3,527,248	3,419,336

The Balance Sheet should be read in conjunction with the accompanying notes to the financial report.

STATEMENT IN CHANGES IN EQUITY

Consolidated	Note	Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at beginning of the financial year		3,473,845	3,377,560	1,861,508	1,800,477	1,596,934	1,570,021	15,403	7,062
Surplus for the year		36,036	52,627	36,036	52,627	-	-	-	-
Defined Benefits Superannuation Fund		4,024	7,455	4,024	7,455	-	-	-	-
Transfer to accumulated surplus		-	-	-	4,641	-	(4,641)	-	-
Asset revaluation	15(a)	76,569	31,554	-	-	76,569	31,554	-	-
Investments revaluation reserve	15(c)	-	4,649	-	-	-	-	-	4,649
Total Comprehensive Income		116,629	96,285	40,060	64,723	76,569	26,913	-	4,649
Reserve for Public Open Space	15(d)	-	-	(3,152)	(3,692)	-	-	3,152	3,692
Tree Compensation Reserve	15(e)	-	-	(842)	-	-	-	842	-
Balance at the end of the financial year		3,590,474	3,473,845	1,897,574	1,861,508	1,673,503	1,596,934	19,397	15,403

Council	Note	Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at beginning of the financial year		3,419,336	3,333,952	1,811,036	1,763,514	1,592,897	1,563,376	15,403	7,062
Surplus for the year		31,343	51,214	31,343	51,214	-	-	-	-
Asset revaluation	15(b)	76,569	29,521	-	-	76,569	29,521	-	-
Investments Revaluation Reserve	15(c)	-	4,649	-	-	-	-	-	4,649
Total Comprehensive Income		107,912	85,384	31,343	51,214	76,569	29,521	-	4,649
Reserve for Public Open Space	15(d)	-	-	(3,152)	(3,692)	-	-	3,152	3,692
Tree Compensation Reserve	15(e)	-	-	(842)	-	-	-	842	-
Balance at the end of the financial year		3,527,248	3,419,336	1,838,385	1,811,036	1,669,466	1,592,897	19,397	15,403

The Consolidated and Council Statements of Changes in Equity should be read in conjunction with the accompanying notes to the financial report.

STATEMENT OF CASH FLOWS

	Consolidated			Council	
	2014 \$'000	2013 \$'000	Note	2014 \$'000	2013 \$'000
Cash Flows from Operating Activities					
Receipts					
Rates, fees and charges	553,263	548,891		342,735	333,641
Grants and Other Contributions	34,962	43,268		34,801	42,835
Interest	4,339	6,497		4,585	5,867
Tax equivalents	-	-		3,994	7,256
Fire Services Levy	1,781	-		1,781	-
Other (including sales & recoveries)	23,713	24,502		20,824	23,572
Payments					
Employee cost	(224,245)	(221,509)		(128,422)	(125,178)
Materials and services	(262,388)	(294,051)		(166,573)	(192,056)
Grants and Other Payments	(20,569)	(23,828)		(17,505)	(20,719)
Net Cash provided by Operating Activities	110,856	83,770	17(a)	96,220	75,218
Cash Flows from Investing Activities					
Proceeds from sale of properties infrastructure, plant and equipment	2,866	12,123		1,819	1,726
Proceeds from sale of investments	-	-		-	5,000
Payments for property, infrastructure, plant and equipment	(111,905)	(124,369)		(105,238)	(111,422)
Purchase of investments	(6,594)	(62)		-	-
Net Cash used by Investing Activities	(115,633)	(112,308)		(103,419)	(104,696)
Cash Flows from Financing Activities					
Dividends received	-	43		3,662	2,869
(Repayments)/Proceeds of borrowings	1,500	(6,000)		-	-
Net Cash used by Financing Activities	1,500	(5,957)		3,662	2,869
Net decrease in cash and cash equivalents	(3,277)	(34,495)		(3,537)	(26,609)
Cash and cash equivalents at beginning of the financial year	114,001	148,496		102,876	129,485
Cash and cash equivalents at the end of the financial year	110,724	114,001	17(b)	99,339	102,876

The Statement of Cash Flows should be read in conjunction with the accompanying notes to the financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL REPORT

INTRODUCTION

These Financial Statements are for the entity the Melbourne City Council (the "Council") and controlled entities.

The Council is a body corporate, domiciled in Australia, constituted pursuant to the *Local Government Act 1989* to provide for the peace and good government of its municipal district. The Town Hall is located at 90-120 Swanston Street, Melbourne VIC 3000.

The purpose of the Council is to:

- Promote the social, economic and environmental viability and sustainability of the municipality.
- Ensure that resources are used efficiently and effectively.

The Council's external auditors, advisers and bankers as at 30 June 2014:

- External Auditor - Victorian Auditor-General's Office
- Internal Auditor - Deloitte Touché Tohmatsu
- Solicitors - Hunt & Hunt, Ashurst, Maddocks
- Bankers - Westpac Banking Corporation.

The Council's website is melbourne.vic.gov.au.

The Consolidated Financial Statements of the Council as at and for the year ended 30 June 2014 comprise the Council, controlled entities and interest in associated entities.

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The significant policies, which have been adopted in the preparation of this Financial Report, are:

a) Basis of preparation

These Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Local Government Act (Vic) 1989*, including the requirements of the *Local Government (Finance and Reporting) Regulations (Vic) 2014*. The Melbourne City Council and Sustainable Melbourne Fund are not-for-profit entities and CityWide Service Solutions Pty Ltd and its subsidiaries and the Queen Victoria Market Pty Ltd are for-profit entities for the purpose of preparing the financial statements.

The Financial Statements have been prepared on an accrual basis and on the historical cost basis except where specifically stated in notes.

The functional and presentation currency of the Council and consolidated entity is Australian Dollars.

b) Change in accounting policies

AASB 13 Fair Value Measurement

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

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 2013 comparative period.

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 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 Council's measurement of the annual leave provision.

c) Principles of consolidation

The consolidated results in this Financial Report include all funds through which the Council controls resources to carry on its functions. In the process of reporting on the Council as a consolidated unit, all intra and inter entity balances and transactions have been eliminated.

In the Council's Financial Statements, investments in subsidiaries are carried at cost.

CityWide Service Solutions Pty Ltd and its subsidiaries and the Queen Victoria Market Pty Ltd are wholly owned subsidiaries of the Council incorporated in Australia and are included in the consolidated Financial Report.

The Sustainable Melbourne Fund Trust is wholly controlled trust of the Council and is included in the consolidated Financial Report.

MAP's Group Pty Ltd (Trading as Procurement Australia) and Regent Management Company Pty Ltd are not consolidated as Council does not have a controlling interest.

d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition date fair values of assets transferred to the consolidated entity, liabilities incurred by the consolidated entity to the former owners and the equity instruments issued by the consolidated entity in exchange for control of the acquiree.

Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 Share Based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-Current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Where the consideration transferred by the Consolidated Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

e) Taxation

The Council is exempt from the payment of income tax and capital gains tax. Payments for Fringe Benefits Tax and Goods and Services Tax (GST) are made in accordance with the relevant legislation. Payments for Payroll Tax are only made by the trading entities controlled by the Council.

The wholly owned subsidiaries are subject to the Council's tax equivalent policy. Where the subsidiary is exempt from certain taxes it pays an equivalent of the tax to Council.

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

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

f) Fees, fines, charges, rates, grants, and other contributions

Fees and charges are recognised as revenue when services are provided or earned.

Fines are recognised as revenue when the penalty is imposed.

Rates, grants, and other contributions are recognised as revenues when the Council obtains control over the related assets. Control over assets acquired from rates is obtained at the commencement of the rating period or, where earlier, upon receipt of the rates. Control over granted assets is normally obtained upon their receipt or upon prior written notification that a grant has been secured.

Where contributions recognised as revenues during the financial year were obtained on the condition that they be expended in a particular manner or used over a particular year, and those conditions were undischarged as at the reporting date, the nature of any amounts pertaining to those undischarged conditions are disclosed in Note 3(e). That note also discloses the amount of contributions recognised as revenues in previous financial years, which were expended in respect of the Council's operations during the current financial year.

Dividends from subsidiaries are recognised as income when received or amounts have been declared at the respective subsidiary company's board meeting.

Finance income and tax equivalents are recognised when it is earned and finance income includes interest on investments, interest on rates and bad debt recoveries.

Sales and recoveries are recognised when received and included merchandise sales, sale of publications and sundry sales not elsewhere included.

Revenue arising from service contracts is recognised by reference to the stage of completion of the contract, unless the outcome of the contract cannot be reliably estimated. The stage of completion is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the contract. Administrative overheads are not included in the costs of the contract for this purpose. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

g) Intangibles**i. Goodwill**

Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired is brought to account as goodwill. Goodwill is not amortised, but tested annually for impairment.

ii. Software

Software, that is not an integral part of the related hardware, is classified as intangibles, recorded at cost and amortised on a straight line basis over a 5 year period.

	Goodwill	Software
Useful lives	Indefinite	Finite
Method used	Not depreciated or re-valued	5 years – straight line
Internally generated / acquired	Acquired	Acquired
Impairment test / recoverable amount test	Reviewed annually for indication of impairment	Amortised method reviewed at each financial year end and reviewed annually for indication of impairment

iii. Customer relationship assets

The fair value of customer relationships acquired is calculated considering the estimated future recurring revenues from existing customers in the acquired operations at the date of the acquisition. Any deferred tax liabilities related to customer relationships are calculated and recorded as a part of goodwill.

Customer relationships have a useful life of 5 years and are amortised on a straight-line basis.

h) Employee benefits

i. Wages, salaries, annual and long service leave

Liabilities for employees' entitlements to wages and salaries, annual leave, and other employee benefits which are expected to be paid or settled within 12 months of balance date are accrued at nominal amounts calculated on the basis of 2013/14 wage and salary rates and payroll based on costs in accordance with AASB 119 'Employee Benefits'.

Liabilities for other employee benefits which are not expected to be paid or settled within 12 months of balance date are accrued as per AASB 119 at the present values of future amounts expected to be paid based on 3.02% per annum projected weighted average increase in wage and salary rates and payroll based on costs over an average period of five years. Present values are calculated using the government guaranteed securities rates with similar maturity terms.

For employee entitlements, long service leave entitlements for employees with over 7 years of service and all annual leave entitlements are classified as current. Long service leave entitlements for employees with less than 7 years of service is classified as non-current. Long service leave expected to be taken in the next twelve months is recorded at nominal value and long service leave not expected to be taken over the next twelve months is recorded at present value.

ii. Superannuation - defined contribution plans

A defined benefit contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefits expense in profit or loss in the periods during which the services are rendered by employees.

iii. Superannuation - defined benefits plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Council's net obligation in respect of defined benefits pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods;

that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on Government bonds that have maturity dates approximating the terms of the Council's obligations.

The calculation is performed periodically by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Council, the recognised asset is limited to the total of any unrecognised past service costs and the present value of the economic benefits available in the form of any future refunds from the plan or reduction in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Council. An economic benefit is available to the Council if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in the profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Council recognises all actuarial gains and losses arising from defined benefits plans in other comprehensive income and all expenses relating to defined benefit plans in employee benefits expense in profit or loss.

The Council recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

However, where the Council participates in multi-employer defined benefits plans for which sufficient information is not available to use defined benefits accounting as set out above, it accounts for contributions to those plans as if they were defined contributions plans.

Details of these arrangements are set out in Note 20 'Defined Benefits Superannuation Funds'.

i) Depreciation

Depreciation measures the service potential of buildings, infrastructure assets, plant and equipment consumed during the year. Trees, land and artworks are not depreciated as they are considered to have either unlimited useful lives or to be self-generating assets. Depreciation is recognised on a straight-line basis over

the useful lives of the assets to the economic entity. Depreciation rates are reviewed each financial year.

The depreciation periods for the major classes of assets are shown below which represent a range of useful lives for each class of asset.

	2013/14	2012/13
Buildings	10-50 Years	10-50 Years
Heritage assets	100 Years	100 Years
Promenades and wharves	40-94 Years	40-100 Years
Plant and equipment	5-20 Years	5-20 Years
Statues, sculptures and artworks	0-100 Years	0-100 Years
Roads and laneways - seal	10-17 Years	10-20 Years
Roads and laneways - substructure	30-80 Years	30-90 Years
Footpaths	10-50 Years	10-50 Years
Kerb and channel	30-50 Years	30-50 Years
Bridges	50-94 Years	50-94 Years
Drains	50-165 Years	50-185 Years
Irrigation systems	10-20 Years	10-20 Years
Parks and gardens infrastructure	10-50 Years	10-50 Years
Other structures	5-50 Years	5-50 Years
Furniture and fittings	5-10 Years	5-10 Years

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

j) Cash and cash equivalents

For purposes of the balance sheet, cash and cash equivalents includes short term deposits, bank bills, transferrable certificates of deposit and fixed interest securities which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of bank overdrafts. Short-term deposits are stated at cost. Fixed interest securities are valued at net fair value. Interest is recognised when earned.

recognition of the asset, and that loss event had a negative effect on the estimated future cash flows of that asset that can be reliably measured. Objective evidence that financial assets are impaired can include indications of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment. In addition, for an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

k) Receivables and payables

Trade and other receivables are initially recognised at fair value and subsequently at recoverable amount. They are classified as current assets except where the maturity is greater than 12 months after the reporting period date, in which case they are classified as non-current.

All individually significant trade and other receivables are assessed for specific impairment. All individually significant receivables and those that are not individually significant are then assessed for impairment on a collective basis, by grouping those with similar risk characteristics. An impairment loss in respect of a financial asset measured at amortised costs is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event (e.g. repayment) causes the amount of the impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. No allowance for impairment is made for rate debtors because the debts are collectable against the property.

Trade and other payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed. Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

l) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial

m) Property, plant, equipment and infrastructure

i. Capital and recurrent expenditure

As a general rule, expenditure incurred in the purchase or development of assets is capital expenditure. Expenditure necessarily incurred in either maintaining the operational capacity of the non-current asset or ensuring that the original life estimate of the asset is achieved, is considered maintenance expenditure and is treated as an expense as incurred. Items of a capital nature with a total value of less than \$2,000 are treated as an expense.

ii. Acquisition

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to their acquisition, including architectural and engineering fees and all other establishment costs. The Council's policy is to capitalise and depreciate individual capital expenditure over \$2,000.

Fair value is defined in AASB 13(9) as 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.

iii. Construction work in progress

The cost of property, plant, equipment and infrastructure constructed by the Council includes the cost of materials and direct labour.

iv. Leases

The Council does not currently use any finance lease arrangements. In respect of operating leases, where the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased property, the payments are charged to expense over the lease term.

v. Asset revaluation

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense, the increment is recognised as revenue.

Revaluation decrements are recognised immediately as expenses, except that, to the extent that an increment balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve. Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

vi. Valuation

Consistent with AASB 13 'Fair Value Measurement', Melbourne City Council determines the policies and procedures for both recurring fair value measurements such as property and infrastructure assets and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13.

vii. Impairment

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 depreciated replacement cost, is compared to the assets carrying value. Any shortfall of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement.

n) Non-cash donations

Non-cash donations in excess of \$2,000 value are recognised as revenue.

o) Rounding

Unless otherwise stated, amounts in the Financial Statements are rounded to the nearest thousand dollars.

p) Web site costs

Costs in relation to web sites controlled by the Council are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit.

q) Allocation between current and non-current

With the exception of employee entitlements, 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 realised or paid. The asset or liability is classified as current if it is expected to be turned over within the next twelve months, being the Council's operational cycle.

r) Investment property

Investment property is held to generate long-term rental yields. All tenant leases are entered into at an arm's length basis.

Investment property is carried at fair value, being market value assuming the highest and best use permitted by the relevant land use planning provisions or existing public use whichever is the greater. Any changes to fair value are recorded in the comprehensive income statement. Investment properties are not depreciated.

s) Interest-bearing liabilities

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds, net of transaction costs, and the redemption amount is recognised over the life of the instrument using the effective interest rate method. Borrowings are derecognised when the obligation specified in the contract has been discharged, cancelled or expires. The difference between the carrying amount of the derecognised borrowing and the consideration paid is recognised as other income or finance costs. Borrowings are classified as current liabilities unless unconditional right to defer settlement of the liability exists for at least 12 months after the reporting date.

t) Income received in advance

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 in relation to fee for services.

u) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and have been adopted where applicable to the Council.

Pronouncement	Summary	Impact/Action	Effective Date
AASB 9 Financial Instruments	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.	The impact is not likely to be extensive in the local government sector.	1 Jul 2015
AASB 10 Consolidated Financial Statements	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.	Council will need to re-assess the nature of its relationships with other entities, including those that are currently not consolidated.	1 Jul 2014
AASB 11 Joint Arrangements	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.	Council will need to assess the nature of arrangements with other entities in determining whether a joint arrangement exists in light of AASB 11.	1 Jul 2014
AASB 12 Disclosure of Interests in Other Entities	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.	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.	1 Jul 2014
AASB 127 Separate Financial Statements	This revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	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.	1 Jul 2014
AASB 128 Investments in Associates and Joint Ventures	This revised Standard sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	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.	1 Jul 2014
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounts Standard arising from Reduced Disclosure Requirements	These standards set out the tiers of financial reporting and the reduced disclosure framework.	Council has yet to determine the impact of this standard.	1 Jul 2014

v) Critical accounting judgements and key sources of estimation uncertainty

In application of the Council's policies, Council is required to make judgements, estimates and assumptions about carrying values of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 9. Property, plant, equipment and infrastructure (fair value measurement)
- Note 10. Intangible assets (goodwill impairment assessment)
- Note 11. Investment property (fair value measurement)
- Note 13. Employee benefits (leave provisions)
- Note 20. Defined benefits superannuation funds (measurement of plan assets and liabilities).

w) Comparative Figures

When necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

NOTE 2. OPERATING RESULT ATTRIBUTABLE TO FUNCTIONS/ACTIVITIES

a) Revenues and expenses attributed to functions/activities

Functions/ Activities		Revenues	Expenses	Net Surplus/ (Deficit) for the year
		\$'000	\$'000	\$'000
City Planning & Infrastructure	2012/13	112,699	(143,822)	(31,123)
	2013/14	104,352	(145,402)	(41,050)
Community Development	2012/13	19,990	(65,196)	(45,206)
	2013/14	20,725	(66,208)	(45,483)
City Design	2012/13	22,064	(35,251)	(13,187)
	2013/14	15,336	(40,930)	(25,594)
City Business	2012/13	4,778	(46,104)	(41,326)
	2013/14	6,618	(46,846)	(40,228)
Chief Executive	2012/13	488	(11,805)	(11,317)
	2013/14	600	(10,548)	(9,948)
Corporate Business	2012/13	249,881	(56,508)	193,373
	2013/14	252,926	(59,280)	193,646
Subsidiaries	2012/13	204,686	(203,273)	1,413
	2013/14	199,057	(194,364)	4,693
TOTAL	2012/13	614,586	(561,959)	52,627
	2013/14	599,614	(563,578)	36,036

b) A brief description of the goal of each function is as follows:

i. Functions/activities providing quality support functions to the Council

City Planning and Infrastructure

Advises the Council on city planning for the sustainable development of Melbourne through research, policy development, program and infrastructure delivery and planning.

Community Development

Provides a range of services, specific programs and recreation services for residents and visitors, contributing to building strong local communities that are inclusive and supportive. This, with the delivery of cultural programs and the management of the City's cultural infrastructure, enhances the Council's reputation as a safe, attractive, liveable and accessible city. The Division is also responsible for providing a direct customer liaison, information and advocacy service and driving the organisation's approach to the delivery of high quality customer service.

City Design

Responsible on behalf of the Council for providing urban design policy, advice, design, project management and management of parks and reserves.

City Business

Provides leadership in events management, communications and marketing, promoting tourism within the city and providing guidance to business and international interaction.

Chief Executive

To ensure a well-managed and leading organisation through the delivery of effective and accountable governance and business processes.

Corporate Business

To provide a range of quality support functions to the Council. This assists the Council in providing the highest standard of services to the city.

ii. Subsidiaries supporting Council in providing services to the community

CityWide Service Solutions Pty Ltd and its controlled entities Sterling Group Services Pty Ltd, AWD Earthmoving Pty Ltd and Technigro Australia Pty Ltd.

To meet the contract service needs of local government, other governments, and private and public sector corporations by providing a comprehensive range of quality, physical services at competitive rates.

Queen Victoria Market Pty Ltd

To ensure that the market maintains and enhances an industry reputation as Australia's foremost leading market, whilst meeting world's best practice standards.

Sustainable Melbourne Fund Trust

A self-sustaining fund set up by the Council which invests funds in projects with environmental benefits to the City. The projects may extend beyond the boundaries of the Council to the broader state of Victoria, reflecting the position of Melbourne as the capital city of Victoria.

iii. Significant interests

The Council has a majority ownership of the MAPS Group Ltd (Trading as Procurement Australia) through its holdings, however due to the structure of the company the Council does not have a majority of voting rights.

The Council and the State Government each have a 50% shareholding in Regent Management Company Pty Ltd. The Company was incorporated to oversee the reconstruction of the Regent Theatre, operate as landlord of the Regent Theatre and to enter into a refurbishment agreement for the restoration and lease of the theatre.

REVENUES

NOTE 3. REVENUES

a) Rates

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
General rates				
- Residential	67,703	62,735	67,703	62,735
- Commercial and retail	145,773	138,730	145,773	138,730
Cultural & recreational land rates	383	370	383	370
Supplementary rates	3,968	3,139	3,968	3,139
Objections/Exemptions	(3,990)	(1,398)	(3,990)	(1,398)
	213,837	203,576	213,837	203,576

The Council uses 'net annual value' as the basis of valuation of all properties within the municipal district. The net annual value of a property approximates the annual net rental for a commercial property and five per cent of the capital improved value for a residential property.

The date of the general valuation of land for rating purposes within the municipal district was 1 January 2012 and the valuation first applied to the rating period commencing 1 July 2012. The valuation for rating purposes is performed on a two year cycle.

b) Grants and other contributions

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
State Grants - Operating				
Roads Corporation	132	157	132	157
Libraries Grant	685	977	685	977
Victoria Grants Commission	1,166	1,960	1,166	1,960
Pre School Services	323	270	323	270
Support Services for Families	493	307	493	307
Maternal & Child Health	493	461	493	461
Home & Community Services Grant	2,634	2,479	2,634	2,479
Arts Grant	111	10	111	10
Disability Services Grant	117	111	117	111
Other	2,239	1,125	2,239	1,062
	8,393	7,857	8,393	7,794
Federal Grants - Operating				
Federal Grant - Aged & Disability	175	185	175	185
Federal Grant- Other	534	327	534	327
	709	512	709	512
State Grants - Capital				
Parking Levy	7,000	5,000	7,000	5,000
Buildings & Equipment	1,812	571	1,812	571
Cultural Precincts Enhancement Fund	-	375	-	375
Northbank Promenade	2,997	8,743	2,997	8,743
Park & Gardens	-	4,591	-	4,591
Road & Streets	682	3,435	682	3,435
Living Victoria Fund	1,500	-	1,500	-
	13,991	22,715	13,991	22,715
Federal Grants - Capital				
Road & Streets	428	347	428	347
Park & Gardens	14	-	14	-
	442	347	442	347
Total Other				
Non-Government - Capital	173	418	173	418
Public Open Space Contributions	6,743	6,334	6,743	6,334
Other Contributions	239	152	239	152
Child Care Benefit	1,597	1,500	1,597	1,500
Sponsorships	900	934	754	603
	9,652	9,338	9,506	9,007
Total Grants & Other Contributions	33,187	40,769	33,041	40,375

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Grants – Operating (recurrent)	9,526	10,081	9,380	9,687
Grants – Operating (non-recurrent)	2,312	874	2,312	874
Grants – Capital (recurrent)	13,743	11,334	13,743	11,334
Grants – Capital (non-recurrent)	7,606	18,480	7,606	18,480
Total Grants & Other Contributions	33,187	40,769	33,041	40,375

c) Parking fees

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
On street parking	39,498	33,433	39,498	33,433
Off street parking	9,993	8,873	5,961	5,151
Tow away fees	1,337	1,438	1,337	1,438
	50,828	43,744	46,796	40,022

d) Finance income

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Interest received from investments	3,735	5,367	3,535	5,122
Interest due from overdue rates	321	732	321	732
Other	283	440	28	53
	4,339	6,539	3,884	5,907

e) Conditions over contributions

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Grants recognised as revenues during the financial year and which were obtained on the condition that they be expended in a specific manner that had not occurred at balance date:				
Grants for capital works	5,266	6,150	5,266	6,150
Grants for other purposes	1,038	317	1,038	317
	6,304	6,467	6,304	6,467
Deduct				
Grants which were recognised as revenues in prior year and which were expended during the current year in the manner specified were:				
Grants for capital works	6,150	666	6,150	666
Grants for other purposes	317	824	317	824
	6,467	1,490	6,467	1,490
Net increase/(decrease) in restricted assets resulting from grant revenue for the financial year	(163)	4,977	(163)	4,977

EXPENSES

NOTE 4. EXPENSES

a) Employee benefit expenses

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Wages and salaries	180,832	168,981	105,349	96,652
Annual leave and long service leave	18,863	20,123	12,231	12,677
Fringe benefits	2,112	1,995	585	571
WorkCover	2,943	2,891	567	388
Superannuation	17,078	15,311	10,749	7,651
	221,828	209,301	129,481	117,939

b) Contract payments, materials and services

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Contract payments	133,360	140,986	114,523	115,112
Other materials and services	109,077	110,632	42,667	42,368
Auditors remuneration (e)	658	697	361	340
	243,095	252,315	157,551	157,820

c) Depreciation and amortisation

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Buildings	4,963	4,849	4,770	4,665
Buildings leasehold improvements	461	327	162	146
Heritage assets	1,145	1,093	1,145	1,093
Wharves and promenades	1,037	1,035	1,037	1,035
Plant and equipment	18,865	17,943	6,072	5,175
Statues, sculptures, and artwork	598	589	598	589
Roads & laneways - substructure	6,165	6,066	6,165	6,066
Roads & laneways - seal	3,386	3,614	3,386	3,614
Footpaths	13,841	12,833	13,841	12,833
Kerb & channel	5,326	5,113	5,326	5,113
Bridges	1,365	1,437	1,365	1,437
Drains	1,039	1,021	1,039	1,021
Irrigation systems	1,615	1,520	1,615	1,520
Parks and gardens infrastructure	4,692	4,689	4,692	4,689
Other structures	205	284	205	284
Furniture and fittings	714	771	538	536
	65,417	63,184	51,956	49,816
Amortisation of intangibles	4,050	4,144	3,325	3,006
	69,467	67,328	55,281	52,822

d) Other expenses

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Insurance	2,786	3,207	1,622	1,658
Other costs	2,719	2,360	2,494	1,604
Grants and contributions	13,347	13,465	13,347	13,465
Fire brigade levy	111	3,907	111	3,907
Taxes and levies	1,596	672	702	158
Impairment - Trade debtors	6	199	1	108
Impairment - Parking infringements notices	3,561	7,582	3,561	7,582
	24,126	31,392	21,838	28,482

e) Auditors' remuneration

	Consolidated		Council	
	2014 \$	2013 \$	2014 \$	2013 \$
Audit services - Victoria Auditor-Generals Office	224,000	217,000	126,000	122,000
Audit services - Internal	434,000	479,903	235,000	217,998
	658,000	696,903	361,000	339,998

ASSETS

NOTE 5. TRADE AND OTHER RECEIVABLES

Current	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Rates	2,878	3,101	2,879	3,101
Parking infringement debtors	27,814	27,995	27,814	27,995
Provision for doubtful debts - Parking infringement	(14,732)	(16,189)	(14,732)	(16,189)
Trade debtors	33,502	36,196	5,044	9,878
Provision for doubtful debts - Trade debtors	(556)	(610)	(246)	(286)
GST receivable	8,789	7,070	5,867	4,632
	57,695	57,563	26,626	29,131

Trade debtors are unsecured and have credit terms of 30 days from the date of invoice.

Trade Debtors Ageing of past due but not impaired	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current and less than 60 days	31,879	34,777	4,844	9,555
60-90 days	493	355	123	91
90-120 days	381	452	43	187
120+ days	749	612	34	45
Total	33,502	36,196	5,044	9,878

This disclosure relates only to Trade Debtors. Rates and Parking Infringement Debtors are not financial instruments and are therefore not included.

Provision for doubtful debts	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Provision for doubtful debts - Parking infringement	14,732	16,189	14,732	16,189
Provision for doubtful debts - Trade debtors	556	610	246	286
Total	15,288	16,799	14,978	16,475

Movement in doubtful debts - Parking infringement	Consolidated		Council	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	16,189	16,039	16,189	16,039
New provisions recognised	3,561	7,582	3,561	7,582
Amounts written off as uncollectible	(5,018)	(7,432)	(5,018)	(7,432)
Balance at the end of the year	14,732	16,189	14,732	16,189

Movement in doubtful debts - Trade debtors	Consolidated		Council	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	610	440	286	207
New provisions recognised	6	199	1	108
Amounts written off as uncollectible	(60)	(29)	(41)	(29)
Balance at the end of the year	556	610	246	286

NOTE 6. INVENTORIES

	Consolidated		Council	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Stores and raw materials	661	496	-	-
Provision for obsolete stock	(5)	(5)	-	-
	656	491	-	-

NOTE 7. OTHER ASSETS

	Consolidated		Council	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Prepayments	1,307	1,470	156	337
Tax equivalents & dividends	-	-	2,655	2,744
	1,307	1,470	2,811	3,081

NOTE 8. OTHER FINANCIAL ASSETS

Non-Current	Consolidated		Council	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Interests in Controlled Entities:				
CityWide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Investment in Sustainable Melbourne Fund	-	-	6,035	6,575
	-	-	24,641	25,181
Investments in Associates				
Regent Management Company Pty Ltd *	7,425	7,425	7,425	7,425
MAPS Group Ltd (Procurement Australia)	250	250	250	250
	7,675	7,675	7,675	7,675
	7,675	7,675	32,316	32,856

* Reflects a 50% shareholding. The latest valuation of the Regent Management Company Pty Ltd's assets was undertaken on 25 October 2012 by AssetVal Pty Ltd. Given the nature of the asset and associated revaluation cost it is intended that the asset will be revalued periodically.

NOTE 9. PROPERTY, PLANT, EQUIPMENT AND INFRASTRUCTURE

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Land - Freehold				
At Council's valuation (i)	217,393	196,643	217,393	196,643
At cost	11,508	11,510	-	-
	228,901	208,153	217,393	196,643
Land - Other Controlled				
At Council's valuation (i)	1,379,783	1,389,240	1,379,783	1,389,240
Total Land	1,608,684	1,597,393	1,597,176	1,585,883
Land - Under Roads				
At Council's deemed cost	15,450	15,450	15,450	15,450
Buildings on Freehold Land				
At Council's valuation (i)	95,307	77,156	91,437	73,289
At cost	727	700	-	-
Accumulated depreciation	(1,942)	(1,746)	-	-
	94,092	76,110	91,437	73,289
Buildings on Other Controlled Land				
At Council's valuation (i)	49,687	49,684	49,687	49,684
Buildings - Leasehold Improvements				
At cost	6,839	6,094	2,776	2,460
Accumulated depreciation	(3,296)	(2,857)	(1,008)	(846)
	3,543	3,237	1,768	1,614
Heritage Buildings				
At Council's valuation (ii)	142,110	112,251	142,110	112,251
Total Buildings	289,432	241,282	285,002	236,838
Promenades and Wharves				
At Council's valuation (iii)	60,506	61,507	60,506	61,507
Footpaths				
At Council's valuation (iii)	177,247	169,780	177,247	169,780
Kerb & Channel				
At Council's valuation (iii)	176,897	166,120	176,897	166,120
Bridges				
At Council's valuation (iii)	93,100	94,419	93,100	94,419
Drains				
At Council's valuation (iii)	108,395	104,654	108,395	104,654
Roads & Laneways Substructure				
At Council's valuation (iii)	452,946	447,631	452,946	447,631
Roads & Laneways - Seal				
At Council's valuation (iii)	42,332	39,256	42,332	39,256
Total Civil Infrastructure	1,111,423	1,083,367	1,111,423	1,083,367

	Consolidated		Council	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Irrigation				
At Council's valuation (iv)	18,557	22,276	18,557	22,276
Accumulated depreciation	-	(4,285)	-	(4,285)
	18,557	17,991	18,557	17,991
Parks and Gardens Infrastructure				
At Council's valuation (iv)	74,479	73,279	74,479	73,279
Trees				
At Council's valuation (iv)	38,460	39,389	38,460	39,389
Total Parks Infrastructure	131,496	130,659	131,496	130,659
Sub-Total Land, Buildings and Infrastructure	3,156,485	3,068,151	3,140,547	3,052,197
Plant and Equipment				
At cost	188,802	169,310	65,502	51,728
Accumulated depreciation	(109,586)	(95,224)	(35,738)	(31,781)
	79,216	74,086	29,764	19,947
Furniture and Fittings				
At cost	7,141	6,851	5,180	5,081
Accumulated depreciation	(4,865)	(4,095)	(3,711)	(3,173)
	2,276	2,756	1,469	1,908
Statues, Sculptures and Artworks				
At cost	53,834	52,811	53,834	52,811
Accumulated depreciation	(6,067)	(5,469)	(6,067)	(5,469)
	47,767	47,342	47,767	47,342
Other Structures				
At cost	5,776	5,776	5,776	5,776
Accumulated depreciation-cost	(2,073)	(1,868)	(2,073)	(1,868)
	3,703	3,908	3,703	3,908
Works in Progress				
At cost	118,196	94,871	117,361	94,496
Total Property, Plant, Equipment and Infrastructure	3,407,643	3,291,114	3,340,611	3,219,798

a) Valuations

Valuations were completed as at 30 June 2014 for Council. Valuations for 30 June 2014 are at fair value. Unless otherwise stated the carrying value of each class of asset measured at fair value at balance date materially reflects their fair value at that date.

The basis of valuation is included under Note 1(m)(vi) in the Financial Statements and have been conducted as follows:

i. Land and buildings

Valuations of Council land and buildings were determined by Pauline Lawson Certified Practising Valuer within the Property Services Branch of Melbourne City Council.

All land and buildings are valued 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 as at 30 June 2014.

Non Specialised Land & Buildings - Values of freehold land that are not adversely encumbered by reservations or planning provisions are based on observable market evidence adjusted for comparability and condition. The value of land is based on market based direct comparison approach and the added value of structural improvements on this land is calculated by deduction of the land value from the total fair value of the asset.

Specialised Land & Buildings - Values of all other land are based on a combination of observable and unobservable

market evidence adjusted for comparability and condition. The value of land is based on a market based direct comparison approach and a significant adjustment is made for the land tenure and/or planning provisions that restricts the use or associated rights to deal with the asset. The values of structural improvements on this land are valued at fair market value using an estimated depreciated replacement cost approach.

ii. Heritage Buildings

Values of structural improvements included in the Victorian Heritage Register (Heritage Assets) are recognised to have a useful life or remaining useful life period beyond the normal life periods. The useful life/remaining useful life periods applied reflect that the Heritage Asset is likely to remain in perpetuity and are valued at fair market value with an estimated new replacement cost.

iii. Civil Infrastructure assets

Valuations of infrastructure assets, including roads and laneways, footpaths, kerb and channel, bridges and drains, were determined by Thyagie Wettasinghe, Asset Officer Melbourne City Council.

Infrastructure assets managed by Engineering Services Branch are valued using the information derived from the Council's asset register. The asset register has all details of asset type, area, age, condition of assets and replacement costs.

The valuation is derived by determining the written down replacement cost of each asset. The written down replacement cost is calculated based on the remaining life of the asset, which in turn is determined based on their condition for roads, footpaths, kerb and channel, street furniture or on age for drains.

Replacement costs of infrastructure assets are based on current Civil Infrastructure Services contracts or current market prices for standalone type assets.

A significant increase or decrease in the condition of the asset or replacement costs would result in a significantly higher or lower valuation.

iv. Parks and Gardens Infrastructure

Infrastructure assets and park assets are valued at fair value being replacement cost less accumulated depreciation, taking into account the asset condition and their remaining lives.

Asset condition is assessed annually using internal and external experts for particular asset classes, and stored in Council's register.

Replacement cost for lineal assets (i.e. fences) and surface assets (paths, artificial turf) are based on unit rates per lineal or square meter based on industry standards or recent Capital Works. Replacement cost for standalone assets (barbeques, seats, bins) are based on costs for a suitable replacement at current market prices.

Replacement cost for irrigation assets is a rate per square meter derived from recent projects and applied to all irrigated coverage.

Trees are valued at replacement cost which is arrived at from current on ground costs, current tree prices, tree planting works and maintenance through the establishment period of the tree.

Valuation of parks and gardens were determined by Eugene Stackpole, Asset Management Officer Melbourne City Council.

A significant increase or decrease in the condition of the asset or replacement costs would result in a significantly higher or lower valuation.

b) Fair value

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

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.

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	Total
	\$'000	\$'000	\$'000	\$'000
Land - Freehold	-	96,869	120,524	217,393
Land - Other Controlled	-	8,655	1,371,128	1,379,783
Total land	-	105,524	1,491,652	1,597,176
Buildings on Freehold Land	-	54,781	36,656	91,437
Buildings on Other Controlled Land	-	1,206	48,481	49,687
Heritage Buildings	-	-	142,110	142,110
Total buildings	-	55,987	227,247	283,234
Promenades and Wharves	-	-	60,506	60,506
Footpaths	-	-	177,247	177,247
Kerb & Channel	-	-	176,897	176,897
Bridges	-	-	93,100	93,100
Drains	-	-	108,395	108,395
Roads & Laneways Substructure	-	-	452,946	452,946
Roads & Laneways - Seal	-	-	42,332	42,332
Total Civil Infrastructure	-	-	1,111,423	1,111,423
Irrigation	-	-	18,557	18,557
Parks and Gardens Infrastructure	-	-	74,479	74,479
Trees	-	-	38,460	38,460
Total Parks Infrastructure	-	-	131,496	131,496
Total	-	161,511	2,961,818	3,123,329

No transfers between levels occurred during the year.

Reconciliation 2014	Land	Buildings	Civil Infrastructure	Parks Infrastructure
Opening Balance	1,585,883	235,224	1,083,367	130,659
Depreciation	-	(5,913)	(32,160)	(6,307)
Impairment Loss	-	-	-	-
Revaluation	6,606	29,783	41,787	(1,609)
Acquisitions (Disposals)	3,365	141	(53)	-
Transfers	1,322	23,999	18,482	8,753
Closing Balance	1,597,176	283,234	1,111,423	131,496

This reconciliation excludes land under roads and leasehold improvements on buildings as these amounts are not revalued and are recorded at cost.

Citywide Service Solutions Pty Ltd - The last revaluation of land held by the Group was based on an assessment by independent valuers, Knight Frank on 8 March 2013. Under AASB 13, this assessment of fair value is viewed

as being at Level 2 which indicates that the valuation involved techniques for which the lowest level input in the measurement was directly or indirectly observable.

Queen Victoria Market - No assets are revalued at Queen Victoria Market.

c) Description of significant unobservable inputs to Level 3 valuations

	Valuation Technique	Significant Observable Inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Land - Specialist Freehold	Market approach	Community Service Obligation (CSO) adjustment	60 - 80%	A significant increase or decrease in the CSO adjustment would result in a significantly lower or higher fair value
Land - Other Controlled	Market approach	Community Service Obligation (CSO) adjustment	80 - 90%	A significant increase or decrease in the CSO adjustment would result in a significantly lower or higher fair value
Buildings on Specialist Freehold Land	Depreciated Replacement Cost	Direct cost per square metre	\$1,600 - \$23,150	A significant increase or decrease in direct cost per square metre would result in a significantly lower or higher fair value
		Useful life of buildings	10 - 50 years	A significant increase or decrease in direct cost per square metre would result in a significantly lower or higher fair value
Buildings on Other Controlled Land	Depreciated Replacement Cost	Direct cost per square metre	\$275 - \$34,715	A significant increase or decrease in direct cost per square metre would result in a significantly lower or higher fair value
		Useful life of buildings	10 - 50 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher valuation
Heritage Buildings	Depreciated Replacement Cost	Direct cost per square metre	\$1,000 - \$6,000	A significant increase or decrease in direct cost per square metre would result in a significantly lower or higher fair value
		Useful life of buildings	100 Years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly lower or higher valuation
Promenades and Wharves	Depreciated Replacement Cost	Per item useful life of asset	\$267,000 - \$19.1million 40 - 94 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation
Footpaths	Depreciated Replacement Cost	Per square meter useful life of footpath	\$6.83 - \$532.17 10 - 50 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation

	Valuation Technique	Significant Observable Inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Kerb & Channel	Depreciated Replacement Cost	Per lineal meter useful life kerb or channel	\$76.22 - \$1,032.63 30-50 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation
Bridges	Depreciated Replacement Cost	Per item useful life of asset bridge	\$330,000 - \$22.7million 50 - 94 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation
Drains	Depreciated Replacement Cost	Per lineal meter useful life kerb or channel drain	\$290 - \$1,142 50 - 165 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation
Roads & Laneways Substructure	Depreciated Replacement Cost	Per square meter useful life of footpath road	\$220 - \$448 30 - 80 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation
Roads & Laneways - Seal	Depreciated Replacement Cost	Per square meter useful life of footpath road	\$21.19 - \$24.31 10 - 17 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation
Irrigation	Depreciated Replacement Cost	Per square meter condition rating and useful life	\$8-\$9 / sq meter, 10-20 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation
Parks and Gardens Infrastructure	Depreciated Replacement Cost	Rates per lineal or square meter, cost per unit, condition rating and useful life	\$31-\$254 per lineal metre, \$51-\$146 per sq meter, \$204-\$40,000 per unit 10-50 years	A significant increase or decrease in the cost per unit or estimated useful life of the asset would result in a significantly lower or higher valuation
Trees	At Replacement Cost	Cost per Unit	\$540 per unit	A significant increase or decrease in the cost per unit would result in a significantly lower or higher valuation

d) Summary of Property, plant, equipment and infrastructure

Consolidated 30 June 2014 Asset Classes	Carrying amount at 30 June 2013		Revaluations \$'000	Additions \$'000	Disposals \$'000	Depreciation \$'000	Transfers \$'000	Carrying amount at 30 June 2014 \$'000
	\$'000	\$'000						
Land - Freehold	208,153	13,835	6,913	-	-	-	-	228,901
Land - Other Controlled	1,389,240	(7,229)	650	(4,200)	-	-	1,322	1,379,783
Land Under Roads	15,450	-	-	-	-	-	-	15,450
Buildings on Freehold Land	76,110	3,847	28	-	(2,694)	16,800	94,092	
Buildings on Other Controlled Land	49,684	(1,209)	332	(189)	(2,271)	3,340	49,687	
Buildings - Leasehold Improvements	3,237	-	419	-	(461)	348	3,543	
Heritage Assets	112,251	27,145	-	-	(1,145)	3,859	142,110	
Promenades and Wharves	61,507	(212)	-	-	(1,037)	248	60,506	
Footpaths	169,780	13,291	-	(30)	(13,841)	8,047	177,247	
Kerb & Channel	166,120	13,700	-	(5)	(5,326)	2,408	176,897	
Bridges	94,419	(114)	-	-	(1,365)	160	93,100	
Drains	104,654	3,008	-	-	(1,039)	1,772	108,395	
Roads & Laneways - Substructure	447,631	11,480	-	-	(6,165)	-	452,946	
Roads & Laneways - Seal	39,256	636	-	(21)	(3,386)	5,847	42,332	
Irrigation	17,991	15	-	-	(1,615)	2,166	18,557	
Parks and Gardens Infrastructure	73,279	1,032	-	-	(4,692)	4,860	74,479	
Trees	39,389	(2,656)	-	-	-	1,727	38,460	
Plant and Equipment	74,086	-	8,400	(1,098)	(18,863)	16,691	79,216	
Furniture and Fittings	2,756	-	-	-	(714)	234	2,276	
Statues, Sculptures and Artworks	47,342	-	-	-	(598)	1,023	47,767	
Other Structures	3,908	-	-	-	(205)	-	3,703	
Works in Progress	94,871	-	99,767	-	-	(76,442)	118,196	
	3,291,114	76,569	116,509	(5,543)	(65,417)	(5,590)	3,407,643	

Consolidated 30 June 2013 Asset Classes	Carrying amount at 30 June 2012		Revaluations		Additions		Disposals		Depreciation		Transfers		Carrying amount at 30 June 2013	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land - Freehold	209,278	1,443	872	(7,640)	-	4,200	208,153							
Land - Other Controlled	1,386,501	(2,241)	2,740	-	-	2,240	1,389,240							
Land Under Roads	12,920	-	2,530	-	-	-	15,450							
Buildings on Freehold Land	66,527	(3,294)	154	(308)	(2,597)	15,628	76,110							
Buildings on Other Controlled Land	43,022	962	167	(334)	(2,252)	8,119	49,684							
Buildings - Leasehold Improvements	2,103	-	995	(1)	(327)	467	3,237							
Heritage Assets	95,578	3,439	-	-	(1,093)	14,327	112,251							
Promenades and Wharves	62,552	(10)	-	-	(1,035)	-	61,507							
Footpaths	141,892	16,279	5,671	-	(12,833)	18,771	169,780							
Kerb & Channel	137,673	19,455	5,245	-	(5,113)	8,860	166,120							
Bridges	85,186	(7,780)	-	-	(1,437)	18,450	94,419							
Drains	100,060	1,605	1,100	-	(1,021)	2,910	104,654							
Roads & Laneways - Substructure	442,006	8,708	2,983	-	(6,066)	-	447,631							
Roads & Laneways - Seal	35,118	(5,830)	174	-	(3,614)	13,408	39,256							
Irrigation	18,284	-	-	-	(1,520)	1,227	17,991							
Parks and Gardens Infrastructure	71,287	439	-	-	(4,689)	6,242	73,279							
Trees	38,934	(1,621)	-	-	-	2,076	39,389							
Plant and Equipment	69,580	-	16,610	(1,385)	(17,943)	7,224	74,086							
Furniture and Fittings	2,450	-	559	(1)	(771)	519	2,756							
Statues, Sculptures and Artworks	47,510	-	-	-	(589)	421	47,342							
Other Structures	3,696	-	-	(4)	(284)	500	3,908							
Works in Progress	121,410	-	105,879	-	-	(132,418)	94,871							
	3,193,567	31,554	145,679	(9,673)	(63,184)	(6,829)	3,291,114							

Council 30 June 2014 Asset Classes	Carrying amount at 30 June 2013					Carrying amount at 30 June 2014							
	\$'000	Revaluations	Additions	Disposals	Depreciation	Transfers	\$'000	Revaluations	Additions	Disposals	Depreciation	Transfers	\$'000
Land - Freehold	196,643	13,835	6,915	-	-	-	-	-	-	-	-	-	217,393
Land - Other Controlled	1,389,240	(7,229)	650	(4,200)	-	1,322	-	-	-	-	-	1,322	1,379,783
Land Under Roads	15,450	-	-	-	-	-	-	-	-	-	-	-	15,450
Buildings on Freehold Land	73,289	3,847	-	-	(2,499)	16,800	-	-	-	-	-	-	91,437
Buildings on Other Controlled Land	49,684	(1,209)	332	(189)	(2,271)	3,340	-	-	-	-	-	-	49,687
Buildings - Leasehold Improvements	1,614	-	-	-	(162)	316	-	-	-	-	-	-	1,768
Heritage Assets	112,251	27,145	-	-	(1,145)	3,859	-	-	-	-	-	-	142,110
Promenades and Wharves	61,507	(212)	-	-	(1,037)	248	-	-	-	-	-	-	60,506
Footpaths	169,780	13,291	-	(30)	(13,841)	8,047	-	-	-	-	-	-	177,247
Kerb & Channel	166,120	13,700	-	(5)	(5,326)	2,408	-	-	-	-	-	-	176,897
Bridges	94,419	(114)	-	-	(1,365)	160	-	-	-	-	-	-	93,100
Drains	104,654	3,008	-	-	(1,039)	1,772	-	-	-	-	-	-	108,395
Roads & Laneways - Substructure	447,631	11,480	-	-	(6,165)	-	-	-	-	-	-	-	452,946
Roads & Laneways - Seal	39,256	636	-	(21)	(3,386)	5,847	-	-	-	-	-	-	42,332
Irrigation	17,991	15	-	-	(1,615)	2,166	-	-	-	-	-	-	18,557
Parks and Gardens Infrastructure	73,279	1,032	-	-	(4,692)	4,860	-	-	-	-	-	-	74,479
Trees	39,389	(2,656)	-	-	-	1,727	-	-	-	-	-	-	38,460
Plant and Equipment	19,947	-	-	(621)	(6,072)	16,510	-	-	-	-	-	-	29,764
Furniture and Fittings	1,908	-	-	-	(538)	99	-	-	-	-	-	-	1,469
Statues, Sculptures and Artworks	47,342	-	-	-	(598)	1,023	-	-	-	-	-	-	47,767
Other Structures	3,908	-	-	-	(205)	-	-	-	-	-	-	-	3,703
Works in Progress	94,496	-	98,961	-	-	(76,096)	-	-	-	-	-	-	117,361
	3,219,798	76,569	106,858	(5,066)	(51,956)	(5,592)							3,340,611

Council 30 June 2013 Asset Classes	Carrying amount at 30 June 2012	Revaluations	Additions	Disposals	Depreciation	Transfers	Carrying amount at 30 June 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land - Freehold	193,173	(590)	-	(140)	-	4,200	196,643
Land - Other Controlled	1,386,501	(2,241)	2,740	-	-	2,240	1,389,240
Land Under Roads	12,920	-	2,530	-	-	-	15,450
Buildings on Freehold Land	63,663	(3,294)	-	(296)	(2,412)	15,628	73,289
Buildings on Other Controlled Land	43,022	962	168	(334)	(2,253)	8,119	49,684
Buildings - Leasehold Improvements	1,568	-	-	-	(146)	192	1,614
Heritage Assets	95,578	3,439	-	-	(1,093)	14,327	112,251
Promenades and Wharves	62,552	(10)	-	-	(1,035)	-	61,507
Footpaths	141,892	16,279	5,671	-	(12,833)	18,771	169,780
Kerb & Channel	137,673	19,455	5,245	-	(5,113)	8,860	166,120
Bridges	85,186	(7,780)	-	-	(1,437)	18,450	94,419
Drains	100,060	1,605	1,100	-	(1,021)	2,910	104,654
Roads & Laneways - Substructure	442,006	8,708	2,983	-	(6,066)	-	447,631
Roads & Laneways - Seal	35,118	(5,830)	174	-	(3,614)	13,408	39,256
Irrigation	18,284	-	-	-	(1,520)	1,227	17,991
Parks and Gardens Infrastructure	71,287	439	-	-	(4,689)	6,242	73,279
Trees	38,934	(1,621)	-	-	-	2,076	39,389
Plant and Equipment	19,095	-	-	(850)	(5,175)	6,877	19,947
Furniture and Fittings	1,935	-	-	-	(536)	509	1,908
Statues, Sculptures and Artworks	47,510	-	-	-	(589)	421	47,342
Other Structures	3,696	-	-	(4)	(284)	500	3,908
Works in Progress	120,629	-	105,653	-	-	(131,786)	94,496
	3,122,282	29,521	126,264	(1,624)	(49,816)	(6,829)	3,219,798

NOTE 10. INTANGIBLE ASSETS**a) Intangible assets**

Reconciliations of the carrying amounts of each class of intangible assets at the beginning and end of the financial year are set out below:

Consolidated Asset Classes	Carrying amount at 30 June 2012		Additions		Impairment		Amortisation		Carrying amount at 30 June 2013		Additions		Impairment		Amortisation		Carrying amount at 30 June 2014		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Goodwill																			
Net book value	21,378	-	-	-	-	-	-	-	21,378	6,188	-	-	-	-	-	-	-	27,566	
Accumulated amortisation	-	-	(1,138)	-	-	-	-	(1,138)	(1,138)	(500)	-	-	-	(500)	-	-	-	(1,638)	
Net book value	21,378	-	(1,138)	-	-	-	(1,138)	-	20,240	6,188	(500)	-	(500)	-	-	-	-	25,928	
Customer Relationships																			
Net book value	-	-	-	-	-	-	-	-	-	1,500	-	(225)	-	-	-	-	-	1,275	
Computer software																			
Cost	24,166	4,867	-	-	-	-	-	-	29,033	5,591	-	-	-	-	-	-	-	34,624	
Accumulated amortisation	(17,289)	-	-	(3,006)	-	-	(3,006)	-	(20,295)	-	-	(3,325)	-	-	-	-	-	(23,620)	
Net book value	6,877	4,867	-	(3,006)	-	-	(3,006)	-	8,738	5,591	-	(3,325)	-	(3,325)	-	-	-	11,004	
	28,255	4,867	(1,138)	(3,006)	-	-	(3,006)	-	28,978	13,279	(500)	(3,550)	-	(500)	-	-	-	38,207	

Council Asset Classes	Carrying amount at 30 June 2012		Additions		Impairment		Amortisation		Carrying amount at 30 June 2013		Additions		Impairment		Amortisation		Carrying amount at 30 June 2014		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Computer software																			
Cost	24,166	4,867	-	-	-	-	-	-	29,033	5,591	-	-	-	-	-	-	-	34,624	
Accumulated amortisation	(17,289)	-	-	(3,006)	-	-	(3,006)	-	(20,295)	-	-	(3,325)	-	-	-	-	-	(23,620)	
Net book value	6,877	4,867	-	(3,006)	-	-	(3,006)	-	8,738	5,591	-	(3,325)	-	(3,325)	-	-	-	11,004	
	6,877	4,867	-	(3,006)	-	-	(3,006)	-	8,738	5,591	-	(3,325)	-	(3,325)	-	-	-	11,004	

Intangible assets, excluding goodwill, are amortised over 5 years.

b) Impairment testing for cash generating units containing goodwill

Goodwill has been reviewed for impairment for the year ending 30 June 2014.

For the purposes of impairment testing, goodwill is allocated to the consolidated entity's operating divisions. The aggregate carrying amounts allocated to each Cash Generating Unit (CGU) are as follows:

	2014 \$'000	2013 \$'000
Asset maintenance services	8,714	8,714
Arboriculture NSW	-	-
Open space NSW	7,868	7,868
Infrastructure services	3,158	3,658
Open Space Queensland	6,188	-
	25,928	20,240

The recoverable amount of each CGU has been determined based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount of each unit was determined to be in excess of the carrying value of each CGU, and therefore no impairments have been recognised other than detailed below.

c) Key assumptions used in the discounted cash flow projections

The key assumptions used in the calculation of recoverable amounts are discount rates and Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) growth. These assumptions are as follows:

	2014	2013
Discount Rate	3.54%	3.89%
EBITDA Growth Rate	2.50%	2.50%

The discount rate used is a pre-tax measure based on the risk free rate for 10-year bonds issued by the Australian Government.

Each CGU has five years of cash flows included in its discounted cash flow models. The long term compound annual growth rate in EBITDA is estimated by management using past experience and expectations for the future. Budgeted EBITDA growth is expressed as the compound annual growth rates in the initial five years of the plans used for impairment testing and has been based on past experience and expectations for the future.

d) Sensitivity to change in assumptions

Citywide has modelled a 30% reduction in base EBITDA in each CGU and a 3% increase in the discounted rate. In each case, the value in use would not be lower than the carrying amount and therefore no impairment charges would arise.

NOTE 11. INVESTMENT PROPERTY

a) Amounts recognised in Income Statement for Investment Properties

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Property rental	11,006	10,166	11,006	10,166
Operating expenses for rental generating properties	1,531	1,058	1,531	1,058

b) Reconciliation of carrying amounts

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Land				
Carrying amount at beginning of period	41,174	41,174	41,174	41,174
Net gain from fair value adjustment	5,190	-	5,190	-
Carrying amount at end of period	46,364	41,174	46,364	41,174
Buildings				
Carrying amount at beginning of period	66,975	63,544	66,975	63,544
Net gain/(loss) from fair value adjustment	450	1,468	450	1,468
Additions	-	1,963	-	1,963
Carrying amount at end of period	67,425	66,975	67,425	66,975
Total investment properties	113,789	108,149	113,789	108,149

Investment properties comprise a number of commercial properties that are leased to third parties. Council has a significant number of leases varying from short term to long term. The rental amounts are either fixed term, annual CPI reviews or market reviews.

Valuations of the investment properties were determined by the Certified Practising Valuers within Property Services. The determination of fair value was based on either a capitalisation of net rental income approach or a depreciated replacement cost approach. The valuation approach selected is dependent on the nature of the legal tenure and or planning provisions of the asset. The capitalisation of net rental income approach is based

on each property's net market income, which is assumed to be a level annuity in perpetuity, and a capitalised rate derived from analysis of market evidence.

The principal assumptions underlying the valuer's estimations of fair value include those related to the amount of contractual rentals, vacancy periods, incentives, maintenance and capital expenditure requirements, and appropriate discount rates. The expected future market rentals are based on current market rentals for similar properties in the same location and condition.

Investment properties were valued at 30 June 2014.

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Investment Property	-	88,077	25,712	113,789

LIABILITIES

NOTE 12. TRADE AND OTHER PAYABLES

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current				
Trade creditors general	23,893	19,243	13,077	6,323
Deposits and retention amounts	4,116	4,089	1,960	2,166
Accruals	65,625	63,339	49,681	46,575
Income in advance	3,263	3,397	1,248	1,596
	96,897	90,068	65,966	56,660

Trade creditors are unsecured, not subject to interest charges and are normally settled within 30 days from the date of invoice.

NOTE 13. EMPLOYEE BENEFITS

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(a) Current expected to be settled within 12 months				
Annual leave	13,542	13,357	9,485	9,326
Long service leave	8,169	8,265	1,328	1,153
Redundancy provision	2,359	-	2,359	-
	24,070	21,622	13,172	10,479
(b) Current expected to be settled after 12 months				
Annual leave	2,174	2,614	200	194
Long service leave	15,986	15,035	15,986	15,678
	18,160	17,649	16,186	15,872
Sub-Total Current	42,230	39,271	29,358	26,351
(c) Non-Current				
Long service leave	5,551	5,279	3,042	2,643
	5,551	5,279	3,042	2,643
Total Employee Benefits	47,781	44,550	32,400	28,994

NOTE 14. PROVISIONS

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
(a) Current				
Insurance claims	741	518	741	518
Other	1,542	308	1,250	-
	2,283	826	1,991	518
(b) Reconciliation of movements				
Insurance claims				
Balance at the beginning of financial year	518	519	518	519
Additional provisions	529	395	529	395
Amounts used	(306)	(396)	(306)	(396)
Balance at the end of the financial year	741	518	741	518
Other*				
Balance at the beginning of financial year	308	952	-	630
Additional provisions	1,250	-	1,250	-
Amounts used	(16)	(644)	-	(630)
Balance at the end of the financial year	1,542	308	1,250	-

*Includes provision for rate objection and payroll tax

EQUITY**NOTE 15. RESERVES**

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Composition				
Asset revaluation	1,673,503	1,596,934	1,669,466	1,592,897
Reserve for public open space	13,906	10,754	13,906	10,754
Investments revaluation reserve	4,649	4,649	4,649	4,649
Tree Compensation Reserve	842	-	842	-
	1,692,900	1,612,337	1,688,863	1,608,300

The asset revaluation reserve records the revaluations of the Council's property, plant and equipment which is carried at fair value. The reserve for public open spaces records amounts of accumulated surpluses set aside for the development of public spaces in the City.

a) Movement in Consolidated Reserves - Asset revaluation reserve

Consolidated	Carrying amount at 2012 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Carrying amount at 2013 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Carrying amount at 2014 \$'000
Land	1,046,445	(798)	(4,641)	1,041,006	6,606	-	1,047,612
Buildings	42,708	1,108	-	43,816	29,784	-	73,600
Roads & Laneways	153,708	2,878	-	156,586	12,116	-	168,702
Footpaths	79,940	16,279	-	96,219	13,290	-	109,509
Kerb & Channel	119,728	19,455	-	139,183	13,700	-	152,883
Bridges	22,145	(7,780)	-	14,365	(114)	-	14,251
Drains	28,090	1,605	-	29,695	3,008	-	32,703
Promenades and Wharves	2,835	(11)	-	2,824	(212)	-	2,612
Parks and Gardens Infrastructure	48,739	439	-	49,178	1,032	-	50,210
Trees	13,304	(1,621)	-	11,683	(2,656)	-	9,027
Other structures	206	-	-	206	-	-	206
P&G Irrigation	6,769	-	-	6,769	15	-	6,784
Artworks	5,404	-	-	5,404	-	-	5,404
	1,570,021	31,554	(4,641)	1,596,934	76,569	-	1,673,503

b) Movement in Council Reserves - Asset revaluation reserve

Council	Carrying amount at 2012	Increment (Decrement)	Transfer to Accum Surplus	Carrying amount at 2013	Increment (Decrement)	Transfer to Accum Surplus	Carrying amount at 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,039,800	(2,831)	-	1,036,969	6,606	-	1,043,575
Buildings	42,708	1,108	-	43,816	29,784	-	73,600
Roads & Laneways	153,708	2,878	-	156,586	12,116	-	168,702
Footpaths	79,940	16,279	-	96,219	13,290	-	109,509
Kerb & Channel	119,728	19,455	-	139,183	13,700	-	152,883
Bridges	22,145	(7,780)	-	14,365	(114)	-	14,251
Drains	28,090	1,605	-	29,695	3,008	-	32,703
Promenades and Wharves	2,835	(11)	-	2,824	(212)	-	2,612
Parks and Gardens Infrastructure	48,739	439	-	49,178	1,032	-	50,210
Trees	13,304	(1,621)	-	11,683	(2,656)	-	9,027
Other structures	206	-	-	206	-	-	206
P&G Irrigation	6,769	-	-	6,769	15	-	6,784
Artworks	5,404	-	-	5,404	-	-	5,404
	1,563,376	29,521	-	1,592,897	76,569	-	1,669,466

c) Movement in Reserves – Investments revaluation reserve

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at the beginning of the year	4,649	-	4,649	-
Regent Management Company Revaluation	-	4,649	-	4,649
	4,649	4,649	4,649	4,649

d) Movement in Reserves – Reserve for Public Open Space

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at the beginning of the year	10,754	7,062	10,754	7,062
Transfers to accumulated reserves	6,412	6,334	6,412	6,334
Transfers from accumulated reserves	(3,260)	(2,642)	(3,260)	(2,642)
Balance at the end of the financial year	13,906	10,754	13,906	10,754

e) Movement in Reserves – Tree Compensation reserve

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at the beginning of the year	-	-	-	-
Transfers from accumulated surplus	842	-	842	-
	842	-	842	-

OTHER DISCLOSURES

NOTE 16. GAIN/(LOSS) ON SALE OF FIXED ASSETS

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Land & Buildings & Infrastructure				
Proceeds from sales	1,302	10,854	1,302	1,071
Carrying amount of assets sold	(245)	(8,282)	(245)	(771)
Gain/(Loss) on sale	1,057	2,572	1,057	300
Plant, Equipment				
Proceeds from sales	660	1,269	517	655
Carrying amount of assets sold/disposed	(620)	(1,391)	(620)	(853)
(Loss)/Gain on sale	40	(122)	(103)	(198)
Total proceeds from sale of assets	1,962	12,123	1,819	1,726
Total carrying amount of assets sold	(865)	(9,673)	(865)	(1,624)
Total Gain on Sale	1,097	2,450	954	102

NOTE 17. CASH FLOW INFORMATION**a) Reconciliation from net cash provided by operating activities to surplus**

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Profit	36,036	52,627	31,343	51,214
Adjustments for:				
Depreciation and amortisation	69,467	67,328	55,281	52,822
Investment properties revaluation	(5,640)	(1,468)	(5,640)	(1,468)
Gain on sale of property, plant and equipment	(1,097)	(2,450)	(954)	(102)
Contributed assets	(7,895)	(20,611)	(7,895)	(20,611)
Dividends received	-	(43)	(3,662)	(2,869)
Transfer of assets to external parties	4,200	-	4,200	-
Movement of Investments held	-	-	540	-
Movement in capital accruals	4,947	5,771	6,277	5,771
Changes in assets and liabilities in relation to operating activities:				
(Increase)/Decrease in trade and other receivables	(132)	(1,167)	2,505	692
(Increase)/Decrease in other assets	163	(274)	270	1,741
(Increase) in Inventories	(165)	(55)	-	-
(Increase)/Decrease in accrued income	2,333	(718)	(230)	1,417
(Decrease)/Increase in trade and other payables	6,829	(2,964)	9,306	(5,518)
(Decrease)/Increase in superannuation liability	-	(15,860)	-	(9,812)
(Decrease)/Increase in employee benefits	353	4,299	3,406	2,572
(Decrease)/Increase in provisions	1,457	(645)	1,473	(631)
Net cash provided by operating activities	110,856	83,770	96,220	75,218

b) Cash and cash equivalents

Cash at the end of the financial year as shown in the Balance Sheet and Statement of Cash Flows comprises:

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash on hand	80	79	41	43
Cash at bank	8,509	6,980	6,875	4,733
Bank Bills, Transferable Certificates of Deposit	102,135	106,942	92,423	98,100
Cash and Cash Equivalents	110,724	114,001	99,339	102,876

c) Restrictions on investments

Council has cash and cash equivalents (note 17b) that are subject to restrictions as at the reporting date, Council had legislative restrictions in relation to reserve funds (Recreational Lands Reserves).

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Reserve Funds	13,906	10,754	13,906	10,754

The Council invests cash at call which is available for withdrawal on demand. It also invests in term deposits and transferable certificates of deposit for fixed

periods. Interest rates on these instruments are fixed for a specific period and the funds are not withdrawn until maturity.

NOTE 18. LEASES AND COMMITMENTS

a) Operating leases receivable

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Future minimum lease receipts under non-cancellable operating leases for rentals of property, contracted for at balance date, but not recognised as assets:				
Not longer than 1 year	3,269	4,579	3,269	4,579
Between 1 and 5 years	7,290	7,507	7,290	7,507
Longer than 5 years	33,484	34,446	33,484	34,446
	44,043	46,532	44,043	46,532

b) Operating commitments

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Operating leases at balance date but not recognised as liabilities:				
Property rentals				
Not longer than 1 year	921	779	921	779
Between 1 and 5 years	2,785	2,735	2,785	2,735
Longer than 5 years	76	92	76	92
	3,782	3,606	3,782	3,606
Operating maintenance commitments				
Payable within 1 year	13,692	11,927	14,517	13,325
Between 1 and 5 years	-	307	-	1,134
	13,692	12,234	14,517	14,459
Service commitments				
Payable within 1 year	20,373	26,733	47,991	58,818
Between 1 and 5 years	24,132	12,211	93,237	106,543
Longer than 5 years	48	62	48	234
	44,553	39,006	141,276	165,595

Council's leasing profile comprises of largely crown land. Others in the portfolio include freehold or lease commitments. The Council has a varying number of

leases varying from monthly over holding to short term to long term. The rental amounts are either fixed term, some are annual CPI reviews or market reviews

c) Capital commitments

	Consolidated		Council	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Expenditure contracted at balance date but not recognised in financial report as liabilities:				
Payable within 1 year				
- Plant and Equipment	2,077	1,701	2,077	1,701
Between 1 and 5 years				
- Plant and Equipment	1,279	-	1,279	-
	3,356	1,701	3,356	1,701

Council capital contract commitments are a combination of fixed and variable over the tender period varying between one and five years.

NOTE 19. CONTINGENT LIABILITIES

Council has not identified any contingent liabilities as at balance date.

NOTE 20. DEFINED BENEFITS SUPERANNUATION FUNDS

a) Local Authorities Superannuation Fund

Defined benefits fund	2014 000's	2013 000's
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	145	140
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	38	35

14 Council staff are members of Visions Local Authorities Superannuation Fund, a multi-employer defined benefit fund with a total of 4,380 members. Funding of the fund is primarily through employer contributions (in 2014 at 9.5% of members' salaries) and returns on investment, however Council may be required to provide additional funds should they be required. Any additional funds provided are contributed in proportion to membership of the total fund.

The complexity and timing of actuarial calculations required to allocate assets and liabilities to individual Council's results in it being impractical to determine the necessary information to account for the fund as a defined benefit fund within the financial statements, as such Council accounts for the fund as a contribution plan.

b) Accumulation Fund

The Fund's accumulation category, Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (9.25% in 2013/14 (9% in 2012/13) as required under Superannuation Guarantee Legislation). No further liability accrues to the employer as the superannuation benefit accruing to employees is represented by their share of the Fund net assets.

Accumulation fund	2014 000's	2013 000's
Employer contributions to Vision Super	7,156	6,719
Employer contributions to other non-vision super funds	1,524	1,359

c) Melbourne City Council Superannuation Sub Plan (CMSSP) Members

A separate plan is operated for Council defined benefit members under the Local Authorities Superannuation Fund (the Fund). This separate plan (the CMSSP) is a multi-employer sponsored plan and was closed to new members on 23 December 1993. The majority of the members in the CMSSP are employees of the participating employers that are wholly owned subsidiaries of the Council.

As provided under paragraph 34 of AASB 119, the Council does not use the defined benefit accounting for its defined benefit obligations under the CMSSP at the individual entity level. As a multi-employer sponsored plan, the CMSSP is a mutual scheme between participating employers it allows for the mobility of the workforce between the participating employers without attaching a specific CMSSP liability to employees and their current employer. There is no proportional split of the CMSSP defined benefit liabilities, assets or costs between the participating employers as the CMSSP defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate CMSSP obligation is allocated to specific employers is when a call is made. As a result, the level of participation of the Council in the CMSSP cannot be measured as a percentage compared with other participating employers in the Council's individual entity level financial statements. While there is an agreed methodology to allocate any CMSSP shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate CMSSP benefit liabilities, assets and costs between participating employers for accounting purposes. Therefore, the Fund Actuary is unable to allocate CMSSP benefit liabilities, assets and costs between employers on an individual entity basis for purposes of AASB 119.

However, as the majority of the members of the CMSSP are employees of the Council group, the surplus or deficit of the CMSSP is recorded in accordance to AASB119 at the consolidated level for reporting purposes.

CMSSP member profiles are reviewed periodically to determine if and when reporting at the individual entity level became appropriate.

Funding arrangements

The Council makes employer contributions to the CMSSP at rates determined by the Fund's Trustee on advice of the Fund's Actuary. The CMSSP'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 arose; and

- 3) Retrenchment increments – which are additional contributions to cover the increase in liability arising from retrenchments.

The 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 CMSSP. As such, assets accumulate in the CMSSP to meet member benefits, as defined in the Trust Deed, as they accrue.

Employer contributions

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, the Council makes employer contributions to the CMSSP at rates determined by the Fund's Trustee. For the year ended 30 June 2014, this rate was 13 per cent of salary for active defined benefit members.

In addition, the Council makes employer contributions to the CMSSP for exiting members equal to the exiting member's benefit payment less the existing member's vested benefit adjusted for the CMSSP's vested benefit index (VBI) where the VBI is less than 100%.

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 for each of its sub-plans (including CMSSP). 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 Trustee's monitor the CMSSP's VBI on a quarterly basis and the CMSSP's shortfall limit is set at 97%.

In the event that the Fund Actuary determines that there is a CMSSP shortfall based on the above requirement, CMSSP's participating employers (including the Council) are required to make an employer contributions to cover the shortfall. The methodology to be used to allocate a shortfall should result in a fair and reasonable apportionment of the shortfall between the participating employers. A number of factors are

taken into consideration when determining the fairness/ reasonableness of the apportionment including:

- the salary of the CMSSP members in participating CMSSP employer;
- the vested benefit of each CMSSP members.

Due to the nature of the obligations between the participating CMSF employers and the CMSSP, it is unlikely that the CMSSP will be wound up. In the unlikely event the CMSSP is wound up and there is a surplus in the CMSSP, the surplus cannot be applied for the benefit of the CMSSP employers where there are on-going CMSSP obligations. The surplus would be transferred to the fund accepting those CMSSP obligations of the CMSSP.

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

Difference between calculations

The CMSSP 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 disclosures in the Council's financial statements. AAS 25 requires that the present value of the defined benefit liability be calculated based on benefits that have accrued in respect of membership of the CMSSP up to the measurement date, with no allowance for future benefits that may accrue.

Retrenchment increments

During 2013/14, the Council was not required to make payments to the CMSSP in respect of retrenchment increments (\$0.3 million in 2012/13).

Shortfall amounts

The Fund's latest actuarial investigations as at 31 December 2011 identified an unfunded liability of \$6.02 million (including contributions tax) in the CMSSP of which the Council is a contributing employer.

The Council was made aware of the expected shortfall during the 2011/12 year. The Council has not been advised of any further adjustments.

The amount of the unpaid CMSSP shortfall at 30 June 2014 is \$0 (\$0 for 2012/13). An amount of \$6.02 million was paid on 4 January 2013 as the Council's share of the CMSSP's liabilities, being the difference between the present value of employees' accrued defined benefits and the net market value of the CMSSP's assets at 31 December 2011. This amount was accounted for in the 2012/13 Statement of Financial Position note 20. No further payments have been made or accounted for during the 2013/14 year.

Accrued benefits

The CMSSP Fund's liability was determined in the 31 December 2011 actuarial investigation pursuant to the requirements of the Australian Accounting Standard AAS 25 as follows:

	31 December 2011 \$ Millions
Net market value of assets	52.4
Accrued benefits (per Accounting Standards)	54.5
Difference between Assets and Accrued benefits	(2.1)
Vested benefits	59.6
Vested benefits index	88%

The financial assumptions used to calculate the Accrued Benefits of the CMSSP were:

- Net investment return 7.5% pa
- Salary inflation 4.25% pa
- Price inflation 2.75% pa.

Favourable or unfavourable variations may arise should the experience of the CMSSP differ from the assumptions made by the Funds' Actuary in estimating the CMSSP's accrued benefit liability.

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

Superannuation contributions

The total amount of superannuation contributions paid by the Council (inclusive of its wholly owned subsidiaries Citywide Service Solutions Pty Ltd and Queen Victoria Market Pty Ltd) during the year was \$2.47 million (2013: \$10.54 million).

The Council has an ongoing obligation to share in the future experience of the Local Authorities Superannuation Fund Defined Benefits Plan and the Melbourne City Council Superannuation Sub-Plan. Favourable or unfavourable variations may arise should the experience of the Funds differ from the assumptions made by the Funds' Actuary in estimating the Funds' accrued benefit liability.

CityWide Service Solutions Pty Ltd contributes in respect of its employees to the following sub-plans of the Local Authorities Superannuation Fund:

- The Melbourne City Council sub-plan,
- The Defined Benefits plan, and
- The Accumulation plan.

Melbourne City Council Superannuation Sub Plan	2014 000's	2013 000's
Asset/(Liability) Recognised in Balance Sheet	423	(3,301)
Total amount recognised in Other Comprehensive Income	4,024	7,455

NOTE 21. RELATED PARTY TRANSACTIONS

a. Names of persons holding the position of a Responsible Person at the Council during the financial year

i. Councillors

Lord Mayor Robert Doyle	Richard Foster	Ken Ong	Kevin Louey
Deputy Lord Mayor Susan Riley	Rohan Leppert	Beverley Pinder-Mortimer	Arron Wood
Cathy Oke	Stephen Mayne	Jackie Watts	

ii. Chief Executive Officer

Dr Kathy Alexander

b. Remuneration of Responsible Persons in bands of \$20,000

	2014	2013
\$0,000 - \$19,999	-	3
\$20,000 - \$39,999	-	5
\$40,000 - \$59,999	9	4
\$80,000 - \$99,999	1	1
\$180,000 - \$199,999	1	1
\$420,000 - \$439,999	-	1
\$460,000 - \$479,999	1	-
	12	15
	\$'000	\$'000
Total remuneration for the financial year for Responsible Persons included above	1,154	1,080

Reflects remuneration packages for the period that the responsible person was a Councillor. Councillors are also provided with a car park, office and executive support.

c) Senior Officers' Remuneration

The number of Senior Officers, other than the Responsible Persons, whose total remuneration exceeded \$133,000 during the financial year, are shown below in their relevant income bands:

	2014	2013
\$130,000 - \$132,999	13	53
\$133,000 - \$159,999	91	37
\$160,000 - \$179,999	14	11
\$180,000 - \$199,999	14	15
\$200,000 - \$219,999	7	8
\$220,000 - \$239,999	4	2
\$240,000 - \$259,999	4	2
\$260,000 - \$279,999	1	-
\$300,000 - \$319,999	1	1
\$320,000 - \$339,999	-	2
\$340,000 - \$359,999	2	1
\$360,000 - \$379,999	1	1
\$380,000 - \$399,999	1	-
	153	133
	\$'000	\$'000
Total remuneration for the financial year for Senior Officers included above	24,826	21,298

The remuneration threshold for Senior Officers' is reviewed each year by the Minister for Local Government. The threshold amount in 2013/14 was \$133,000 (\$130,000 in 2012/13). Note, in order to maintain consistency the 2013 comparative numbers are not indexed and have not been altered from the values recorded in the 2013 Financial Statements.

Total employment package for senior officers includes;

- Under an executive contract, taxable salary, superannuation and motor vehicle component
- For award staff, salary, superannuation, leave loading and overtime
- Includes staff with termination payments.

d) Other Transactions

Other related party transactions requiring disclosure this financial year have been considered and there are no matters to report. There were no matters to report in the previous financial year.

e) Wholly-Owned Group

The Council is the ultimate parent entity in the wholly-owned group. Transactions with the controlled entities, Citywide Service Solutions Pty Ltd and its subsidiaries, Queen Victoria Market Pty Ltd, and Sustainable Melbourne Fund Trust during the year are included in sub-sections (f) - (h) following

All subsidiaries are established and are resident in Australia.

f) Transactions with Citywide Service Solutions Pty Ltd

Transactions with the Citywide Service Solutions Pty Ltd during the financial year were based on a contract for the provision of services comprising property rental, contract sales and the payment of charges (tax equivalents) which includes income tax and payroll tax.

Intercompany revenue and expenditure

Revenue received from Citywide amounted to \$414,000 (2012/13 \$403,000) during the financial year.

Expenditure to Citywide amounted to \$56,713,000 (2012/13 \$64,426,000) during the financial year.

Income Tax and Payroll Tax Equivalent, and Dividend \$7,170,000 (2012/13 \$9,097,000) during the financial year.

g) Transactions with Queen Victoria Market Pty Ltd

Transactions with the Queen Victoria Market Pty Ltd during the financial year were based on a contract for the provision of services comprising a Licence fee, IT charges and in accordance with the Tax Equivalent Policy, the payment of charges (tax equivalents) which includes income tax.

Intercompany revenue and expenditure

Revenue received from Queen Victoria Market amounted to \$4,740,000 (2012/13 \$4,740,000) during the financial year.

Income Tax Equivalent and Dividend \$680,000 (2012/13 \$970,000) during the financial year.

h) Transactions with Sustainable Melbourne Fund

The Council has expenditure to Sustainable Melbourne Fund for services provided of \$10,000 (2012/13 \$63,000).

The Council has received revenue from Sustainable Melbourne Fund of \$34,000 (2012/13 \$32,000).

NOTE 22. FINANCIAL INSTRUMENTS

a) Accounting policy, terms and conditions

Financial Instruments	Note	Accounting Policy	Terms and Conditions
Financial Assets			
Cash and cash equivalents	17	Cash on hand, cash at bank and money market call account are valued at face value	<p><i>Consolidated:</i> On call deposits returned a floating interest rate of 2.58% (2.75% in 2012/13)</p> <p><i>Council:</i> On call deposits returned a floating interest rate of 2.55% (2.75% in 2012/13)</p>
Short term deposits	17	Interest is recognised as it accrues Investments are valued at cost Investments are held to maximise interest returns of surplus cash	<p><i>Consolidated:</i> On call deposits returned a floating interest rate of 3.85% (4.09% in 2012/13)</p> <p><i>Council:</i> On call deposits returned a floating interest rate of 2.73% (4.10 % in 2012/13)</p>
Bank Bills, Negotiable and Transferable Certificates of Deposits and Fixed Interest	17	Interest is recognised as it accrues Investments and bills are valued at cost Investments are held to maximise interest returns of surplus cash Fixed interest securities are valued at fair value	<p><i>Consolidated:</i> Transferrable Certificates of Deposit provided a return of 0.00% (3.81% in 2012/13) excluding unrealised gains/(losses)</p> <p><i>Council:</i> Transferrable Certificates of Deposit provided a return of 0.00% (3.81% in 2012/13) excluding unrealised gains/(losses)</p>
Sundry debtors	5	Receivables are carried at nominal amounts due less provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.	Trade debtors are unsecured. Credit terms are based on 30 days from date of invoice.
Financial Liabilities			
Investments	7	Investment for the Council include all wholly owned subsidiaries, wholly controlled trust of the Council and associated entities Investments in the consolidated entity includes interests in other entities and associated entities	Investments in other entities are valued at historical cost
Trade and other payables	12	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	Trade creditors are unsecured, not subject to interest charges and are normally settled within 30 days from date of invoice.
Borrowings		Borrowings are carried at their principal amounts, which represent the present value of future cash flows associated with the servicing of debt. Interest is recognised as an expense as it is incurred	<p><i>Consolidated:</i></p> <p>Bank overdraft is secured with a 1st ranking fixed and floating charge</p> <p>Bill acceptance/discount facility is secured with a 1st ranking fixed and floating charge</p> <p>The weighted average interest rate for borrowings is 2.67% (3.22% in 2012/13)</p> <p><i>Council:</i> Council has no borrowings</p> <p>No defaults or breaches of any loan/debt facility arrangements involving Council or its consolidated group occurred during the financial year ended 30 June 2014.</p>

b) Interest rate risk

- i. The consolidated entity's exposure to interest rate risk, repricing maturities and effective weighted average interest rates on financial instruments at balance date is set out below:

	Weighted Average Interest Rate %		Floating Interest Rate		Fixed Interest Rate Maturities 1 year or less				Non interest bearing			Total	
	2014 %	2013 %	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	
Financial Assets													
Cash	2.58%	2.75%	8,509	6,980	-	-	-	79	8,589	7,059			
Short term deposits	3.58%	4.09%	-	-	102,135	92,942	-	-	102,135	92,942			
Bank Bills and Transferrable Certificates of Deposit	0.00%	3.81%	-	14,000	-	-	-	-	-	-		14,000	
Sundry debtors	-	-	-	-	-	-	32,946	35,585	32,946	35,585			
Investment in unlisted entities	-	-	-	-	-	-	7,675	7,675	7,675	7,675			
Total Financial Assets			8,509	20,980	102,135	92,942	40,701	43,339	151,345	157,261			
Financial Liabilities													
Trade creditors	-	-	-	-	-	-	23,893	19,243	23,893	19,243			
Deposits & retentions	-	-	-	-	-	-	4,116	4,089	4,116	4,089			
Borrowings	2.67%	3.22%	6,000	4,500	-	-	-	-	6,000	4,500			
Total Financial Liabilities			6,000	4,500	-	-	28,009	23,332	34,009	27,832			
Net Financial Assets			2,509	16,480	102,135	92,942	12,692	20,007	117,336	129,429			

Sundry Debtors have been adjusted to exclude Rates, Parking Infringements and GST receivable debtors to be consistent with the current year.

ii. The Council's exposure to interest rate risk, repricing maturities and effective weighted average interest rates on financial instruments at balance date is set out below:

	Weighted Average Interest Rate %		Floating Interest Rate		Fixed Interest Rate Maturities 1 year or less				Non interest bearing		Total	
	2014 %	2013 %	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
Financial Assets												
Cash	2.55%	2.75%	6,875	4,733	-	-	-	43	6,916	4,776		
Short term deposits	2.73%	4.10%	-	-	92,423	84,100	-	-	92,423	84,100		
Bank Bills and Transferrable Certificates of Deposit	0.00%	3.81%	-	14,000	-	-	4,798	9,592	-	14,000		
Sundry debtors			-	-	-	-	32,316	32,856	32,316	32,856		
Investment in unlisted entities			-	-	-	-	-	-	-	-		
Total Financial Assets			6,875	18,733	92,423	84,100	37,155	42,491	136,453	145,324		
Financial Liabilities												
Trade creditors			-	-	-	-	13,077	6,323	13,077	6,323		
Deposits & retentions			-	-	-	-	1,960	2,166	1,960	2,166		
Total Financial Liabilities			-	-	-	-	15,037	8,489	15,037	8,489		
Net Financial Assets			6,875	18,733	92,423	84,100	22,118	34,002	121,416	136,835		

Sundry Debtors have been adjusted to exclude Rates, Parking Infringements and GST receivable debtors to be consistent with the current year.

c) Reconciliation of net financial assets to net assets

	Consolidated			Council	
	2014 \$ '000	2013 \$ '000	Note	2014 \$ '000	2013 \$ '000
Net financial assets as above	117,336	129,429		121,416	136,835
Non financial assets and liabilities:					
Inventories	656	491	6	-	-
Intangible assets	38,207	28,978	10	11,004	8,738
Other assets	28,494	27,996		22,869	20,398
Rate debtors	2,878	3,101	5	2,879	3,101
Property, plant, equipment & infrastructure	3,407,643	3,291,114	9	3,340,611	3,219,798
Investment properties	113,789	108,149	11	113,789	108,149
Net Assets/(Liabilities) Defined Super Fund	423	(3,301)	20	-	-
Accruals	(65,625)	(63,339)	12	(49,681)	(46,575)
Income in advance	(3,263)	(3,397)	12	(1,248)	(1,596)
Employee entitlements	(47,781)	(44,550)	13	(32,400)	(28,994)
Provisions	(2,283)	(826)	14	(1,991)	(518)
Net assets per Balance Sheet	3,590,474	3,473,845		3,527,248	3,419,336

d) Net fair values

The carrying amounts of all financial assets and liabilities are a reasonable approximation of their fair value due to the short-term to their maturity.

e) Credit Risk Exposures

The credit risk on financial assets of the economic entity which have been recognised in the Balance Sheet is generally the carrying amount, net of any provisions for doubtful debts.

f) Risks and mitigation

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

i. 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.

ii. 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. Council's interest rate liability risk is limited to our subsidiary company's Citywide Service Solutions Pty Ltd borrowings. Council has no direct borrowings.

Council's subsidiary company Citywide Service Solutions Pty Ltd has a borrowing and overdraft facility which has been arranged with a major Australian bank. Council's subsidiary company manages the interest rate risk by:

- ensuring access to diverse sources of funding;
- an ongoing review of borrowing levels; and
- having a limit imposed on the maximum borrowing amount allowed by Council.

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

- conformity with State and Federal regulations and standards,
- adequate safety;
- appropriate liquidity;
- diversification by credit rating, financial institution and investment product;
- monitoring of return on investment;
- benchmarking of returns and comparison with budget; and
- Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

iii. 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. The Council has exposure to credit risk on all financial assets included in our balance sheet. To help manage this risk:

- The Council has a policy for establishing credit limits for the entities we deal with;
- The Council may require collateral where appropriate; and
- The Council only invests surplus funds with financial institutions which have a recognised credit rating specified in our Treasury 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 risk is spread across many debtors. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised. The aging of receivables is disclosed in Note 5.

g) Borrowings

With respect to borrowings at Citywide Service Solutions Pty Ltd the following should be noted. The bank overdraft facility is a secured facility. In February 2012 the Bill Acceptance and Discount Facility was increased. This facility is also a secured facility. There is a 1st ranking fixed and floating charge. The bank facilities may be drawn at any time and may be terminated by the bank subject to default under the loan agreement. Subject to the continuance of satisfactory covenant achievement, the bank facilities may be drawn at any time. The facilities expire on the 2 June 2017.

The Council 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 19.

h) Liquidity risk

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

- The Council will not have sufficient funds to settle a transaction on the date;
- The Council will be forced to sell financial assets at a value which is less than what they are worth; or
- The Council may be unable to settle or recover financial assets at all
 - To help reduce these risks the Council:
 - have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
 - 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
 - Council has no direct borrowings.

The Consolidated Entity's exposure to liquidity risk is deemed insignificant given our high levels of cash and cash equivalents, Citywide Service Solutions Pty Ltd borrowing levels and our current assessment of risk.

The table below lists the contractual maturities for financial liabilities. These amounts represent undiscounted gross payments including both principal and interest amounts.

Consolidated	2014					Contracted Cash Flow \$'000	Carrying Amount \$'000
	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000		
Trade and other payables	84,847	-	-	-	-	84,847	84,847
Trust funds and deposits	2,967	-	-	-	-	2,967	2,967
Interest-bearing loans and borrowings	-	-	-	6,000	-	6,000	6,000
Total financial liabilities	87,814	-	-	6,000	-	93,814	93,814

Consolidated	2013					Contracted Cash Flow \$'000	Carrying Amount \$'000
	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000		
Trade and other payables	78,957	-	-	-	-	78,957	78,957
Trust funds and deposits	2,813	-	-	-	-	2,813	2,813
Interest-bearing loans and borrowings	-	-	-	4,500	-	4,500	4,500
Total financial liabilities	81,770	-	-	4,500	-	86,270	86,270

Council	2014					Contracted Cash Flow \$'000	Carrying Amount \$'000
	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000		
Trade and other payables	57,828	-	-	-	-	57,828	57,828
Trust funds and deposits	1,456	-	-	-	-	1,456	1,456
Interest-bearing loans and borrowings	-	-	-	-	-	-	-
Total financial liabilities	59,284	-	-	-	-	59,284	59,284

Council	2013					Contracted Cash Flow \$'000	Carrying Amount \$'000
	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000		
Trade and other payables	49,762	-	-	-	-	49,762	49,762
Trust funds and deposits	1,374	-	-	-	-	1,374	1,374
Interest-bearing loans and borrowings	-	-	-	-	-	-	-
Total financial liabilities	51,136	-	-	-	-	51,136	51,136

Trade and other payables have been recorded excluding GST on balances where GST is applied as per AASB 132 Financial Instruments: Presentation [for not-for-profit entities] paragraph AG12.

i. Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts and management's knowledge, and past experience of financial markets, the Council believes a shift of +1.0% and -0.5% in the Australian Dollar market interest rates from year end rates is 'reasonably possible' over the next 12 months.

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

	2014 \$'000	Interest rate risk			
		-50 basis points		+100 basis points	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Consolidated					
Financial assets					
Cash and cash equivalents	110,644	(553)	(553)	1,106	1,106
Financial liabilities					
Interest-bearing loans and borrowings	6,000	(30)	(30)	60	60
Council					
Financial assets					
Cash and cash equivalents	99,298	(496)	(496)	993	993

The cash balances above exclude amounts held as petty cash balances. These amounts are not held on deposit and are therefore not subject to vary due to changes in interest rates.

NOTE 23. FINANCIAL RATIOS

	Consolidated			Council		
	2014	2013	2012	2014	2013	2012
a. Debt Servicing Ratio						
Debt servicing cost	353	0.06%	0.11%	0	0.00%	0.00%
Total revenue	<u>584,120</u>			<u>385,205</u>		
To identify the capacity of the Council to service its outstanding debt. Council's ability to meet its Debt servicing cost is extremely strong. When rounded the ratio of revenue to debt is less than 1%						
b. Debt Commitment Ratio						
Debt servicing and redemption costs	Not required on Consolidation			0	0.00%	0.00%
Rate revenue				<u>213,837</u>		
To identify Council's debt redemption strategy. Council's ability to meet its Debt commitment is extremely strong. When rounded the ratio of rate revenue to debt is less than 2.5%						
c. Revenue Ratio						
Rate revenue	213,837	36.61%	35.78%	213,837	55.51%	53.96%
Total revenue	<u>584,120</u>			<u>385,205</u>		
To identify Council's dependence on rates.						
d. Debt Exposure Ratio						
Total indebtedness	152,961	4.09%	4.67%	100,357	2.77%	2.90%
Total assets	<u>3,743,435</u>			<u>3,627,605</u>		
To identify Council's exposure to debt.						
e. Working Capital Ratio						
Current assets	175,698	124.25%	151.73%	129,885	133.47%	171.62%
Current liabilities	<u>141,410</u>			<u>97,315</u>		

Definitions

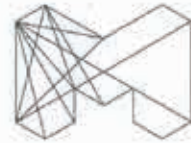
To assess the Consolidated Entity and Council's ability to meet current commitments.

For every dollar of current liabilities, the Consolidated Entity has \$1.24 of current assets as at 30 June 2014 (\$1.39 as at 30 June 2013) and Council has \$1.33 of current assets as at 30 June 2014 (\$1.63 as at 30 June 2013).

a. Debt servicing costs	Includes interest and charges on loans, overdrafts and interest on payments for capital items purchased on vendor terms.
b. Debt redemption	Includes the principal component of repayments on loans and financial leases and capital items purchased on vendor terms.
c. Rate revenue	Includes revenue from general rates, municipal charges, special rates, special charges, service rates and service charges.
Total revenue	Total revenue as shown in the Comprehensive Income Statement.
d. Total assets	Total assets, both current and non-current, as shown in the Balance Sheet
Total indebtedness	Total liabilities, both current and non-current, as shown in the Balance Sheet
e. Current liabilities	Total current liabilities as shown in the Balance Sheet.
Current assets	Total current assets as shown in the Balance Sheet.

NOTE 24. EVENTS OCCURRING AFTER BALANCE DATE

There are no events that have occurred after balance date that need to be reflected in the Financial Statements.



CITY OF MELBOURNE

MELBOURNE CITY COUNCIL

Statement by Councillors, Chief Executive Officer, and Principal Accounting Officer on the Financial Report for the year ended 30 June 2014

In my opinion the accompanying financial report and standard statements have been prepared in accordance with the Local Government Act 1989, the Local Government (Finance and Reporting) Regulations 2014, Australian Accounting Standards and other mandatory professional reporting requirements.

Phu Nguyen (CPA)
Principal Accounting Officer
Melbourne
Date:

In our opinion the accompanying financial report presents fairly the financial transactions of the Melbourne City Council Group and the Melbourne City Council for the year ended 30 June 2014 and the financial position of the Melbourne City Council Group and Melbourne City Council as at that date.

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

We have been authorised by the Council and in accordance with the Local Government (Planning and Reporting) Regulations 2014 to certify the financial statements in their final form.

Robert Doyle
Lord Mayor

Stephen Mayne
Councillor

Kathy Alexander
Chief Executive Officer

Melbourne Date: 9 September 2014

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Melbourne City Council

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2014 of the Melbourne City Council which comprises comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial report has been audited.

The accompanying standard statements for the year ended 30 June 2014 of Melbourne City Council which comprises standard income statement, standard balance sheet, standard cash flow statement, standard statement of capital works, the related notes and the certification of standard statements has been audited.

The Councillors' Responsibility for the Financial Report and Standard Statements

The Councillors of the Melbourne City Council are responsible for the preparation and the fair presentation of:

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

The Councillors are responsible for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report and standard statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994* and the *Local Government Act 1989*, my responsibility is to express an opinion on the financial report and standard statements based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report and standard statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report and standard statements.

Independent Auditor's Report (continued)

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

Independence

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

Opinion

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of the Melbourne City Council as at 30 June 2014 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*
- (b) the standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in note 1 to the statements and the requirements of the *Local Government Act 1989*.

Basis of Accounting for Standard Statements

Without modifying my opinion, I draw attention to note 1 to the standard statements, which describes the basis of accounting. The standard statements are prepared to meet the requirements of the *Local Government Act 1989*. As a result, the standard statements may not be suitable for another purpose.

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

This auditor's report relates to the financial report and standard statements of the Melbourne City Council for the year ended 30 June 2014 included both in the Melbourne City Council's annual report and on the website. The Councillors of the Melbourne City Council are responsible for the integrity of the Melbourne City Council's website. I have not been engaged to report on the integrity of the Melbourne City Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report and standard statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and standard statements to confirm the information contained in the website version of the financial report and standard statements.

MELBOURNE
11 September 2014



John Doyle
Auditor-General

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