

Management report to Council

Agenda item 3.1

2015-16 Draft Consolidated Financial Statements and Performance Statement

6 September 2016

Presenter: Phu Nguyen, Chief Financial Officer

Purpose and background

1. The purpose of this report is to seek 'in principle' approval of the Council's draft Consolidated Financial Statements and Performance Statement for the year ended 30 June 2016 in accordance with sections 131 and 132 of the *Local Government Act 1989* (the Act) and to seek authorisation of two Councillors to certify the Statements in their final form after any changes recommended or agreed by the Auditor-General have been made, in accordance with section 132(5) of the Act.
2. Council is required under section 131 of the Act to prepare audited Consolidated Financial Statements regarding its operations for the financial year ended 30 June 2016. The draft Consolidated Statements are presented in Attachment 2 and have been prepared in accordance with Australian Accounting Standards and reporting requirements have been audited by the Victorian Auditor-General's Office (VAGO).
3. The Performance Statement and accompanying notes are presented in Attachment 3. The Performance Statement provides a summary of performance against key indicators.
4. The Financial Statements and Performance Statement comply with the new mandatory requirements under the *Local Government (Planning and Reporting) Regulations 2014* and Performance Reporting Framework.
5. In accordance with best practice guidelines issued by the Australian Stock Exchange, the Chief Executive Officer and Acting Principal Accounting Officer have made a declaration on the Financial Statements presented to Council (refer Attachment 4). The statement gives Council greater assurance of the integrity in financial reporting and is in accordance with Council's commitment to enhancing governance protocols.

Consideration at Committee

6. The 2015-16 Fourth Quarter June 2016 Year to Date Financial Performance Report was presented to Future Melbourne Committee on 16 August 2016.

Key issues - Audit Committee

7. The 2015-16 annual financial statements of the Melbourne City Council consolidated with CityWide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd, Enterprise Melbourne Pty Ltd and the Sustainable Melbourne Fund were considered by the Council's Audit Committee at its meeting held on 26 August 2016.
8. The 2015-16 Performance Statement have also been considered by the Audit Committee.
9. Following review, the Audit Committee has recommended the approval of the 2015-16 Consolidated Financial Statements and Performance Statement.

Recommendation from management

10. That Council:
 - 10.1. Approves in principle the 2015-16 Consolidated Financial Statements and Performance Statement.
 - 10.2. Nominates and authorises the Lord Mayor, Robert Doyle, and the Chair of the Future Melbourne Committee (Finance and Governance portfolio), Cr Stephen Mayne, to certify and approve the Consolidated Financial Statements and Performance Statement in their final form after any changes recommended, or agreed with the Auditor General, have been made on behalf of Council.
 - 10.3. Acknowledges the declaration made by the Acting Chief Executive Officer and Principal Accounting Officer (Chief Financial Officer) which is provided in accordance with good governance principles and gives the Council greater surety of the information contained in the statements.

Attachments:

1. Supporting Attachment (page 2 of 89)
2. Draft Annual Consolidated Financial Statements for Council 2015-16 (page 3 of 89)
3. Draft 2015-16 Performance Statement (page 75 of 89)
4. Declaration by the Chief Executive Officer and Acting Principal Accounting Officer (page 87 of 89)

Supporting Attachment

Legal

1. The report accurately describes the relevant statutory framework.

Finance

2. The financial details are contained in the draft Annual Consolidated Financial Statements for Council 2015-16 (refer Attachment 2).

Conflict of interest

3. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

Stakeholder consultation

4. The VAGO undertook the audit of the Consolidated Financial Statements and Performance Statement.
5. The information attached to the report was considered by the Audit Committee at its meeting on 26 August 2016.

Environmental sustainability

6. There is no significant impact on environmental sustainability.

Melbourne City Council

Annual Financial Report

2015 – 2016

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FINANCIAL STATEMENTS

Comprehensive Income Statement

For the Year Ended 30 June 2016

	Consolidated			Council	
	2016 \$'000	2015 \$'000	Note	2016 \$'000	2015 \$'000
Income					
Rates and charges	243,433	230,919	3	243,689	231,184
Statutory fees and fines					
Parking fines	41,573	42,316	4	41,573	42,316
Other statutory fees and fines	8,755	9,458	4	8,755	9,458
User fees					
Parking fees	52,794	53,648	5	48,386	49,269
Other user fees	18,044	16,165	5	17,370	15,477
Grants - operating	8,783	10,489	6	8,783	10,489
Grants - capital	11,533	19,516	6	11,533	19,516
Contributions - monetary	14,367	15,795	7	14,118	15,497
Contributions - non monetary	4,157	32,094	7	4,157	32,094
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8,218	2,033	8	(526)	1,381
Fair value adjustments for investment properties	16,849	364	23	16,849	364
Other income	211,241	218,414	9	30,579	30,762
Total Income	639,747	651,211		445,266	457,807
Expenses					
Employee benefit expense	235,835	225,346	10	143,292	132,798
Materials and services	240,960	239,409	11	159,761	160,621
Bad and doubtful debts	5,446	6,754	12	5,331	6,630
Depreciation and amortisation	73,529	74,092	13	58,785	57,685
Borrowing cost	927	164	14	897	-
Other expenses	10,983	9,345	15	6,097	4,669
Grants and contributions	12,891	13,217		12,891	13,217
Total Expenses	580,571	568,327		387,054	375,620
Surplus For The Year	59,176	82,884		58,212	82,187
Other Comprehensive Income					
Net asset revaluation increment	242,260	61,943	29	230,771	61,943
Net Investments decrement	-	(424)		-	(424)
Gain/(loss) on defined benefits plans	(1,089)	863	36	-	-
Total Other Comprehensive Income	241,171	62,382		230,771	61,519
Total Comprehensive Result	300,347	145,266		288,983	143,706

The Comprehensive Income Statement should be read in conjunction with the accompanying notes

Balance Sheet

For the Year Ended 30 June 2016

	Consolidated			Council	
	2016 \$'000	2015 \$'000	Note	2016 \$'000	2015 \$'000
Assets					
Current Assets					
Cash and cash equivalents	88,340	110,472	16	83,110	101,519
Trade and other receivables	52,108	49,787	17	26,625	27,135
Other financial assets	12,550	13,800	18	5,000	7,000
Inventories	580	816	19	-	-
Other assets	8,664	15,660	20	7,087	12,664
Total Current Assets	162,242	190,535		121,822	148,318
Non-Current Assets					
Investment in subsidiaries, associates and trust	7,250	7,250	21	31,395	31,660
Property, infrastructure, plant and equipment	3,779,627	3,522,284	22	3,703,978	3,458,729
Investment property	208,020	114,069	23	208,020	114,069
Intangible assets	37,798	34,597	24	14,353	10,853
Trade and other receivables	1,342	797	17	-	-
Net assets of City of Melbourne's Defined Benefits Superannuation fund	-	1,195	36	-	-
Total Non-Current Assets	4,034,037	3,680,192		3,957,746	3,615,311
Total Assets	4,196,279	3,870,727		4,079,568	3,763,629
Liabilities					
Current Liabilities					
Trade and other payables	70,228	77,175	25	47,553	53,308
Trust funds and deposits	9,112	8,526	26	6,718	6,111
Provisions	45,146	44,350	27	31,959	30,269
Total Current Liabilities	124,486	130,051		86,230	89,688
Non-Current Liabilities					
Provisions	5,064	4,849	27	3,314	2,900
Interest bearing loans and borrowings	30,000	-	28	30,000	-
Net liabilities of City of Melbourne's Defined Benefits Superannuation fund	555	-	36	-	-
Total Non-Current Liabilities	35,619	4,849		33,314	2,900
Total Liabilities	160,105	134,900		119,544	92,588
Net Assets	4,036,174	3,735,827		3,960,024	3,671,041
Equity					
Accumulated surplus	2,019,630	1,975,781		1,959,006	1,915,032
Reserves	2,016,544	1,760,046	29	2,001,018	1,756,009
Total Equity	4,036,174	3,735,827		3,960,024	3,671,041

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

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Statement of Changes in Equity

For the Year Ended 30 June 2016

Consolidated		Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2016	2015	2016	2015	2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		3,735,827	3,590,561	1,975,781	1,897,661	1,735,446	1,673,503	24,600	19,397
Surplus for the year		59,176	82,884	59,176	82,884	-	-	-	-
Net asset revaluation increment	29	242,260	61,519	-	-	242,260	61,943	-	(424)
Transfers to other reserves	29	-	-	(25,972)	(13,286)	-	-	25,972	13,286
Transfers from other reserves	29	-	-	11,734	7,659	-	-	(11,734)	(7,659)
Actuarial gain/(expense) - City of Melbourne's Defined Benefits Superannuation Fund	36	(1,089)	863	(1,089)	863	-	-	-	-
Balance at the end of the financial year		4,036,174	3,735,827	2,019,630	1,975,781	1,977,706	1,735,446	38,838	24,600

Council		Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2016	2015	2016	2015	2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		3,671,041	3,527,335	1,915,032	1,838,472	1,731,409	1,669,466	24,600	19,397
Surplus for the year		58,212	82,187	58,212	82,187	-	-	-	-
Net asset revaluation increment	29	230,771	61,519	-	-	230,771	61,943	-	(424)
Transfers to other reserves	29	-	-	(25,972)	(13,286)	-	-	25,972	13,286
Transfers from other reserves	29	-	-	11,734	7,659	-	-	(11,734)	(7,659)
Balance at the end of the financial year		3,960,024	3,671,041	1,959,006	1,915,032	1,962,180	1,731,409	38,838	24,600

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

Statement of Cash Flows

For the Year Ended 30 June 2016

	Consolidated			Council	
	2016 \$'000	2015 \$'000	Note	2016 \$'000	2015 \$'000
Cash Flows from Operating Activities					
Rates and charges	242,296	232,979		242,552	233,245
Statutory fees and fine	50,328	50,276		50,328	50,276
User fees	84,366	71,613		80,768	62,235
Grants - operating	10,247	12,615		10,247	12,615
Grants - capital	11,533	19,516		11,533	19,516
Contributions - monetary	14,367	15,795		14,118	15,497
Interest received	2,755	3,851		2,312	3,419
Dividends received	-	-		3,667	2,744
Trust funds and deposits taken	5,802	1,188		5,802	1,188
Other receipts	228,128	234,108		24,229	24,235
Net GST refund/payment	8,781	2,261		20,366	14,798
Employee cost	(234,449)	(224,636)		(141,365)	(131,345)
Materials and services	(299,179)	(283,332)		(210,292)	(196,626)
Other payments	(25,517)	(23,357)		(19,228)	(16,822)
Net cash provided by operating activities	99,458	112,877	30	95,037	94,975
Cash Flows from Investing Activities					
Payments for property, infrastructure, plant and equipment	(164,093)	(96,333)		(146,899)	(87,722)
Receipts from investments	-	425		-	-
Proceeds from sale of property, infrastructure, plant and equipment	11,253	2,579		1,453	1,927
Proceeds from sale of Investments	1,250	7,900		2,000	11,000
Net cash used in investing activities	(151,590)	(85,429)		(143,446)	(74,795)
Cash Flows from Financing Activities					
Proceeds from borrowing	30,000	-		30,000	-
Repayment of borrowing	-	(6,000)		-	-
Net cash provided by/(used in) financing activities	30,000	(6,000)		30,000	-
Net increase(decrease) in cash and cash equivalents	(22,132)	21,448		(18,409)	20,180
Cash and cash equivalents at beginning of the financial year	110,472	89,024		101,519	81,339
Cash and cash equivalents at the end of the financial year	88,340	110,472	31	83,110	101,519
Financing arrangements			32		
Restrictions on cash assets			16		

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

Statement of Capital Works

For the Year Ended 30 June 2016

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Property				
Land	-	4	-	4
Total Land	-	4	-	4
Buildings				
Buildings	3,688	10,818	3,643	10,818
Heritage buildings	(151)	8,549	(151)	8,549
Leasehold improvements	8,634	509	5,985	-
Total Buildings	12,171	19,876	9,477	19,367
Total Property	12,171	19,880	9,477	19,371
Plant & Equipment				
Plant, machinery and equipment	19,968	10,713	2,906	1,865
Fixtures, fittings and furniture	476	165	87	41
Computers and telecommunications	9,907	8,231	9,082	7,170
Library books	1,132	915	1,132	915
Total Plant & Equipment	31,483	20,024	13,207	9,991
Infrastructure				
Roads	13,710	13,110	13,710	13,110
Bridges	169	659	169	659
Footpaths and cycleways	2,818	5,480	2,818	5,480
Drainage	7,700	3,465	7,700	3,465
Recreational, leisure and community facilities	5,578	10	5,578	10
Parks, open space and streetscapes	18,535	1,239	18,535	1,239
Statues, sculptures and artworks	-	72	-	72
Other infrastructures	4,547	28,681	4,547	28,681
Total Infrastructure	53,057	52,716	53,057	52,716
Total Capital Works Expenditure	96,711	92,620	75,741	82,078
Represented by:				
New asset expenditure	49,144	50,036	28,174	39,494
Asset renewal expenditure	38,184	39,934	38,184	39,934
Asset expansion expenditure	8,212	485	8,212	485
Asset upgrade expenditure	1,171	2,165	1,171	2,165
Total Capital Works Expenditure	96,711	92,620	75,741	82,078

The Statement of Capital Works should be read in conjunction with the accompanying notes.

Note the capital works expenditure is reflective of "Council" works program only. This excludes the purchase of Munro Site.

NOTES TO FINANCIAL STATEMENTS

Introduction

These financial statements are for the entity the Melbourne City Council (the "Council") and controlled entities. Council is the ultimate successor at law to the Mayor Aldermen Councillors and Burgesses of the Town of Melbourne which was incorporated on 12 August 1842 by An Act to Incorporate the Inhabitants of the Town of Melbourne 6 Victoria No. 7. The name 'Melbourne City Council' replaced the former 'Council of the City of Melbourne' via the City of Melbourne Act 1993. The Town Hall is located at 90-120 Swanston Street, Melbourne VIC 3000.

The purpose of Council is to:

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

Council's external auditors, advisers and bankers as at 30 June 2016:

- External Auditor – The Victorian Auditor-General
- Internal Auditor – Oakton Services Pty Ltd
- Solicitors - Hunt & Hunt, Ashurst, Maddocks
- Bankers - Westpac Banking Corporation.

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

The consolidated financial statements of Council as at and for the year ended 30 June 2016 comprise Council, controlled entities and interest in associated entities.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Note 1. Significant accounting policies

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

a) Basis of preparation

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 1 (m))
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 1(n))
- the determination of employee provisions (refer to note 1(t))

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives (refer to note 1(aa)).

b) Change in accounting policies

There have been no changes in accounting policies from the previous period.

c) Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2016, and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Council.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated.

Entities consolidated into Council include:

- Citywide Service Solutions Pty Ltd and its subsidiaries
- Queen Victoria Market Pty Ltd
- Sustainable Melbourne Fund Trust
- Enterprise Melbourne Pty Ltd.

d) Committees of management

Council does not control any entities under a Committee of Management structure.

e) Accounting for investments in associates and joint arrangements***Associates***

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

MAP's Group Pty Ltd (trading as Procurement Australia) and Regent Management Company Pty Ltd are accounted for using the equity method of accounting.

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

f) Revenue recognition

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

Rates and Charges

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

Statutory fees and fines

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

User fees

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs. Citywide recognises revenue arising from service contracts by reference to the

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stage of completion of the contract. Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as and when expenses are incurred and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

Grants

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

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

Contributions

Monetary and non-monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

Sale of property, infrastructure, plant and equipment

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

Interest

Interest is recognised as it is earned.

Dividends

Dividend revenue is recognised when Council's right to receive payment is established.

Other Income

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

g) Fair value measurement

Council measures certain assets and liabilities at fair value where required or permitted by AAS. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across AAS.

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 between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

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

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value

measurement as a whole) at the end of each reporting period.

h) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

i) Trade and other receivables

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

j) Other financial assets

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

k) Inventories

Inventories held for distribution are measured at cost adjusted when applicable for any loss of service potential. Inventories are measured at the lower of cost and net realisable value.

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

l) Non-current asset classified as held for sale

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

m) Recognition and measurement of property, plant, equipment and infrastructure

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

In accordance with Council's policy, the threshold limits of \$2,000 have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the amount for which the assets could be exchanged subsequent to the initial recognition of assets. At balance date, Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 22.

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In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis every year. The valuation is performed either by experienced Council officers or independent experts.

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

Land under roads

Council recognises land under roads it controls at deemed cost.

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.

Leases

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.

n) Depreciation and amortisation of property, infrastructure plant and equipment and intangibles

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

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

Trees, land and artworks are not depreciated as they are considered to have either unlimited useful lives or to be self-generating assets.

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

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

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Asset recognition thresholds and depreciation periods:

	Depreciation Period (Years)	Threshold Limit \$000
Property		
Land	0	2
Buildings		
Heritage buildings	100	2
Buildings	8-40	2
Leasehold improvements	10-17	2
Plant and equipment		
Plant, machinery and equipment	3-20	2
Fixtures, fittings and furniture	5-10	2
Computers and telecommunications	3-8	2
Library books	4-5	2
Infrastructure		
Road pavements and seals	12-20	2
Road substructure	50-78	2
Road kerb, channel and minor culverts	32-50	2
Bridge deck	15-25	2
Bridge substructure	25-94	2
Footpaths and cycleways	7-50	2
Drainage	90-120	2
Recreational, leisure and community facilities	12-50	2
Parks, open space and streetscapes	0-20	2
Off street car parks	4-15	2
Intangible assets	5-8	2

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.

o) Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

p) Investment property

Investment property, comprising freehold office complexes, is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Comprehensive Income Statement in the period that they arise. Rental income from the leasing of investment properties is recognised in the Comprehensive Income Statement as earned.

q) Impairment of assets

At each reporting date, Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

r) Trust funds and deposits

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 26).

s) Borrowings

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in the Comprehensive Income Statement over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. Council determines the classification of its interest bearing liabilities at initial recognition.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

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

t) Employee costs and benefits

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

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current Liability - unconditional LSL is disclosed as a current liability even when Council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

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The components of this current liability are measured at:

- Present value - component that is not expected to be wholly settled within 12 months
- Nominal value - component that is expected to be wholly settled within 12 months.

Non-Current Liability- conditional long service leave that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current long service leave liability is measured at present value.

Long service leave entitlements for employees with over seven years of service and all annual leave entitlements are classified as current. Long service leave entitlements for employees with less than seven years of service is classified as non-current.

u) Recognition and measurement of intangibles

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.

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 seven year period.

	Goodwill	Software
Useful lives	Indefinite	Finite
Method used	Not depreciated or re-valued	7 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

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 five years and are amortised on a straight-line basis.

v) Leases

Financial leases

Council does not have financial leases.

Operating leases

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 10 to 17 year period.

w) Goods and Services Tax (GST)

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

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

x) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the Balance Sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe there is probability that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 35.

y) Contingent assets and contingent liabilities and commitments

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed at Note 35 and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of note and presented inclusive of the GST payable. Commitments are disclosed at Note 33 separated into categories of operating and capital expenditure.

z) Rounding

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

aa) Changes to Comparatives

An adjustment has been made in the 2015 accounting period to record the gifting of 6.553 hectares of land from state government and partial gifting of a playground on this parcel of land. The land gifted relates to the demolition and removal of the former Royal Children's Hospital provided to Melbourne City Council on 30 June 2015. The financial implications of the transaction are an increase in Contributed Income of \$20.531 million, Land increased by \$17.605 million and Infrastructure by \$5.680 million. Work in Progress reduced by \$2.755 million reflecting Council's contribution to the playground. The changes impact the Comprehensive Income Statement, Balance Sheet and Statement of Changes in Equity.

An adjustment has been made for Building and Planning Permit fees relating prior accounting periods. For the 2015 financial year comparatives for Building and Planning Permits Fees in the Comprehensive Income Statement have been increased by \$1.498 million, Other Receivables in the Balance Sheet have been increased by \$1.585 million and to reflect changes within years prior to 2015 Accumulated Surplus in the Statement of Changes in Equity has been increased by \$0.087.

An adjustment to Note 33 for Commitments has been made to reflect the full value of contracts outstanding where three contracts were previously recorded at annual value and not contract value. The effect of the changes to 30 June 2015 Commitments is \$12.557 million.

Note 2. Budget comparison

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 5 per cent and \$1 million where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 30 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity

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resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

The budget information provided only relates to Council. No consolidated budget is prepared.

a) Income and Expenditure

Council	Budget	Actual	Variance		Ref
	2016 \$'000	2016 \$'000	2016 \$'000	%	
Income					
Rates and charges	243,601	243,689	88	0%	
Statutory fees and fines					
Parking fines	42,232	41,573	(659)	-2%	
Other statutory fees and fines	8,285	8,755	470	6%	
User fees					
Parking fees	46,593	48,386	1,793	4%	
Other user fees	16,196	17,370	1,174	7%	1
Grants - operating	9,428	8,783	(645)	-7%	
Grants - capital	8,323	11,533	3,210	39%	2
Contributions - monetary	10,482	14,118	3,636	35%	3
Contributions - non monetary	-	4,157	4,157	100%	4
Net gain on disposal of property, infrastructure, plant and equipment	920	(526)	(1,446)	-157%	5
Fair value adjustments for investment properties	-	16,849	16,849	100%	6
Other income	24,548	30,579	6,031	25%	7
Total Income	410,608	445,266	34,658	8%	
Expenses					
Employee benefit expense	139,429	143,292	(3,863)	-3%	
Materials and services	161,760	159,761	1,999	1%	
Bad and doubtful debts	6,888	5,331	1,557	23%	8
Depreciation and amortisation	59,749	58,785	964	2%	
Other expenses	5,444	6,994	(1,550)	-28%	9
Grants and contributions	12,533	12,891	(358)	-3%	
Total Expenses	385,803	387,054	(1,251)	0%	
Surplus for the year	24,805	58,212	33,407	135%	
Other Comprehensive Income					
Net asset revaluation increment	-	230,771	230,771	100%	10
Total Other Comprehensive Income	-	230,771	230,771	100%	
Total Comprehensive Result	24,805	288,983	264,178	1065%	

i. Explanation of material variations

Ref.	Item	Explanation
1	<i>Other user fees</i>	Mainly due to higher than anticipated hoarding permits, space occupancy revenue, hoarding rental, property and site service fees.
2	<i>Grants - capital</i>	Substantially due to additional funding received, including Docklands Park Enhancement Works - Victoria Harbour (\$2.30 million) and VicRoads Blackspot funding (\$0.65 million).
3	<i>Contributions - monetary</i>	Due to higher public open spaces contributions (\$3.61 million).
4	<i>Contributions - non monetary</i>	Due mainly to external asset contributions on Community Hub in Dockland (\$1.23 million), Cardigan Street Chapel (\$1.19 million) and Monument Park (\$0.84 million).
5	<i>Net gain on asset disposal</i>	Due mainly to loss on artworks and motor vehicles. Net gains on sale of land were not as high as anticipated.
6	<i>Fair value adjustments for investment properties</i>	Due to investment land revaluation.
7	<i>Other income</i>	Due to higher investment interest (\$1.67 million) from higher than anticipated cash balance, commercial rent (\$1.43 million), grants in kind revenue (\$0.97 million), valuation data sales (\$0.72 million) and other various sales and cost recoveries.
8	<i>Bad and doubtful debts</i>	Due to lower provision for Parking Infringement Notice doubtful debts as a result of lower PINs revenue and improving recovery rates.
9	<i>Other expenses</i>	Substantially due to land tax for the Munro site (\$0.69 million), write-down on investment (\$0.27 million), higher insurance provision (\$0.24 million) and rent increase of CAE library (\$0.20 million).
10	<i>Net asset revaluation increment</i>	Due to gain on fixed asset valuation including land (\$188.53 million), building (\$26.13 million) and Roads (\$13.68 million).

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b) Capital Works

Council	Budget	Actual	Variance		Ref
	2016 \$'000	2016 \$'000	2016 \$'000	%	
Buildings					
Buildings	8,348	3,643	4,705	56%	1
Heritage buildings	139	(151)	290	209%	
Leasehold improvements	3,689	5,985	(2,296)	(62%)	2
Total Buildings	12,176	9,477	2,699	22%	
Plant & Equipment					
Plant, machinery and equipment	3,846	2,906	940	24%	
Fixtures, fittings and furniture	230	87	143	62%	
Computers and telecommunications	9,990	9,082	908	9%	
Library books	1,129	1,132	(3)	0%	
Total Plant & Equipment	15,195	13,207	1,988	13%	
Infrastructure					
Roads	12,871	13,710	(839)	(7%)	
Bridges	843	169	674	80%	
Footpaths and cycleways	4,216	2,818	1,398	33%	3
Drainage	9,280	7,700	1,580	17%	4
Recreational, leisure and community facilities	6,780	5,578	1,202	18%	5
Parks, open space and streetscapes	34,237	18,535	15,702	46%	6
Other infrastructure	6,193	4,547	1,646	27%	7
Total Infrastructure	74,420	53,057	21,363	29%	
Total capital works expenditure	101,791	75,741	26,050	26%	
Represented by:					
New asset expenditure	46,773	28,174	18,599	40%	
Asset renewal expenditure	39,646	38,184	1,462	4%	
Asset expansion expenditure	10,848	8,212	2,636	24%	
Asset upgrade expenditure	4,524	1,171	3,353	74%	
Total capital works expenditure	101,791	75,741	26,050	26%	

i. Explanation of material variations

Ref.	Item	Explanation
1	<i>Buildings</i>	Due mainly to (\$4.53 million) works in City Square being cancelled owing to the Melbourne Metro Rail Project progressing and works on the CH1 Precinct being deferred due to the Town Hall Precinct Plan with design work due to commence in 2016-17.
2	<i>Leasehold Improvements</i>	Due mainly to the Queen Victoria Market Precinct Renewal (QVMPR) budgeted to be managed via a separate fund, however in December 2015 Council approved establishment of the City of Melbourne QVMPR Program Reserve. This was offset by various projects carried forward to 2016-17.
3	<i>Footpaths and cycleways</i>	Due to projects (\$1.11 million) and Westwood Place public lighting installation (\$0.16 million) to be completed in 2016-17.
4	<i>Drainage</i>	Due mainly to Wells Street drain upgrade and stormwater harvesting (\$0.94 million), Queensbridge Street upgrade works (\$0.40 million), Haig Street/Cardigan Street kerb and channel renewal (\$0.17 million) and Rankins Road drain renewal (\$0.07 million) carried forward to 2016-17.
5	<i>Recreational, leisure & community facilities</i>	Due mainly to lower than anticipated costs on Carlton Kathleen Syme Library and Community Centre (\$1.36 million).
6	<i>Parks, open space & streetscapes</i>	Substantially due to water projects located at University Square as a result of consideration for Melbourne Metro Rail Project and Lincoln Square delayed at the design stage (\$5.43 million), upgrade to sports facilities at Princes and Royal Park delayed due to tenders (\$2.28 million), Railway Place and Miller Street Reserve Park expansion delayed due to external authority approvals (\$1.35 million), Streetscape program adjusted due to the deferral of Elizabeth Street Stage One Masterplan works (\$1.19 million), works on various new open spaces delayed due to scope change (\$1.73 million) and Parks Renewal Program delayed due to events in parks in addition to seasonal horticultural and irrigation works planned for winter (\$0.96 million) carried forward to 2016-17.
7	<i>Other infrastructure</i>	Substantially due to design and construction of Docklands Park (\$0.71 million), street lighting network upgrade to LED lights (\$0.62 million) and acquisition of Public Art across various projects including University Square (\$0.53 million) carried forward to 2016-17.

REVENUE

Note 3. Rates and charges

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 valuation base used to calculate general rates for 2015-16 was \$5.443 million (2014-15 \$5.206 million).

	Valuation base		Rate in \$	
	2016 \$'000	2015 \$'000	2016	2015
Residential	2,004,927	1,827,534	4.193	4.047
Non-residential	3,384,160	3,324,224	4.755	4.590
Cultural & recreational	54,656	54,656		
	5,443,743	5,206,414		

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Residential	84,064	73,521	84,064	73,521
Non-residential	160,661	152,737	160,917	153,002
Cultural & recreational	411	397	411	397
Supplementary rates and rate adjustments	(1,703)	4,264	(1,703)	4,264
	243,433	230,919	243,689	231,184

The date of the latest general valuation of land for rating purposes within the municipal district was 1 January 2014 and the valuation first applied to the rating period commencing 1 July 2014. The valuation for rating purposes is performed on a two year cycle.

Note 4. Statutory fees and fines

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Infringements and costs				
Parking fines	41,573	42,316	41,573	42,316
General fines	1,501	1,499	1,501	1,499
Town planning fees	2,447	3,558	2,447	3,558
Land Information Certificates	193	182	193	182
Permits	1,603	1,310	1,603	1,310
Food and Health Act registration	3,011	2,909	3,011	2,909
	50,328	51,774	50,328	51,774

Note 5. User fees

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Aged and health services	259	300	259	300
Leisure centre and recreation	4,917	4,641	4,922	4,643
Child care/children's programs	2,681	2,692	2,681	2,692
Parking	52,794	53,648	48,386	49,269
Registration and other permits	1,758	1,759	1,758	1,759
Building services	5,238	3,597	5,238	3,597
Waste management services	59	44	59	44
Berthing	703	665	703	665
Other fees and charges	2,429	2,467	1,750	1,777
	70,838	69,813	65,756	64,746

Note 6. Grants

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Summary of Grants				
Commonwealth funded grants	1,495	986	1,495	986
State funded grants	18,821	29,019	18,821	29,019
	20,316	30,005	20,316	30,005
Operating Grants				
<i>Recurrent - Commonwealth Government</i>				
General home care	201	181	201	181
Other	39	43	39	43
	240	224	240	224
<i>Recurrent - State Government</i>				
Victoria Grants Commission	1,274	3,610	1,274	3,610
Aged care	2,888	2,796	2,888	2,796
Libraries	763	761	763	761
Maternal & Child Health	572	518	572	518
Pre School Services	374	316	374	316
Support Services for Families	438	323	438	323
Disability Services Grant	127	122	127	122
Other	986	918	986	918
	7,422	9,364	7,422	9,364
Total Recurrent Operating Grants	7,662	9,588	7,662	9,588
<i>Non-recurrent - Commonwealth Government</i>				
Arts Programs	-	315	-	315
Other	321	-	321	-
	321	315	321	315
<i>Non-recurrent - State Government</i>				
Recycling Projects	181	-	181	-
Roads & Streets	137	-	137	-
Other	482	586	482	586
	800	586	800	586
Total Non-recurrent Operating Grants	1,121	901	1,121	901
Total Operating Grants	8,783	10,489	8,783	10,489

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Note 6. Grants (cont'd)

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Capital Grants				
<i>Recurrent - Commonwealth Government</i>				
Roads to recovery	934	327	934	327
Park & Gardens	-	-	-	-
	934	327	934	327
<i>Recurrent - State Government</i>				
Parking Levy	7,000	7,000	7,000	7,000
Road & Streets	328	1,003	328	1,003
	7,328	8,003	7,328	8,003
Total Recurrent Capital Grants	8,262	8,330	8,262	8,330
<i>Non-recurrent - Commonwealth Government</i>				
Other	-	120	-	120
	-	120	-	120
<i>Non-recurrent - State Government</i>				
Buildings	50	288	50	288
Sporting Facility	-	3,525	-	3,525
Park & Gardens	2,380	4,525	2,380	4,525
Water Initiatives	-	178	-	178
Road & Streets	741	250	741	250
Living Victoria Fund	100	2,300	100	2,300
	3,271	11,066	3,271	11,066
Total Non-recurrent Capital Grants	3,271	11,186	3,271	11,186
Total Capital Grants	11,533	19,516	11,533	19,516

Conditions on grants

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'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	1,596	4,999	1,596	4,999
Grants for other purposes	441	398	441	398
	2,037	5,397	2,037	5,397
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	4,999	5,266	4,999	5,266
Grants for other purposes	398	1,038	398	1,038
	5,397	6,304	5,397	6,304
Net decrease in restricted assets resulting from grant revenue for the financial year	(3,360)	(907)	(3,360)	(907)

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Note 7. Contributions

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Public Open Space Contributions	9,615	12,111	9,615	12,111
Child Care Benefit	1,978	1,834	1,978	1,834
Sponsorships	1,046	873	797	575
Non-Government - Capital	392	314	392	314
Other Contributions	1,336	663	1,336	663
Total Monetary Contributions	14,367	15,795	14,118	15,497
Land	2,252	19,355	2,252	19,355
Buildings	720	-	720	-
Infrastructure	1,185	12,739	1,185	12,739
Total Non-Monetary Contributions	4,157	32,094	4,157	32,094
Total Contributions	18,524	47,889	18,275	47,591

Note 8. Net gain/ (loss) on disposal of property, infrastructure, plant and equipment

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Land & Buildings & Infrastructure				
Proceeds of sales	1,034	1,477	1,034	1,477
Written down value of assets disposed	(797)	(62)	(797)	(62)
Gain on sale	237	1,415	237	1,415
Plant, Equipment				
Proceeds of sales	10,219	1,102	419	450
Written down value of assets disposed	(2,238)	(484)	(1,182)	(484)
(Loss)/Gain on sale	7,981	618	(763)	(34)
Total proceeds of sale	11,253	2,579	1,453	1,927
Total written down value of assets disposed	(3,035)	(546)	(1,979)	(546)
Total net gain / (loss) on disposal of property, infrastructure, plant and equipment	8,218	2,033	(526)	1,381

Note 9. Other income

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest	2,755	3,851	2,311	3,417
Dividends	-	-	3,667	2,744
Investment property/market rentals*	27,800	25,657	9,484	7,724
Intercompany revenue	-	-	8,083	9,142
Sales & recoveries**	180,396	188,450	6,778	7,409
Project income	290	456	256	326
Total Other Income	211,241	218,414	30,579	30,762

* Market rentals consolidated includes Queen Victoria Market stall holder revenue of \$18.204 million for 2016 (2015: \$17.774 million).

** Sales & recoveries consolidated includes Citywide rendering of services revenue of \$171.471 million for 2016 (2015: \$178.372 million).

EXPENSE

Note 10. Employee benefit expenses

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Wages and salaries	186,373	176,159	110,921	101,121
WorkCover	2,622	3,280	615	886
Temporary non-permanent	5,083	4,829	4,363	4,675
Superannuation	19,563	17,926	12,251	11,262
Fringe benefits tax	1,849	1,878	592	464
Annual leave and long services leave	20,345	21,274	14,550	14,390
	235,835	225,346	143,292	132,798

Superannuation

Council	2016 \$'000	2015 \$'000
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	170	138
Melbourne City Council Superannuation sub-plan (Vision Super)	1,077	1,019
	1,247	1,157
Employer contributions payable at reporting date	-	-
Accumulation funds		
Employer contributions to Vision Super	8,119	7,534
Employer contributions - other funds	2,885	2,571
	11,004	10,105
Employer contributions payable at reporting date	-	-

Council's contributions and exposure in relation to super funds are detailed at note 36.

Note 11. Materials and services

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Contract payments	131,708	125,355	109,338	108,726
Building maintenance	268	729	268	472
General maintenance	28,961	30,031	11,652	10,986
Utilities	11,484	11,386	7,712	7,577
Supplies	27,410	28,641	2,172	2,069
Administration	15,913	17,115	11,553	12,348
Information technology	4,839	5,512	3,724	4,242
Insurance	3,359	3,391	1,522	1,496
Professional Services	17,018	17,249	11,820	12,705
	240,960	239,409	159,761	160,621

Note 12. Bad and doubtful debts

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Parking fine debtors	5,279	6,487	5,279	6,487
Other debtors	167	267	52	143
	5,446	6,754	5,331	6,630

Note 13. Depreciation and amortisation

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Property	7,781	7,470	7,028	6,893
Plant and equipment	20,791	19,506	7,100	6,719
Infrastructure	39,780	39,553	39,780	39,468
Library	1,574	1,226	1,574	1,226
Intangible assets	3,603	6,337	3,303	3,379
	73,529	74,092	58,785	57,685

Note 14. Borrowing costs

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Interest - Borrowings	927	164	897	-
	927	164	897	-

Note 15. Other expenses

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Auditors' remuneration-VAGO-audit of the financial statements	252	229	149	129
Audit services - external other	33	32	33	32
Audit services - internal	459	450	202	196
Fire brigade levy	176	105	176	105
Taxes and levies	2,920	2,197	1,532	885
Operating lease rental	4,551	4,301	1,727	1,639
Finance Costs	927	164	897	-
Other costs	1,665	1,867	1,381	1,683
	10,983	9,345	6,097	4,669

ASSETS

Note 16. Cash and cash equivalents

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash on hand	71	76	41	37
Cash at bank	43,569	88,378	36,069	81,783
Term deposits	44,700	22,018	47,000	19,699
Cash and cash equivalents	88,340	110,472	83,110	101,519

Council held cash at bank of \$76 million, as at 30 June 2015 in order to make final payment on the Munro Site.

Restricted funds

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

	Consolidated			Council	
	2016 \$'000	2015 \$'000	Note	2016 \$'000	2015 \$'000
Trust funds and deposits	9,112	8,526	26	6,718	6,111
Reserve funds (Public Open Space)	23,091	18,671	29	23,091	18,671
Total restricted funds	32,203	27,197		29,809	24,782
Total unrestricted cash and cash equivalents	56,137	83,275		53,301	76,737

Intended allocations

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

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash held to fund carried forward capital works	26,442	27,417	26,442	27,417
Total funds subject to intended allocations	26,442	27,417	26,442	27,417

Note 17. Trade and other receivables

Current	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Rate debtors	1,955	818	1,955	818
Parking infringement debtors	32,525	31,265	32,525	31,265
Provision for doubtful debts - Parking infringements	(17,722)	(16,633)	(17,722)	(16,633)
Other debtors	33,178	32,235	5,560	6,770
Provision for doubtful debts - Trade debtors	(826)	(794)	(288)	(371)
Net GST receivable	2,998	2,896	4,595	5,286
Total current trade and other receivables	52,108	49,787	26,625	27,135

Non-Current	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Project Loans	1,342	797	-	-
Total current trade and other receivables	1,342	797	-	-

Project loans relate to funds on loan from the Sustainable Melbourne Fund to organisations undertaking works for environmentally sustainable projects.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 17. Trade and other receivables (cont'd)

Ageing of receivables - Other debtors	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current (not yet due)	26,572	27,050	3,206	4,597
Past due by up to 30 days	2,561	3,277	1,167	1,093
Past due between 31 and 180 days	3,134	1,544	1,033	880
Past due between 181 and 365 days	888	280	131	116
Past due by more than 1 year	23	84	23	84
Total	33,178	32,235	5,560	6,770

Provision for doubtful debts	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Provision for doubtful debts - Parking infringement	17,722	16,633	17,722	16,633
Provision for doubtful debts - Trade debtors	826	794	288	371
Total	18,548	17,427	18,010	17,004

Movement in doubtful debts - parking infringement	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at the beginning of the year	16,633	14,732	16,633	14,732
New provisions recognised	5,279	6,487	5,279	6,487
Amounts written off as uncollectible	(6,630)	(6,984)	(6,630)	(6,984)
Amounts recovered during the year	2,440	2,398	2,440	2,398
Balance at the end of the year	17,722	16,633	17,722	16,633

Movement in doubtful debts - trade debtors	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at the beginning of the year	794	556	371	246
New provisions recognised	64	279	(82)	126
Amounts written off as uncollectible	(165)	(124)	(134)	(84)
Amounts recovered during the year	133	83	133	83
Balance at the end of the year	826	794	288	371

Ageing of impaired receivables

At balance date, trade debtors representing financial assets with a nominal value of \$0.826 million (2015: \$0.794 million) were impaired. The amount of the new provision raised against these debtors was \$0.064 million (2015: \$0.279 million). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Ageing of receivables (impaired)	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current (not yet due)	172	169	-	-
Past due by up to 30 days	3	67	-	-
Past due between 31 and 180 days	88	143	79	129
Past due between 181 and 365 days	472	332	118	159
Past due by more than 1 year	91	83	91	83
Total	826	794	288	371

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 18. Other financial assets

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Term deposits	12,550	13,800	5,000	7,000
	12,550	13,800	5,000	7,000

Term deposits with an original maturity date of greater than three months from acquisition of the financial asset.

Note 19. Inventories

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Inventory held for distribution	580	816	-	-
	580	816	-	-

Note 20. Other assets

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Prepayments	4,174	2,027	1,789	2,430
Deposit of property purchase*	-	7,600	-	7,600
Accrued income	4,490	6,033	2,307	1,927
Other	-	-	2,991	707
	8,664	15,660	7,087	12,664

* Deposit of property purchase \$7.6 million deposit paid for Munro site. Site cost was \$76 million, balance was paid in 2015-16.

Note 21. Investment in subsidiaries, associates and trust

Non-Current	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
a) Subsidiaries				
CityWide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Sustainable Melbourne Fund	-	-	5,539	5,804
Enterprise Melbourne*	-	-	-	-
	-	-	24,145	24,410
b) Associates				
Regent Management Company Pty Ltd	7,000	7,000	7,000	7,000
MAPS Group Ltd (Procurement Australia)	250	250	250	250
	7,250	7,250	7,250	7,250
	7,250	7,250	31,395	31,660

* Investment in Enterprise Melbourne is \$2.

Note 21. Investment in subsidiaries, associates and trust (cont'd)**a) Subsidiaries*****Citywide Service Solutions Pty Ltd (100% owned subsidiary of Council)***

The Company is a proprietary company incorporated under the Corporations Act 2001, and is domiciled in Australia. The Company's registered office and principal place of business is 294 Arden St, North Melbourne VIC 3001.

Citywide has 100% equity interest in the following subsidiaries: Sterling Group Services Pty Ltd, AWD Earthmoving Pty Ltd, Technigro Australia Pty Ltd and Technigro Pty Ltd.

The principal activities are to meet the contract service needs of local government, other government and private and public sector corporations and the community by providing a comprehensive range of quality, physical services.

Council has 100% voting rights which clearly demonstrate power over investee and the ability to affect the amount of the investor's returns. Council is exposed to variable returns in the form of dividends and tax equivalent payments. Controlling interest held.

	2016 \$'000	2015 \$'000
Summarised statement of comprehensive income		
Total income	244,337	245,698
Total expenses	238,782	242,329
Surplus/(deficit) for the year	5,555	3,369
Other comprehensive income	7,893	-
Total comprehensive result	13,448	3,369
Summarised balance sheet		
Current assets	47,820	52,520
Non-current assets	103,366	88,352
Total assets	151,186	140,872
Current liabilities	57,330	57,046
Non-current liabilities	7,207	6,975
Total liabilities	64,537	64,021
Net assets	86,649	76,851
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	6,297	23,558
Net cash provided/(used in) investing activities	(6,539)	(8,964)
Net cash provided/(used in) financing activities	(2,600)	(9,400)
Net increase / (decrease) in cash and cash equivalents	(2,842)	5,194

Note 21. Investment in subsidiaries, associates and trust (cont'd)***Queen Victoria Market Pty Ltd (100% owned subsidiary of Council)***

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

Council has 100% voting rights which clearly demonstrate power over investee and the ability to affect the amount of the investor's returns. Council is exposed to variable returns in the form of dividends and tax equivalent payments. Controlling interest held.

	2016 \$'000	2015 \$'000
Summarised statement of comprehensive income		
Total income	23,706	23,314
Total expenses	23,666	22,950
Surplus/(deficit) for the year	40	364
Other comprehensive income	-	-
Total comprehensive result	40	364
Summarised balance sheet		
Current assets	7,499	7,540
Non-current assets	2,885	3,095
Total assets	10,384	10,635
Current liabilities	3,196	3,520
Non-current liabilities	1,822	1,771
Total liabilities	5,018	5,291
Net assets	5,366	5,344
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	809	548
Net cash provided/(used in) investing activities	(1,030)	(3,157)
Net cash provided/(used in) financing activities	(146)	(252)
Net increase / (decrease) in cash and cash equivalents	(367)	(2,861)

Note 21. Investment in subsidiaries, associates and trust (cont'd)***Sustainable Melbourne Fund Trust (100% owned subsidiary of Council)***

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

Council has 100% voting rights which clearly demonstrate power over investee and the ability to affect the amount of the investor's returns. Council is exposed to variable returns in the form of conversion of surpluses to units. Controlling interest held.

	2016 \$'000	2015 \$'000
Summarised statement of comprehensive income		
Total income	279	386
Total expenses	(543)	(618)
Surplus/(deficit) for the year	(264)	(232)
Other comprehensive income	-	-
Total comprehensive result	(264)	(232)
Summarised balance sheet		
Current assets	4,304	5,079
Non-current assets	1,342	795
Total assets	5,646	5,874
Current liabilities	88	57
Non-current liabilities	20	14
Total liabilities	108	71
Net assets	5,538	5,803
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(513)	(440)
Net cash provided/(used in) investing activities	-	400
Net cash provided/(used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	(513)	(40)

Note 21. Investment in subsidiaries, associates and trust (cont'd)***Enterprise Melbourne Pty Ltd (100% owned subsidiary of Council)***

Enterprise Melbourne was established by Council to drive economic development for the City through supporting existing business growth, as well as attracting new local and international investment.

Council has 100% voting rights which clearly demonstrate power over investee and the ability to affect the amount of the investor's returns. Council is exposed financially to the investee as it funds its operations. Controlling interest held.

	2016 \$'000	2015 \$'000
Summarised statement of comprehensive income		
Total income	26	2
Total expenses	597	369
Surplus/(deficit) for the year	<u>(571)</u>	<u>(367)</u>
Other comprehensive income	-	-
Total comprehensive result	<u>(571)</u>	<u>(367)</u>
Summarised balance sheet		
Current assets	116	59
Non-current assets	-	-
Total assets	<u>116</u>	<u>59</u>
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	<u>-</u>	<u>-</u>
Net assets	<u>116</u>	<u>59</u>
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(571)	(367)
Net cash provided/(used in) investing activities	629	380
Net cash provided/(used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	<u>58</u>	<u>13</u>

Note 21. Investment in subsidiaries, associates and trust (cont'd)**b) Associates*****Regent Management Company (50% owned by Council)***

- Council and the State Government of Victoria hold an equal 50% share in this entity. Council has 50% voting rights. Both parties collectively control the entity but neither party can direct activities without co-operation of the other. Therefore a significant interest is held but not a controlling interest.
- Regent Management Pty Ltd reported an operating loss of \$261,040 for year ended 30 June 2016 and an operating profit of \$408,063 for the previous year.
- The latest valuation of the Regent Management Company Pty Ltd's assets was undertaken on 29 June 2015 on the basis of fair value by a qualified valuer Beau Jarvis, Certified Practising Valuer, member of Australian Property Institute, member number 77334. Land and building values are \$14.0 million as at 30 June 2015. The 2015 valuation is the most current valuation pending an upcoming rental review in the 2016/17 financial year.

MAPS Group Ltd (63% owned by Council)

- MAPS Group Ltd (MAPS) has issued a total of 396,862 fully paid ordinary shares. Council holds 250,000 shares in the Company, being 63 per cent of the issued capital of the Company. However due to the company constitution Council has 9% of voting rights (does not have the ability to direct activities of the entity without the co-operation of the other Councils). Therefore a significant interest is held but not a controlling interest.
- MAPS reported an operating profit for the year ending 30 September 2015 of \$988,974 compared to a profit of \$910,536 for the previous year. The Company paid a dividend for the 2015 financial year of 21.0 cents per share. Dividend payment of \$52,500 was received in December 2015. Net assets are \$4.1 million as at 30 September 2015.

Note 22. Property, infrastructure, plant and equipment

Summary of Property Plant and Equipment

Consolidated	At Fair Value 30 June 2016	Accumulated Depreciation	WDV 30 June 2016	At Fair Value 30 June 2015	Accumulated Depreciation	WDV 30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,867,835	-	1,867,835	1,659,004	-	1,659,004
Buildings	346,912	(6,823)	340,089	306,457	(5,907)	300,550
Plant and Equipment	217,847	(137,108)	80,739	210,870	(128,837)	82,033
Infrastructure	1,423,703	(11,079)	1,412,624	1,391,414	(9,015)	1,382,399
Work in progress	78,340	-	78,340	98,298	-	98,298
Total	3,934,637	(155,010)	3,779,627	3,666,043	(143,759)	3,522,284

Summary of Work in Progress

Consolidated	Opening WIP	Additions	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000
Land & Buildings	27,634	13,779	(26,822)	14,591
Plant and Equipment	10,055	9,291	(7,709)	11,637
Infrastructure	60,609	44,851	(53,348)	52,112
Total	98,298	67,921	(87,879)	78,340

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 22. Property, infrastructure plant and equipment (cont'd)

Summary of Property Plant and Equipment

Council	At Fair Value 30 June 2016	Accumulated Depreciation	WDV 30 June 2016	At Fair Value 30 June 2015	Accumulated Depreciation	WDV 30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,846,403	-	1,846,403	1,647,496	-	1,647,496
Buildings	334,702	(1,334)	333,368	296,977	(1,171)	295,806
Plant and Equipment	89,832	(56,263)	33,569	83,048	(47,956)	35,092
Infrastructure	1,423,703	(11,079)	1,412,624	1,391,414	(9,015)	1,382,399
Work in progress	78,014	-	78,014	97,936	-	97,936
Total	3,772,654	(68,676)	3,703,978	3,516,871	(58,142)	3,458,729

Summary of Work in Progress

Council	Opening WIP	Additions	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000
Land & Buildings	27,272	13,647	(26,655)	14,264
Plant and Equipment	10,055	9,293	(7,709)	11,639
Infrastructure	60,609	44,851	(53,348)	52,112
Total	97,936	67,791	(87,712)	78,015

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 22. Property, infrastructure plant and equipment (cont'd)

Property

Consolidated \$'000	Land - specialised	Land - non specialised	Total Land	Heritage Buildings	Buildings - specialised	Buildings - non specialised	Leasehold Improvements	Total Buildings	Work In Progress	Total Property
At fair value 1 July 2015	1,556,084	102,920	1,659,004	155,806	94,657	55,059	7,664	313,186	27,634	1,999,824
Accumulated depreciation at 1 July 2015	-	-	-	(1,436)	(5,097)	(2,292)	(3,811)	(12,636)	-	(12,636)
	1,556,084	102,920	1,659,004	154,370	89,560	52,767	3,853	300,550	27,634	1,987,188
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	45	-	2,649	2,694	13,779	16,473
Transfers from WIP	8,166	1,715	9,881	1,818	13,598	2,327	167	17,910	(26,822)	969
Revaluation increments/decrements	180,671	19,131	199,802	13,648	(1,079)	13,558	-	26,127	-	225,929
Fair value of assets disposed	-	(785)	(785)	-	(108)	-	(23)	(131)	-	(916)
Impairment losses recognised in operating result	(1,350)	-	(1,350)	-	-	-	-	-	-	(1,350)
Reclassify and contributed assets	(9,870)	9,870	-	-	7,210	(7,210)	-	-	-	-
Contributed asset	498	785	1,283	-	720	-	-	720	-	2,003
	178,115	30,716	208,831	15,466	20,386	8,675	2,793	47,320	(13,043)	243,108
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	(1,591)	(3,949)	(1,495)	(746)	(7,781)	-	(7,781)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
	-	-	-	(1,591)	(3,949)	(1,495)	(746)	(7,781)	-	(7,781)
At fair value 30 June 2016	1,734,199	133,636	1,867,835	171,272	115,043	63,734	10,457	360,506	14,591	2,242,932
Accumulated depreciation at 30 June 2016	-	-	-	(3,027)	(9,046)	(3,787)	(4,557)	(20,417)	-	(20,417)
	1,734,199	133,636	1,867,835	168,245	105,997	59,947	5,900	340,089	14,591	2,222,515

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 22. Property, infrastructure plant and equipment (cont'd)

Property

Council \$'000	Land - specialised	Land - non specialised	Total Land	Heritage Buildings	Buildings - specialised	Buildings - non specialised	Leasehold Improvements	Total Buildings	Work In Progress	Total Property
At fair value 1 July 2015	1,544,576	102,920	1,647,496	155,806	90,052	55,059	2,790	303,707	27,272	1,978,475
Accumulated depreciation at 1 July 2015	-	-	-	(1,436)	(3,002)	(2,292)	(1,171)	(7,901)	-	(7,901)
	1,544,576	102,920	1,647,496	154,370	87,050	52,767	1,619	295,806	27,272	1,970,574
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	-	-	-	-	13,647	13,647
Transfers from WIP	7,197	1,715	8,912	1,818	13,598	2,327	-	17,743	(26,655)	-
Revaluation increments/decrements	169,397	19,131	188,528	13,648	(1,079)	13,558	-	26,127	-	214,655
Fair value of assets disposed	-	(785)	(785)	-	-	-	-	-	-	(785)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Assets Reclassify	(9,870)	9,870	-	-	7,210	(7,210)	-	-	-	-
Contributed assets	1,467	785	2,252	-	720	-	-	720	-	2,972
	168,191	30,716	198,907	15,466	20,449	8,675	-	44,590	(13,008)	230,489
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	(1,591)	(3,779)	(1,495)	(163)	(7,028)	-	(7,028)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
	-	-	-	(1,591)	(3,779)	(1,495)	(163)	(7,028)	-	(7,028)
At fair value 30 June 2016	1,712,767	133,636	1,846,403	171,272	110,501	63,734	2,790	348,297	14,264	2,208,964
Accumulated depreciation at 30 June 2016	-	-	-	(3,027)	(6,781)	(3,787)	(1,334)	(14,929)	-	(14,929)
	1,712,767	133,636	1,846,403	168,245	103,720	59,947	1,456	333,368	14,264	2,194,034

Note 22. Property, infrastructure plant and equipment (cont'd)**Plant and equipment**

Consolidated \$'000	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Work In Progress	Total plant and equipment
At fair value 1 July 2015	154,253	7,399	37,717	11,501	10,055	220,925
Accumulated depreciation at 1 July 2015	(95,573)	(5,640)	(20,861)	(6,763)	-	(128,837)
	58,680	1,759	16,856	4,738	10,055	92,088
Movements in fair value						
Acquisition of assets at fair value	17,061	389	826	-	9,291	27,567
Transfers from WIP	3,427	74	3,089	1,119	(7,709)	-
Revaluation increments/decrements	-	-	-	-	-	-
Fair value of assets disposed	(18,159)	(401)	(448)	-	-	(19,008)
Impairment losses recognised in operating result	-	-	-	-	-	-
Reclassify and contributed assets	-	-	-	-	-	-
	2,329	62	3,467	1,119	1,582	8,559
Movements in accumulated depreciation						
Depreciation and amortisation	(15,257)	(795)	(4,739)	(1,574)	-	(22,365)
Accumulated depreciation of disposals	13,428	248	418	-	-	14,094
	(1,829)	(547)	(4,321)	(1,574)	-	(8,271)
At fair value 30 June 2016	156,582	7,461	41,184	12,620	11,637	229,484
Accumulated depreciation at 30 June 2016	(97,402)	(6,187)	(25,182)	(8,337)	-	(137,108)
	59,180	1,274	16,002	4,283	11,637	92,376

Note 22. Property, infrastructure plant and equipment (cont'd)**Plant and equipment**

Council \$'000	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Work In Progress	Total plant and equipment
At fair value 1 July 2015	35,318	5,237	30,992	11,501	10,055	93,103
Accumulated depreciation at 1 July 2015	(21,019)	(4,251)	(15,923)	(6,763)	-	(47,956)
	14,299	986	15,069	4,738	10,055	45,147
Movements in fair value						
Acquisition of assets at fair value	-	-	-	-	9,293	9,293
Transfers from WIP	3,427	74	3,089	1,119	(7,709)	()
Revaluation increments/decrements	-	-	-	-	-	-
Fair value of assets disposed	(922)	-	(3)	-	-	(925)
Impairment losses recognised in operating result	-	-	-	-	-	-
Assets Reclassify	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-
	2,505	74	3,086	1,119	1,584	8,368
Movements in accumulated depreciation						
Depreciation and amortisation	(2,758)	(544)	(3,799)	(1,574)	-	(8,675)
Accumulated depreciation of disposals	366	-	3	-	-	369
	(2,392)	(544)	(3,796)	(1,574)	-	(8,306)
At fair value 30 June 2016	37,823	5,311	34,078	12,620	11,639	101,471
Accumulated depreciation at 30 June 2016	(23,411)	(4,795)	(19,719)	(8,337)	-	(56,262)
	14,412	516	14,359	4,283	11,639	45,209

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 22. Property, infrastructure plant and equipment (cont'd)**Infrastructure**

Consolidated \$'000	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and Community	Parks open spaces and streetscapes	Other infrastructure	Statues, sculptures and artworks	Work In Progress	Total Infrastructure
At fair value 1 July 2015	747,628	95,560	148,478	131,443	5,953	38,765	204,926	56,123	60,609	1,489,485
Accumulated depreciation at 1 July 2015	(15,753)	(1,367)	(7,601)	(1,709)	(841)	-	(12,014)	(7,192)	-	(46,477)
	731,875	94,193	140,877	129,734	5,112	38,765	192,912	48,931	60,609	1,443,008
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	-	-	-	-	44,851	44,851
Transfers from WIP	15,530	798	8,027	6,380	806	3,311	17,707	790	(53,348)	-
Revaluation increments/decrements	13,676	(1,089)	2,163	(2,419)	(129)	(1,691)	5,606	-	-	16,117
Fair value of assets disposed	(12)	-	-	-	-	-	-	(637)	-	(649)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Reclassify and contributed assets	-	-	-	-	150	-	235	800	-	1,185
	29,194	(291)	10,190	3,961	827	1,620	23,548	953	(8,497)	61,504
Movements in accumulated depreciation										
Depreciation and amortisation	(16,917)	(1,413)	(6,454)	(1,736)	(367)	-	(12,230)	(663)	-	(39,780)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	3	-	3
	(16,917)	(1,413)	(6,454)	(1,736)	(367)	-	(12,230)	(660)	-	(39,777)
At fair value 30 June 2016	776,822	95,269	158,668	135,404	6,780	40,385	228,474	57,076	52,112	1,550,990
Accumulated depreciation at 30 June 2016	(32,670)	(2,780)	(14,055)	(3,445)	(1,208)	-	(24,244)	(7,852)	-	(86,254)
	744,152	92,489	144,613	131,959	5,572	40,385	204,230	49,224	52,112	1,464,736

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 22. Property, infrastructure plant and equipment (cont'd)

Infrastructure

Council \$'000	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and Community	Parks open spaces and streetscapes	Other infrastructure	Statues, sculptures and artworks	Work In Progress	Total Infrastructure
At fair value 1 July 2015	747,628	95,560	148,478	131,443	5,953	38,765	204,926	56,123	60,609	1,489,485
Accumulated depreciation at 1 July 2015	(15,753)	(1,367)	(7,601)	(1,709)	(841)	-	(12,014)	(7,192)	-	(46,477)
	731,875	94,193	140,877	129,734	5,112	38,765	192,912	48,931	60,609	1,443,008
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	-	-	-	-	44,851	44,851
Transfers from WIP	15,530	798	8,027	6,380	806	3,311	17,707	790	(53,348)	-
Revaluation increments/decrements	13,676	(1,089)	2,163	(2,419)	(129)	(1,691)	5,606	-	-	16,117
Fair value of assets disposed	(12)	-	-	-	-	-	-	(637)	-	(649)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Assets Reclassify	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	150	-	235	800	-	1,185
	29,194	(291)	10,190	3,961	827	1,620	23,548	953	(8,497)	61,504
Movements in accumulated depreciation										
Depreciation and amortisation	(16,917)	(1,413)	(6,454)	(1,736)	(367)	-	(12,230)	(663)	-	(39,780)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	3	-	3
	(16,917)	(1,413)	(6,454)	(1,736)	(367)	-	(12,230)	(660)	-	(39,777)
At fair value 30 June 2016	776,822	95,269	158,668	135,404	6,780	40,385	228,474	57,076	52,112	1,550,990
Accumulated depreciation at 30 June 2016	(32,670)	(2,780)	(14,055)	(3,445)	(1,208)	-	(24,244)	(7,852)	-	(86,254)
	744,152	92,489	144,613	131,959	5,572	40,385	204,230	49,224	52,112	1,464,736

Note 22. Property, infrastructure, plant and equipment (cont'd)**a) Valuation of property**

Valuation of land and buildings were undertaken by a qualified valuer Pauline Lawson, Certified Practising Valuer, member of Australian Property Institute, member number 1138. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

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

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Details of Council's land and buildings and information about the fair value hierarchy as at 30 June 2016 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Non-specialised land	-	123,406	10,230	133,636
Specialised land	-	13,350	1,699,417	1,712,767
Total land	-	136,756	1,709,647	1,846,403
Heritage Buildings	-	10,620	157,625	168,245
Buildings	-	63,037	100,630	163,667
Total buildings	-	73,657	258,255	331,912

No transfers between levels occurred during the year.

b) Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Thyagie Wettasinghe, Asset Engineer, Master of Asset Management.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Note 22. Property, infrastructure, plant and equipment (cont'd)

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2016 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Roads	-	-	744,152	744,152
Bridges	-	-	92,489	92,489
Footpaths and cycleways	-	-	144,613	144,613
Drainage	-	-	131,959	131,959
Recreational, leisure and community facilities	-	-	5,572	5,572
Parks, open space and streetscapes	-	-	40,385	40,385
Promenades and wharves	-	-	61,344	61,344
Other infrastructure	-	-	142,886	142,886
Total Infrastructure	-	-	1,363,400	1,363,400

No transfers between levels occurred during the year.

c) Description of significant unobservable inputs into Level 3 valuations

Council	2016 \$'000	2015 \$'000
Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$41 and \$9,680 per square meter.	1,712,767	1,544,576
Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$74 to \$10,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.	103,720	87,050
Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure asses are determined on the basis of the current condition of the asset and vary from 10 years to 189 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.	1,363,400	1,333,468

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Note 22. Property, infrastructure, plant and equipment (cont'd)**d) Reconciliation of specialised land**

Council	2016 \$'000	2015 \$'000
Land under roads	17,200	17,200
Parks and reserves	1,695,567	1,527,376
Total specialised land	1,712,767	1,544,576

Note 23. Investment property

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Land				
Balance at beginning of financial year	46,344	46,364	46,344	46,364
Additions	69,500	-	69,500	-
Disposals	-	(50)	-	(50)
Fair value adjustment	24,726	30	24,726	30
Balance at end of financial year	140,570	46,344	140,570	46,344
Buildings				
Balance at beginning of financial year	67,725	67,425	67,725	67,425
Additions	7,602	1,386	7,602	1,386
Transfer	-	(1,420)	-	(1,420)
Fair value adjustment	(7,877)	334	(7,877)	334
Balance at end of financial year	67,450	67,725	67,450	67,725
Total investment properties	208,020	114,069	208,020	114,069

Valuation of investment property

Valuation of investment property has been determined in accordance with a valuation by a qualified valuer Pauline Lawson, Certified Practising Valuer, member of Australian Property Institute, member number 1138. The valuation is at fair value, based on the current market value for the property.

Note 24. Intangible assets**a) Intangible assets**

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Software	14,353	10,853	14,353	10,853
Goodwill	22,770	22,770	-	-
Customer relationships	675	974	-	-
	37,798	34,597	14,353	10,853

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 24. Intangible assets (cont'd)

Consolidated	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 1 July 2014	34,625	25,928	1,500	62,053
Additions from acquisition	3,227	-	-	3,227
Other	(15,407)	(500)	-	(15,907)
Balance at 1 July 2015	22,445	25,428	1,500	49,373
Additions from acquisition	6,803	-	-	6,803
Other	-	-	-	-
Balance at 30 June 2016	29,248	25,428	1,500	56,176
Accumulated amortisation and impairment				
Balance at 1 July 2014	(23,621)	-	(226)	(23,847)
Amortisation expense	(3,378)	-	(300)	(3,678)
Impairment expense	-	(2,658)	-	(2,658)
Amortisation written back	15,407	-	-	15,407
Balance at 1 July 2015	(11,592)	(2,658)	(526)	(14,776)
Amortisation expense	(3,303)	-	(299)	(3,602)
Impairment expense	-	-	-	-
Amortisation written back	-	-	-	-
Balance at 30 June 2016	(14,895)	(2,658)	(825)	(18,378)
				-
Net book value at 30 June 2015	10,853	22,770	974	34,597
Net book value at 30 June 2016	14,353	22,770	675	37,798

Council	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 1 July 2014	34,625	-	-	34,625
Additions from acquisition	3,227	-	-	3,227
Other	(15,407)	-	-	(15,407)
Balance at 1 July 2015	22,445	-	-	22,445
Additions from acquisition	6,803	-	-	6,803
Other	-	-	-	-
Balance at 30 June 2016	29,248	-	-	29,248
Accumulated amortisation and impairment				
Balance at 1 July 2014	(23,621)	-	-	(23,621)
Amortisation expense	(3,378)	-	-	(3,378)
Amortisation written back	15,407	-	-	15,407
Balance at 1 July 2015	(11,592)	-	-	(11,592)
Amortisation expense	(3,303)	-	-	(3,303)
Amortisation written back	-	-	-	-
Balance at 30 June 2016	(14,895)	-	-	(14,895)
				-
Net book value at 30 June 2015	10,853	-	-	10,853
Net book value at 30 June 2016	14,353	-	-	14,353

Note 24. Intangible assets (cont'd)**b) Impairment testing for cash generating units containing goodwill**

Goodwill is related with Council's subsidiary Citywide Service Solutions Pty Ltd. Goodwill has been reviewed for impairment for the year ending 30 June 2016.

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:

	2016 \$'000	2015 \$'000
Current		
Arboriculture VIC	194	194
Horticulture VIC	5,224	5,224
Street Cleaning VIC	3,296	3,296
Open Space NSW	7,868	7,868
Infrastructure Services	-	-
Open Space QLD	6,188	6,188
	22,770	22,770

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 for each CGU, and therefore no impairments/adjustments 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 income tax, depreciation and amortisation growth (EBITDA). These assumptions are as follows:

	2016 \$'000	2015 \$'000
Current		
Discount Rate	9.30%	9.30%
EBITDA Growth Rate	1.50%	1.00%

The discount rate used is a post-tax measure based on the Citywide's weighted average cost of capital. Previously the discount rate used was based on the risk-free rate for 10-year bonds issued by the Australian government. Impairment testing in the prior year was completed using a discount rate of 10.0%.

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 10% reduction in base EBITDA in each CGU and a 1% increase in the discount rate. In each case, the value in use would not be lower than the carrying amount and therefore no impairment charge would arise.

LIABILITIES

Note 25. Trade and other payables

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Trade creditors general	19,141	17,952	8,573	11,215
Accrued expenses	48,107	53,696	38,042	39,965
Income in advance	2,980	5,527	938	2,128
	70,228	77,175	47,553	53,308

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

Note 26. Trust funds and deposits

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Refundable deposits	5,752	4,545	3,893	2,726
Fire services levy	2,405	2,639	2,405	2,639
Retention amount	143	560	143	560
Other refundable deposits	812	782	277	186
	9,112	8,526	6,718	6,111

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

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

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

Note 27. Provisions

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current provisions				
Employee provisions	43,028	42,388	30,151	28,606
Other provisions	2,118	1,962	1,808	1,663
	45,146	44,350	31,959	30,269
Non-current provisions				
Employee provisions	5,064	4,849	3,314	2,900
	5,064	4,849	3,314	2,900
Total provisions	50,210	49,199	35,273	33,169

a) Employee provisions

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(a) Current provisions expected to be wholly settled within 12 months				
Annual leave	13,746	14,002	9,986	9,657
Long service leave	2,263	2,536	1,523	1,476
	16,009	16,538	11,509	11,133
(b) Current provisions expected to be wholly settled after 12 months				
Annual leave	1,836	1,857	-	21
Long service leave	25,183	23,993	18,642	17,452
	27,019	25,850	18,642	17,473
Total current provisions	43,028	42,388	30,151	28,606
(c) Non-Current				
Long service leave	5,064	4,849	3,314	2,900
Total non-current provisions	5,064	4,849	3,314	2,900
Aggregate carrying amount of employee provisions				
Current	43,028	42,388	30,151	28,606
Non-current	5,064	4,849	3,314	2,900
Total aggregate carrying amount of employee provisions	48,092	47,237	33,465	31,506

Assumptions adopted in measuring the present value of employee benefits

	Consolidated		Council	
	2016	2015	2016	2015
Weighted average increase in employee costs	3.19%	3.35%	2.61%	2.90%
Weighted average discount rates	1.62%	2.10%	1.59%	2.06%
Weighted average settlement period (months)	48	42	48	43

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Note 27. Provisions (cont'd)

b) Other provisions

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
(a) Current				
Insurance claims	558	413	558	413
Other	1,560	1,549	1,250	1,250
	2,118	1,962	1,808	1,663
(b) Reconciliation of movements				
Insurance claims				
Balance at the beginning of financial year	413	741	413	741
Additional provisions	285	82	285	82
Prior year finalised	(140)	(410)	(140)	(410)
Balance at the end of the financial year	558	413	558	413
Other *				
Balance at the beginning of financial year	1,549	1,542	1,250	1,250
Additional provisions	11	7	-	-
Balance at the end of the financial year	1,560	1,549	1,250	1,250

* Includes provision for rate objection and payroll tax

Note 28. Interest-bearing loans and borrowing

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current				
Borrowing	30,000	-	30,000	-
Total	30,000	-	30,000	-
Maturity profile for borrowing is:				
Later than one year and not later than five years	30,000	-	30,000	-

Term borrowing consists of \$30 million 5 year fixed term loan with Clean Energy Finance Corporation, secured by a charge over general rates levied by Council.

EQUITY

Note 29. Reserves

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Asset revaluation - property and infrastructure	1,977,706	1,735,446	1,962,180	1,731,409
Other Reserves				
Restricted				
Reserve for public open space	23,091	18,671	23,091	18,671
Non-Restricted				
Investments revaluation reserve	4,225	4,225	4,225	4,225
Tree Compensation Reserve	2,249	1,704	2,249	1,704
Queen Victoria Market Renewal Project Reserve	9,273	-	9,273	-
	2,016,544	1,760,046	2,001,018	1,756,009

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Note 29. Reserves (cont'd)

a) Movement in Reserves – Asset revaluation reserve

Consolidated	Balance at beginning of 2015 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Balance at end of 2015 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Balance at end of 2016 \$'000
Property							
Land	1,047,612	11,493	-	1,059,105	200,018	-	1,259,123
Buildings	73,600	(2,783)	-	70,817	26,130	-	96,947
Infrastructure							
Roads	321,585	55,718	-	377,303	13,676	-	390,979
Bridges	14,251	2,141	-	16,392	(1,090)	-	15,302
Footpaths and cycleways	109,509	(9,372)	-	100,137	2,162	-	102,299
Drainage	32,703	959	-	33,662	(2,419)	-	31,243
Recreational, leisure and community facilities	-	34	-	34	(130)	-	(96)
Parks, open space and streetscapes	9,027	(4,613)	-	4,414	(1,691)	-	2,723
Other infrastructure	59,606	8,366	-	67,972	5,604	-	73,576
Artworks	5,610	-	-	5,610	-	-	5,610
	1,673,503	61,943	-	1,735,446	242,260	-	1,977,706

Council	Balance at beginning of 2015 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Balance at end of 2015 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Balance at end of 2016 \$'000
Property							
Land	1,043,575	11,493	-	1,055,068	188,528	-	1,243,596
Buildings	73,600	(2,783)	-	70,817	26,130	-	96,947
Infrastructure							
Roads & Laneways	321,585	55,718	-	377,303	13,676	-	390,979
Bridges	14,251	2,141	-	16,392	(1,089)	-	15,303
Footpaths and cycleways	109,509	(9,372)	-	100,137	2,162	-	102,299
Drainage	32,703	959	-	33,662	(2,419)	-	31,243
Recreational, leisure and community facilities	2,188	34	-	2,222	(130)	-	2,092
Parks, open space and streetscapes	9,027	(4,613)	-	4,414	(1,691)	-	2,723
Other infrastructure	57,418	8,366	-	65,784	5,604	-	71,388
Artworks	5,610	-	-	5,610	-	-	5,610
	1,669,466	61,943	-	1,731,409	230,771	-	1,962,180

Note 29. Reserves (cont'd)

Summary of movements in asset revaluation

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Asset revaluation - property and infrastructure				
Balance at the beginning of the year	1,735,446	1,673,503	1,731,409	1,669,466
Increment	242,260	61,943	230,771	61,943
Balance at the end of the financial year	1,977,706	1,735,446	1,962,180	1,731,409

Summary of movements in other reserves

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at the beginning of the year	24,600	19,397	24,600	19,397
Transfers from accumulated surplus	25,972	13,286	25,972	13,286
Transfers to accumulated surplus	(11,734)	(8,083)	(11,734)	(8,083)
Balance at the end of the financial year	38,838	24,600	38,838	24,600

b) Movement in Reserves – Investments Revaluation Reserve - Regent Management Pty Ltd

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at the beginning of the year	4,225	4,649	4,225	4,649
Transfers from investment-non current asset	-	-	-	-
Transfers to investment-non current asset	-	(424)	-	(424)
Balance at the end of the financial year	4,225	4,225	4,225	4,225

c) Movement in Reserves – Reserve for Public Open Space

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at the beginning of the year	18,671	13,906	18,671	13,906
Transfers from accumulated surplus	9,615	12,424	9,615	12,424
Transfers to accumulated surplus	(5,195)	(7,659)	(5,195)	(7,659)
Balance at the end of the financial year	23,091	18,671	23,091	18,671

d) Movement in Reserves – Tree Compensation reserve

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at the beginning of the year	1,704	842	1,704	842
Transfers from accumulated surplus	545	862	545	862
Balance at the end of the financial year	2,249	1,704	2,249	1,704

e) Movement in Reserves – Queen Victoria Market Renewal Project reserve

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at the beginning of the year	-	-	-	-
Transfers from accumulated surplus	15,812	-	15,812	-
Transfers to accumulated surplus	(6,539)	-	(6,539)	-
Balance at the end of the financial year	9,273	-	9,273	-

Queen Victoria Market renewal reserve has been established to facilitate a major redevelopment of the Queen Victoria Market site.

OTHER DISCLOSURES

Note 30. Reconciliation from net cash provided by operating activities to surplus

	Consolidated		Council	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Surplus/(deficit) for the year	59,176	82,884	58,212	82,187
Depreciation/amortisation	73,529	74,092	58,785	57,685
Profit/(Loss) on disposal of property, plant and equipment	(8,218)	(2,033)	526	(1,381)
Fair value adjustments for investment property	(16,849)	(364)	(16,849)	(364)
Contributions - Non-monetary assets	(4,157)	(32,093)	(4,157)	(32,093)
Other	(3,369)	3,723	(4,517)	4,381
Changes in assets and liabilities in relation to operating activities:				
(Increase)/Decrease in trade and other receivables	(2,321)	7,926	510	1,076
(Increase)/Decrease in prepayment	5,453	(8,320)	8,235	(9,877)
(Increase)/Decrease in accrued income	1,543	(717)	(2,664)	1,130
(Decrease)/Increase in trade and other payables	(6,947)	(12,665)	(5,755)	(7,757)
(Increase) in Inventories	236	(160)	-	-
(Decrease)/Increase in provisions	156	(321)	559	(470)
(Decrease)/Increase in employee benefits	640	158	1,545	(752)
(Decrease)/Increase in trust funds and deposits	586	767	607	1,210
Net cash provided by operating activities	99,458	112,877	95,037	94,975

Note 31. Reconciliation of cash and cash equivalents

	Consolidated		Council	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	88,340	110,472	83,110	101,519
	88,340	110,472	83,110	101,519

Note 32. Financing arrangements

	Consolidated		Council	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Bank overdraft facility	-	600	-	-
Bank loan facility	75,000	29,000	75,000	-
Other financing facilities*	30,000	-	30,000	-
Used facilities	(30,000)	-	(30,000)	-
Unused facilities	75,000	29,600	75,000	-

* Clean Energy Finance Corporation

Note 33. Commitments

Council 2016	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Civil Infrastructure Services	20,913	20,913	-	-	41,826
Cleaning	2,349	2,349	2,349	-	7,047
Consultancies	2,062	2,011	1,565	18	5,656
Events Service	1,198	638	-	-	1,836
Home care service	176	-	-	-	176
IT system	1,230	87	72	-	1,389
Maintenance	8,311	8,100	6,636	-	23,047
Open space management	2,235	1,678	-	-	3,913
Other Service	12,749	8,120	6,135	-	27,004
Waste management	3,204	3,142	2,376	-	8,722
Total	54,427	47,038	19,133	18	120,616
Capital					
Land and buildings	1,741	17	17	-	1,775
Parks & gardens	273	-	-	-	273
Roads	-	-	-	-	-
Total	2,014	17	17	-	2,048

Council 2015	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Civil Infrastructure Services	20,913	20,913	20,913	-	62,739
Cleaning	2,349	2,349	4,698	-	9,396
Consultancies	400	66	44	33	543
Events Service	1,092	232	152	-	1,476
Home care service	175	-	-	-	175
IT system	994	228	158	-	1,380
Maintenance	8,123	8,043	14,294	-	30,460
Open space management	2,235	2,235	1,678	-	6,147
Other Service	13,296	8,786	6,033	-	28,115
Waste management	4,784	38	-	-	4,822
Total	54,361	42,890	47,970	33	145,253
Capital					
Land and buildings	71,986	17	34	-	72,037
Parks & gardens	228	-	-	-	228
Roads	92	-	-	-	92
Total	72,306	17	34	-	72,357

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

Note 34. Operating leases**a) Operating lease payables**

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

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Property rentals				
Not later than one year	1,397	1,279	1,397	1,279
Later than one year and not later than five years	4,081	4,426	4,081	4,426
Later than five years	325	381	325	381
	5,803	6,086	5,803	6,086

b) Operating lease receivable

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

Future minimum lease receipts under non-cancellable operating leases for rentals of property, contracted for at balance date, but not recognised as assets.

	Consolidated		Council	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than one year	4,048	3,603	4,048	3,603
Later than one year and not later than five years	9,219	8,235	9,219	8,235
Later than five years	30,533	27,708	30,533	27,708
	43,800	39,546	43,800	39,546

Note 35. Contingent liabilities and contingent assets**Contingent liabilities**

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

A Council terminated staff member filed a HR related litigation seeking compensation. Council is not in a position to specify the quantum of potential settlement as no out-of-court settlement reached yet. If a settlement is not forthcoming the matter will to be determined in a Court.

Due to the nature of business operations, Council has a number of outstanding insurance claims at balance date of which a portion may result in legal proceedings to determine liability. At balance date, Council is unable to reliably measure outstanding insurance claims.

Citywide Service Solutions Pty Ltd has guarantees issued by the Bank in respect of contracts secured of \$10.311 million (2015: \$11.319 million).

Citywide Service Solutions Pty Ltd is a defendant from time to time in legal proceedings in respect of claims and court proceedings arising from the conduct of its business. The Group does not consider that the outcome of any current proceedings, for which allowance has not been made in these accounts, is either individually or in aggregate, likely to have a material effect on the operations or financial position of the Group.

Contingent assets

There are no contingent assets in this financial year (2015: Nil).

Note 36. Superannuation funds**Local Authorities Superannuation Fund**

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% required under Superannuation Guarantee legislation (2015: 9.5%).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

As at 30 June 2015, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 105.8%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 7.00% pa
- Salary inflation 4.25% pa
- Price inflation (CPI) 2.50% pa.

Vision Super has advised that the VBI as at 30 June 2016 is 102.0%

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

Employer contributions**Regular contributions**

On the basis of the results of the 2015 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014- 2015). This rate will increase in line with any increase to the SG contribution rate.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Note 36. Superannuation funds (cont'd)Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

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

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries; it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

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

2015 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the Defined Benefit category of which Council is a contributing employer:

- A VBI surplus of \$130.8 million
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015.

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

Council was notified of the 30 June 2015 VBI during August 2015.

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2016 are detailed below:

Scheme	Type of scheme	Rate	2016 000's	2015 000's
Vision Super	Defined benefits	9.5%	170	138
Vision Super	Accumulation	9.5%	8,003	7,418
Other funds	Accumulation	9.5%	2,844	2,530

Melbourne City Council Superannuation Sub Plan (CMSSP) Members

A separate plan is operated for Council's 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 Council.

As provided under paragraph 34 of AASB 119, Council does not use the defined benefit accounting for its defined benefit obligations under the CMSSP at the individual entity level. This is because the CMSSP is a multi-employer sponsored plan.

Note 36. Superannuation funds (cont'd)

As a multi-employer sponsored plan, the CMSSP is a mutual scheme between participating employers to allow 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 funding call is made.

As a result, the level of participation of Council in the CMSSP cannot be measured as a percentage compared with other participating employers in 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 because of the pooled nature of the CMSSP's defined benefit category.

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 is appropriate.

Funding arrangements

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 latest actuarial investigation was as at 30 June 2014. As at 30 June 2015, the CMSSP's VBI was 117.8%, and at 30 June 2016 it was 119.6%.

The Australian Prudential Regulation Authority (APRA) superannuation prudential standard (SPS 160) - Defined Benefit Matters determines the requirements for actuarial investigations and the funding requirements of a defined benefit (DB) arrangement. Under this standard:

- The VBI is the measure to determine whether there is an unfunded liability; and
- Any unfunded liability that arises must be paid within three years.

Under SPS 160, the VBI is to be used as the primary funding indicator. Because the VBI was above 100% at 30 June 2014, the Fund Actuary determined that no change was necessary to the Defined Benefit category's funding arrangements from prior years. As the 30 June 2015 VBI was above 100%, the CMSSP was still in a satisfactory financial position as at 30 June 2015 under SPS 160.

The CMSSP's employer funding arrangements comprise of three components as follows:

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

Council is also required to make additional contributions to cover the contribution tax payable on the components 2 and 3 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.

Note 36. Superannuation funds (cont'd)***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 30 June 2014, Council makes employer contributions to the CMSSP at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 13 per cent of salary for active defined benefit members.

In addition, Council makes top-up payments 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's Trustee is required to comply with the superannuation prudential standards. Under the superannuation prudential standard SPS 160, the Fund's Trustee is required to target full funding of its vested benefits for each of its sub-plans (including the CMSSP). There may be circumstances where:

- a sub-plan 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 sub-plan 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 sub-plan has a shortfall for the purposes of SPS 160 and the Fund Trustee is required to put a plan in place for the sub-plan so that the shortfall is fully funded within three years of the shortfall occurring. There may be circumstances where the APRA may approve a period longer than three years.

The Fund's Trustee monitors the CMSSP's VBI on a quarterly basis and the shortfall limit for the CMSSP is set at 98%.

In the event that the Fund Actuary determines that the CMSSP has a shortfall based on the above requirement, the CMSSP's participating employers (including Council) are required to make an employer contribution to cover the shortfall. The methodology 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 contractual obligations between the participating CMSSP 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 defined benefit obligations. The surplus would be transferred to the fund accepting the defined benefit obligations of the CMSSP.

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

Difference between calculations

The CMSSP surplus or deficit (i.e. the difference between the CMSSP's assets and liabilities) is calculated differently for funding purposes (i.e. calculating the required contributions), for the calculation of accrued benefits as required in AAS 25 and for the values needed for the AASB 119 disclosures in 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.

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Note 36. Superannuation funds (cont'd)Retrenchment increments

During 2015 -16, Council was required to make a payment of \$50,564.26 to the CMSSP in respect of retrenchment increments (no payments required in 2014 -15). Council's liability to the CMSSP as at 30 June 2016 for retrenchment increments, accrued interest and tax is \$0 (2015: \$0).

Latest actuarial investigation surplus amounts

The CMSSP's latest actuarial investigation was as at 30 June 2014. This investigation identified the following in the defined benefit category:

- A VBI surplus of \$6.5 million; and
- A total service liability surplus of \$11.4 million.

The VBI surplus means that the market value of the CMSSP's assets as at 30 June 2014 supporting its defined benefit obligations exceeded the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2014.

The total service liability surplus means that the current value of the assets in the CMSSP's defined benefit category plus expected future contributions exceeded the value of expected future benefits and expenses as at 30 June 2014.

Council was notified of the results of the actuarial investigation during January 2015.

Accrued benefits

The CMSSP's liability was determined in the 30 June 2014 actuarial investigation pursuant to the requirements of the Australian Accounting Standard AAS 25 as follows:

	30 June 2014 \$ Million
Net market value of assets	60.9
Accrued benefits (per Accounting Standards)	48.7
Difference between Assets and Accrued benefits	12.2
Vested benefits	54.4
Vested benefits index	112%

The financial assumptions used to calculate the accrued benefits of the CMSSP as at 30 June 2014 were:

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

The Fund Trustee has begun to de-risk the investment portfolio of the CMSSP because of its VBI position. This has resulted in a change of its underlying strategic asset allocation. As a result the financial assumptions from 30 June 2015 are:

- Net investment return 6.0% pa.
- Salary inflation 4.25% pa.
- Price inflation 2.5% pa.

Favourable or unfavourable variations may arise should the experience of the CMSSP differ from the assumptions made by the Fund's 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 2017.

Note 36. Superannuation funds (cont'd)**Superannuation contributions**

The total amount of superannuation contributions paid by Council (inclusive of its wholly-owned subsidiaries Citywide Service Solutions Pty Ltd and Queen Victoria Market Pty Ltd) during the year was \$1.898 million (2015: \$2.251 million).

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
- The Accumulation plan.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2017 is \$1.945 million (\$2.313million in 2016).

Melbourne City Council Superannuation Sub Plan	2016 000's	2015 000's
Asset/(Liability) Recognised in Balance Sheet	(555)	1,195
Total amount recognised in Comprehensive Income Statement	(1,089)	863

Note 37. Financial instruments**a) Objectives and policies**

Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

b) Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. Council's exposures to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed and floating rates which exposes council to fair value interest rate risk. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits.

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:

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

Note 37. Financial instruments (cont'd)

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

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

Council's interest rate liability risk arises from fixed and floating rate borrowing and our subsidiary company's Citywide Service Solutions Pty Ltd 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:

- an ongoing review of borrowing levels
- having a limit imposed on the maximum borrowing amount allowed by Council.

c) 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. Council has exposure to credit risk on some financial assets included in Council's balance sheet. To help manage this risk:

- Council has a policy for establishing credit limits for the entities it deals with
- Council may require collateral, where appropriate
- Council only invests surplus funds with financial institutions which have a recognised credit rating specified in Council's investment policy.

Credit risk associated with Council's financial assets is minimal because the largest item in the receivables balance is comprised of a very large number of small amounts, being rate revenues due from ratepayers. In addition, all unpaid rates are secured by charges over rateable properties.

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

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provides a guarantee for another party. Details of Council's contingent liabilities are disclosed in note 35.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

Consolidated 2016	Notes	Floating Interest Rate \$'000	Fixed Interest \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	16	88,269	-	71	88,340
Trade and other receivables	17	2,034	-	51,416	53,450
Other financial assets		7,550	5,000	-	12,550
		97,853	5,000	51,487	154,340
Weighted average rate		4.29%			
Financial liabilities					
Trade and other payables	25	-	-	70,228	70,228
Trust funds and deposits	26	-	-	9,112	9,112
Interest-bearing loans and borrowings	28	-	30,000	-	30,000
		-	30,000	79,340	109,340

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 37. Financial instruments (cont'd)

Council 2016	Notes	Floating Interest Rate \$'000	Fixed Interest \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	16	83,069	-	41	83,110
Trade and other receivables	17	-	-	26,625	26,625
Other financial assets	18	-	5,000	-	5,000
		83,069	5,000	26,666	114,735
Weighted average rate		4.33%			
Financial liabilities					
Trade and other payables	25	-	-	47,553	47,553
Trust funds and deposits	26	-	-	6,718	6,718
Interest-bearing loans and borrowings	28	-	30,000	-	30,000
		-	30,000	54,271	84,271

Consolidated 2015	Notes	Floating Interest Rate \$'000	Fixed Interest \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	16	110,396	-	76	110,472
Trade and other receivables	17	1,742	-	48,842	50,584
Other financial assets	18	13,800	-	-	13,800
		125,938	-	48,918	174,856
Weighted average rate		4.74%			
Financial liabilities					
Trade and other payables	25	-	-	77,175	77,175
Trust funds and deposits	26	-	-	8,526	8,526
		-	-	85,701	85,701

Council 2015	Notes	Floating Interest Rate \$'000	Fixed Interest \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets					
Cash and cash equivalents	16	101,482	-	37	101,519
Trade and other receivables	17	-	-	27,135	27,135
Other financial assets	18	7,000	-	-	7,000
		108,482	-	27,172	135,654
Weighted average rate		4.67%			
Financial liabilities					
Trade and other payables	25	-	-	53,308	53,308
Trust funds and deposits	26	-	-	6,111	6,111
		-	-	59,419	59,419

Note 37. Financial instruments (cont'd)**d) Liquidity risk**

Liquidity risk includes the risk that, as a result of our operational liquidity requirements or Council will not have sufficient funds to settle a transaction when required, Council will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained
- have readily accessible standby facilities and other funding arrangements in place
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments
- monitor budget to actual performance on a regular basis.

Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 28.

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

Council has two loan facilities, CEFC \$30 million interest only loan with interest rate fixed at 3% due for repayment on 8 October 2020 and a \$75 million floating rate loan facility with ANZ Bank which expires on 30 June 2017. The interest rate on the ANZ Bank facility is the Bank Bill Interest Rate (for the relevant interest period plus a margin of 0.61%). A line fee of 0.05% is also applicable to the facility. Both facilities are secured by a charge over the general rates levied by Council.

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 27 July 2019.

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

Consolidated 2016	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Financial assets							
Cash and cash equivalents	88,340	-	-	-	-	88,340	88,340
Trade and other receivables	51,761	332	583	564	210	-	53,450
Other financial assets	11,550	1,000	-	-	-	12,550	12,550
	151,651	1,332	583	564	210	100,890	154,340
Financial liabilities							
Trade and other payables	65,328	2,455	2,445	-	-	70,228	70,228
Trust funds and deposits	6,840	85	2,187	-	-	9,112	9,112
Interest-bearing loans and borrowings	-	-	-	30,000	-	30,000	30,000
	72,168	2,540	4,632	30,000	-	109,340	109,340

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 37. Financial instruments (cont'd)

Council 2016	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Financial assets							
Cash and cash equivalents	83,110	-	-	-	-	83,110	83,110
Trade and other receivables	26,625	-	-	-	-	-	26,625
Other financial assets	5,000	-	-	-	-	5,000	5,000
	114,735	-	-	-	-	88,110	114,735
Financial liabilities							
Trade and other payables	47,553	-	-	-	-	47,553	47,553
Trust funds and deposits	6,718	-	-	-	-	6,718	6,718
Interest-bearing loans and borrowings	-	-	-	30,000	-	30,000	30,000
	54,271	-	-	30,000	-	84,271	84,271

Consolidated 2015	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Financial assets							
Cash and cash equivalents	109,972	500	-	-	-	110,472	110,472
Trade and other receivables	49,508	267	447	362	-	-	50,584
Other financial assets	12,800	1,000	-	-	-	13,800	13,800
	172,280	1,767	447	362	-	124,272	174,856
Financial liabilities							
Trade and other payables	74,730	-	2,445	-	-	77,175	77,175
Trust funds and deposits	6,299	90	2,137	-	-	8,526	8,526
	81,029	90	4,582	-	-	85,701	85,701

Council 2015	6 mths or less \$'000	6-12 months \$'000	1-2 years \$'000	2-5 years \$'000	>5 years \$'000	Contracted Cash Flow \$'000	Carrying Amount \$'000
Financial assets							
Cash and cash equivalents	101,519	-	-	-	-	101,519	101,519
Trade and other receivables	27,135	-	-	-	-	-	27,135
Other financial assets	7,000	-	-	-	-	7,000	7,000
	135,654	-	-	-	-	108,519	135,654
Financial liabilities							
Trade and other payables	53,308	-	-	-	-	53,308	53,308
Trust funds and deposits	6,111	-	-	-	-	6,111	6,111
Interest-bearing loans and borrowings	-	-	-	-	-	-	-
	59,419	-	-	-	-	59,419	59,419

e) Fair value

Unless otherwise stated, the carrying amount of financial instruments reflect their fair value.

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Note 37. Financial instruments (cont'd)**f) Sensitivity disclosure analysis**

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the movements 'reasonably possible' over the next 12 months are a parallel shift of + 1.0% and -0.5% in market interest rates (AUD) from year-end rates of 1.72% (2015: 2.05%).

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

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

	2016 \$'000	Interest rate risk			
		-0.50 % -50 basis points		+1.00% +100 basis points	
		Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Consolidated					
Financial assets					
Cash and cash equivalents	88,340	(442)	(442)	883	883
Other financial assets	12,550	(63)	(63)	126	126
Financial liabilities					
Interest-bearing loans and borrowings	30,000	-	-	-	-
Council					
Financial assets					
Cash and cash equivalents	83,110	(416)	(416)	831	831
Other financial assets	5,000	(25)	(25)	50	50
Financial liabilities					
Interest-bearing loans and borrowings	30,000	-	-	-	-

The \$30 million interest bearing loan is a fixed interest facility.

Note 38. Related party transactions**a) Responsible Persons**

Names of persons holding the position of a Responsible Person at Council at any time during the financial year are:

Councillors

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

Chief Executive Officer

Ben Rimmer

Remuneration of responsible persons

The numbers of Responsible Persons whose total remuneration from Council and any related entities, excluding retirement benefits, fall within the following bands:

	2016	2015
\$40,000 - \$49,999	9	9
\$90,000 - \$99,999	-	1
\$100,000 - \$109,999	1	-
\$150,000 - \$159,999	-	1
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	1	-
\$460,000 - \$469,999	1	1
	12	13
	\$'000	\$'000
Total remuneration for the financial year for Responsible Persons included above	1,191	1,333

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.

Responsible persons retirement benefits

There are no retirement benefits that have been made to responsible persons. There were no matters to report in the previous financial year.

Loans to responsible persons

There are no loans that have been made to responsible persons. There were no matters to report in the previous financial year.

Transactions with responsible persons

During the period, Council entered into the following transactions with responsible persons or related parties of responsible persons.

Note 38. Related party transactions (cont'd)

Responsible Officer	Position held (including related parties of responsible officer)	Supplier	Nature of transactions (on normal commercial terms)	Transaction Amount (\$'000)
Lord Mayor Robert Doyle	President	The Lord Mayor's Charitable Foundation	Funding support by Council	67
	Trustee	The Shrine of Remembrance	Funding support by Council	333
	Ex-Officio member	Cancer Council of Australia	Transactions with Council	-
	Chairman	Melbourne Health	Products/services	1
	Partner - employee	Australian Centre for the Moving Image	Funding support by Council	23
Deputy Lord Mayor Susan Riley	Director	Melbourne Media Pty Ltd	Transactions with Council	-
	Director	Procurement Australia	Products/services	64
	Director	Mag Media Pty Ltd	Transactions with Council	-
	Director	Tee up for Kids	Transactions with Council	-
	Son - Owner of company	The Delivery Boy	Transactions with Council	-
Councillor Ken Ong	Spouse - Committee Member	Australian Chinese Events Committee	Products/services	5
Councillor Beverley Pinder-Mortimer	Husband - CEO	QA Software	Products/services	31
Councillor Arron Wood	Board member	Melbourne Sustainable Society Institute	Transactions with Council	-
	Board member	Sustainability Victoria	Products/services	5
	Wife - Employee	Oohmedia	Products/services	33

b) Senior Officers' Remuneration

A Senior Officer is

- a) For Council, an officer who has management responsibilities and reports directly to the Chief Executive; or whose total annual remuneration exceeds \$139,000 (2015: \$136,000); or
- b) For subsidiaries, the Managing Director, Chief Executive Officers and executives, or whose total annual remuneration exceeds \$139,000 (2015: \$136,000).

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

Note 38. Related party transactions (cont'd)

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

Income Range	Consolidated		Council	
	2016	2015	2016	2015
\$139,000 - \$139,999	5	5	5	5
\$140,000 - \$149,999	91	80	91	78
\$150,000 - \$159,999	18	10	17	8
\$160,000 - \$169,999	8	8	6	6
\$170,000 - \$179,999	7	12	6	11
\$180,000 - \$189,999	5	5	4	4
\$190,000 - \$199,999	14	9	14	9
\$200,000 - \$209,999	5	8	5	7
\$210,000 - \$219,999	4	2	3	2
\$220,000 - \$229,999	5	4	4	4
\$240,000 - \$249,999	2	3	2	3
\$250,000 - \$259,999	3	2	3	2
\$260,000 - \$269,999	4	2	2	2
\$270,000 - \$279,999	1	-	-	-
\$290,000 - \$299,999	3	2	1	-
\$300,000 - \$309,999	1	-	-	-
\$320,000 - \$329,999	-	2	-	1
\$330,000 - \$339,999	1	-	-	-
\$340,000 - \$349,999	1	1	1	1
\$350,000 - \$359,999	3	3	2	1
\$360,000 - \$369,999	1	1	1	1
\$380,000 - \$389,999	1	1	1	1
\$460,000 - \$469,999	1	1	1	1
\$480,000 - \$489,999	1	-	-	-
\$900,000 - \$909,999 *	-	1	-	-
	185	162	169	147
	\$'000	\$'000	\$'000	\$'000
Total remuneration for the financial year for Senior Officers included above	32,265	29,266	28,329	25,265

The remuneration threshold for Senior Officers' is reviewed each year by the Minister for Local Government. The threshold amount in 2015-16 was \$139,000 (2015: \$136,000). The number of senior officers and the total remuneration increased in 2015 is mainly due to salary incremental movement and enterprise bargaining agreement increase.

* As a result of retirement on 20 March 2015 a contractual payment of \$346,586 was made in addition to entitlements due to senior officer's 14 years of service.

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/retirement payments.

c) Wholly-Owned Group

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, Sustainable Melbourne Fund Trust and Enterprise Melbourne Pty Ltd during the financial year are included below.

All subsidiaries are established and are resident in Australia.

Note 38. Related party transactions (cont'd)

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.

Revenue received from Citywide is \$432,000 (2015: \$426,000).

Expenditure to Citywide is \$53,135,603 (2015: \$54,902,000).

Income Tax and Payroll Tax Equivalent, and Dividend are \$7,274,000 (2015: \$6,355,000).

Debtor account balance to Citywide is \$107,000 (2015: \$78,000).

Creditor account balance to Citywide is \$14,611,000 (2015: \$14,325,000).

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.

Revenue received from Queen Victoria Market is \$5,251,000 (2015: \$4,725,000).

Income Tax Equivalent and Dividend are \$-6,000 (2015: \$374,000).

Debtor account balance to QVM is \$541,000 (2015: \$436,000).

Creditor account balance to QVM is \$29,000 (2015: \$612,000).

Transactions with Sustainable Melbourne Fund Trust

Revenue received from Sustainable Melbourne Fund is \$34,000 (2015: \$37,000).

Expenditure to Sustainable Melbourne Fund for services provided is \$7,000 (2015: \$13,000).

Transactions with Enterprise Melbourne Pty Ltd

Funding to Enterprise Melbourne is \$598,000 (2015: \$369,000).

Note 39. Events occurring after balance date

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



CERTIFICATION OF THE FINANCIAL STATEMENTS

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

Phu Nguyen (FCPA)
Principal Accounting Officer
Melbourne
Date:

In our opinion the accompanying financial statements present fairly the financial transactions of the Melbourne City Council Group and the Melbourne City Council for the year ended 30 June 2016 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 statements to be misleading or inaccurate.

We have been authorised by 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
Melbourne
Date:

Stephen Mayne
Councillor
Melbourne
Date:

Martin Cutter
Acting Chief Executive Officer
Melbourne
Date:

Melbourne City Council

Performance Statement

For the year ended 30 June 2016

Performance Statement

For the year ended 30 June 2016

R17(1)

Description of municipality

The Melbourne municipality covers the central city and 16 inner city suburbs from South Yarra to Parkville. It is estimated that around 129,000 people called the municipality home in 2015 and a further 741,000 people visit every day for work and play. The Melbourne Local Government Area is the central precinct for Greater Melbourne and is a thriving residential, entertainment, cultural and educational precinct with a rapidly growing population as more people seek its many business, work, study and social opportunities.

Melbourne is one of the fastest growing municipalities in Australia with unprecedented population growth expected over the next decade and beyond. This is expected to grow to more than 200,000 by 2030. Daily users are expected to increase almost 22 per cent by 2024.

The Local Government Area covers an area of 37.7 square kilometres and in 2016 has 579.8 hectares of parkland.

Sustainable Capacity Indicators

For the year ended 30 June 2016

	<i>Indicator/measure</i>	Results		Material Variations
		2015	2016	
R15(3) Sch3 R16(1) R17(2)	Population			
	<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$3,074	\$3,000	No material variation
	<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$14,894	\$14,513	No material variation
	<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	492	519	Our estimated residential population has increased from 122,207 last year to almost 129,000, leading to a higher population density per km of road
	Own-source revenue			
	<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$3,099	\$3,153	No material variation
	Recurrent grants			
	<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$147	\$123	No material variation
	Disadvantage			
	<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	8	8	No material variation
BP	Definitions			
	"adjusted underlying revenue" means total income other than:			
	(a) non-recurrent grants used to fund capital expenditure; and			
	(b) non-monetary asset contributions; and			
	(c) contributions to fund capital expenditure from sources other than those referred to above			
	"infrastructure" means non-current property, plant and equipment excluding land			
	"local road" means a sealed or unsealed road for which the council is the responsible road authority under the <i>Road Management Act 2004</i>			
	"population" means the resident population estimated by council			
	"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)			
	"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA			
	"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website			
	"unrestricted cash" means all cash and cash equivalents other than restricted cash.			

Service Performance Indicators

For the year ended 30 June 2016

	<i>Service/indicator/measure</i>	Results		Material Variations
		2015	2016	
R15(1) Sch3	Aquatic facilities Utilisation			
R16(1) R17(2)	<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	1.62	1.57	No material variation
	Animal management Health and safety			
	<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	1	4	Two of the prosecutions reported were for the same accused and carried forward from the previous year due to adjournments at the request of the accused
	Food safety Health and safety			
	<i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	95%	100%	No material variation
	Governance Satisfaction			
	<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	60	62	No material variation
	Home and community care Participation			
	<i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	19%	20%	No material variation
	Participation			
	<i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	15%	17%	There was a 15% increase in the number of CALD clients who received a HACC service in 2015-16 compared to last year, or 33 people As a demand-based service, results may vary from one year to the next without the active influence of Council

<i>Service/indicator/measure</i>	Results		Material Variations
	2015	2016	
Libraries			
Participation			
<i>Active library members</i> [Number of active library members / Municipal population] x100	34%	35%	While this result is not materially different to 2014-15, the 2015-16 active library users also include those who borrow ebooks and eAudiobooks (eContent) through two of our many online lending platforms 4.5% of our active users only borrow eContent, and 16% of our active users borrow both physical and eContent
Maternal and child health			
Participation			
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	81%	84%	No material variation
Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	56%	81%	In the last 12 months, participation and engagement of Aboriginal children in the MCH service has increased from 56% (less than 8 children) to 81% (15 children) As a demand-based service, results may vary from one year to the next without the active influence of Council
Roads			
Satisfaction			
<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	76	75	No material variation
Statutory Planning			
Decision making			
<i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	66%	62%	While this result is not materially different to 2014-15, it represents a large increase in the number of VCAT decisions from the previous year. In 2015-16, 42 out of 68 council decisions were not set aside by VCAT, compared to 21 out of 32 decisions in 2014-15. Council does not influence the number of applications that are lodged with VCAT each year

Service/indicator/measure	Results		Material Variations
	2015	2016	
Waste Collection			
Waste diversion			
<i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	23%	26%	Recycling tonnages have increased over the past year, while total garbage tonnages have reduced over the same period. This has led to a higher overall percentage of kerbside waste being diverted from landfill
Definitions			
"Aboriginal child" means a child who is an Aboriginal person			
"Aboriginal person" has the same meaning as in the <i>Aboriginal Heritage Act 2006</i>			
"active library member" means a member of a library who has borrowed a book from the library			
"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act			
"CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English			
"class 1 food premises" means food premises, within the meaning of the <i>Food Act 1984</i> , that have been declared as class 1 food premises under section 19C of that Act			
"class 2 food premises" means food premises, within the meaning of the <i>Food Act 1984</i> , that have been declared as class 2 food premises under section 19C of that Act			
"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth			
"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the <i>Food Act 1984</i> , or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health			
"food premises" has the same meaning as in the <i>Food Act 1984</i>			
"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the <i>Home and Community Care Act 1985</i> of the Commonwealth			
"HACC service" means home help, personal care or community respite provided under the HACC program			
"local road" means a sealed or unsealed road for which the council is the responsible road authority under the <i>Road Management Act 2004</i>			
"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the <i>Food Act 1984</i> , or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken			
"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age			
"population" means the resident population estimated by council			
"target population" has the same meaning as in the Agreement entered into for the purposes of the <i>Home and Community Care Act 1985</i> of the Commonwealth			
"WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the <i>Occupational Health and Safety Act 2004</i> .			

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Financial Performance Indicators

For the year ended 30 June 2016

	Results		Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	
R15(2) Sch3	Efficiency Revenue level						
R16(1) R16(2) R17(2) R17(3)	<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,086 \$1,130	\$1,146	\$1,175	\$1,188	\$1,209	No material variation
	Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,954 \$3,950	\$3,793	\$3,687	\$3,509	\$3,419	There is a higher forecast growth rate in property assessments compared with expenditure over the forecast years
	Workforce turnover <i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	11.91% 8.41%	8.39%	8.63%	8.87%	9.16%	The number of resignations/terminations has decreased during 2015-16, while the number of permanent filled positions has increased by close to 6%. This is partly due to the organisational realignment that occurred in July 2015
	Liquidity Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	163.60% 141.28%	68.27%	31.35%	34.53%	29.28%	The settlement of the Munro site in 2015-16 had a material impact on the City Of Melbourne's cash balance. The Council's forecast cash balance will be impacted by the timing of QVM Renewal project expenditure in the four-year forecast

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	
Unrestricted cash <i>Unrestricted cash compared to current liabilities</i>	81.38%	48.48%	28.88%	0%	0%	0%	The settlement of the Munro site in 2015-16 had a material impact on the City Of Melbourne's cash balance. The Council's forecast cash balance will be impacted by the timing of QVM Renewal project expenditure in the four-year forecast. No unrestricted cash balances projected in 2018-2020
[Unrestricted cash / Current liabilities] x100							
Obligations Asset renewal <i>Asset renewal compared to depreciation</i>	73.54%	68.82%	86.13%	88.70%	94.37%	101.16%	The decrease in ratio is due to slight reduction in renewal expenditure in 2015-16 due to timing of projects
[Asset renewal expenses / Asset depreciation] x100							
Loans and borrowings <i>Loans and borrowings compared to rates</i>	0%	12.31%	11.66%	11.02%	47.57%	76.50%	Council borrowed funds with Clean Energy Finance Corporation (CEFC) in 2015-16 to fund sustainability initiatives. Council is forecasted to have higher borrowings over the medium term to fund QVM Renewal Expenditure
[Interest bearing loans and borrowings / Rate revenue] x100							
Loans and borrowings <i>Loans and borrowings repayments compared to rates</i>	0%	0.37%	0.51%	0.83%	1.84%	2.23%	Council borrowed funds with Clean Energy Finance Corporation (CEFC) in 2015-16 to fund sustainability initiatives. Council is forecasted to have higher borrowings over the medium term to fund QVM Renewal Expenditure
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100							

Dimension/ <i>indicator/measure</i>	Results		Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	
Indebtedness <i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	0.77%	8.19%	9.34%	9.08%	33.44%	53.80%	Council borrowed funds with Clean Energy Finance Corporation (CEFC) in 2015-16 to fund sustainability initiatives. Council is forecasted to have higher borrowings over the medium term to fund QVM Renewal Expenditure
Operating position Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100	6.24%	9.53%	4.96%	6.50%	6.56%	5.40%	No material variation
Stability Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	57.71%	56.96%	60.84%	61.10%	62.36%	64.06%	No material variation
Rates effort <i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.26%	0.27%	0.27%	0.27%	0.27%	0.27%	No material variation

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Definitions

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"population" means the resident population estimated by council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Other Information

For the year ended 30 June 2016

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1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. The City of Melbourne has adopted materiality thresholds relevant to each indicator and measure according to the range of results we are prepared to accept based on the known changes that have occurred during the year. Explanations have not been provided for variations within the materiality thresholds unless the variance is considered to be of interest to the public for other reasons.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 28 June 2016 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

Certification of the Performance Statement

R18(1)
R18(2)

In my opinion, the accompanying Performance Statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

Phu Nguyen (CPA)
Principal Accounting Officer
Dated:

In our opinion, the accompanying Performance Statement of the Melbourne City Council for the year ended 30 June 2016 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

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

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

We have been authorised by the council and by the Local Government (Planning and Reporting) Regulations 2014 to certify this Performance Statement in its final form.

Robert Doyle
Lord Mayor
Dated:

Stephen Mayne
Councillor
Dated:

Martin Cutter
Acting Chief Executive Officer
Dated:



CITY OF MELBOURNE

GPO Box 1603
Melbourne VIC 3001

Phone 61 3 9658 9658
Fax 61 3 9654 4854
www.melbourne.vic.gov.au

DX210487
ABN 55 370 219 287

15 August 2016

TO THE MELBOURNE CITY COUNCIL

DECLARATION BY THE CHIEF EXECUTIVE OFFICER AND
PRINCIPAL ACCOUNTING OFFICER

Financial report for the year ended 30 June 2016

This representation letter is provided in connection with the financial report of Council for the year ended 30 June 2016 for the purpose of stating whether the financial report presented fairly, in all material respects, the financial position of the Council as at 30 June 2016 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*.

We have fulfilled our responsibilities for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the requirements of the *Local Government Act 1989*.

This representation letter is also provided in connection with the performance statement of Council. The disclosure of key performance indicators have been prepared and presented in conformity with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014* and we consider the indicators reported to present fairly the performance of the Council.

We confirm, to the best of our knowledge and belief the following representations:

1. The Council has made available to the auditor:
 - (a) access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters
 - (b) additional information that has been requested from us for the purpose of the audit
 - (c) unrestricted access to persons within the Council from whom the auditor has sought audit evidence
 - (d) minutes of all meetings of Council and Audit Committee
 - (e) details of any off-balance sheet agreements or instruments, or confirmation that no such agreements or instruments exist.
2. All transactions have been recorded in the accounting records and are reflected in the financial report.
3. Proper accounts and records of the transactions and affairs of the Council and such other records as sufficiently explain the financial operations and financial position of the Council have been kept in accordance with the *Local Government Act 1989*, where applicable.
4. We believe the effects of uncorrected financial report misstatements are immaterial, both individually and in the aggregate, to the financial report taken as a whole.
5. We have undertaken a control assessment using the criteria outlined in AASB 10.
6. We have prepared the financial report as a not-for-profit entity for the purpose of reporting under Australian Accounting Standards.
7. We acknowledge responsibility for the design, implementation and maintenance of internal controls designed to prevent and detect fraud.

8. There:
 - (a) has been no fraud involving management or employees who have a significant role in the internal control structure
 - (b) has been no fraud that could have a material effect on the financial report
9. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.
10. We acknowledge responsibility for the design and implementation of internal control to prevent and detect error. We have established and maintained an adequate internal control structure to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. We have disclosed to the auditor details of all deficiencies in internal control that we are aware of.
11. We have no plans or intentions that may materially affect the carrying values or classification of assets and liabilities.
12. We consider the measurement methods, including the valuation premise, valuation techniques, assumptions and inputs used to determine fair values relating to assets and liabilities, to be appropriate and consistently applied in accordance with AASB 13 *Fair Value Measurement*. In particular, fair value measurements for non-financial assets comply with AASB 13 as they appropriately take into consideration the highest and best use from the perspective of market participants that is physically possible, legally permissible and financially feasible where applicable. Further, the financial report accurately and completely contains the disclosure requirements regarding assets and/or liabilities fair valuations and classifications within the fair value hierarchy in accordance with AASB 13.
13. We have considered the requirements of AASB 136 *Impairment of Assets* when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
14. Asset useful lives have been reviewed and any resulting changes accounted for as a change in an accounting estimate.
15. The following have been properly recorded or disclosed in the financial report:
 - (a) arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements
 - (b) agreements to repurchase assets previously sold
 - (c) losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments in excess of normal requirements or at prices in excess of prevailing market prices.
16. All known or suspected instances of noncompliance with laws or regulations whose effects should be considered for disclosure when preparing the financial report have been disclosed to the auditor.
17. All known actual or possible litigation and claims whose effects should be considered when preparing the financial report have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework, including:
 - (a) material liabilities or contingent liabilities or assets including those arising under derivative financial instruments
 - (b) unasserted claims or assessments that our lawyer has advised us are probable of assertion.
18. The entity has satisfactory title to all assets (excluding those assets held in the name of the Crown), and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

19. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of noncompliance.
20. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.
21. We are satisfied that the remuneration of the accountable officer and all executives has been properly reported in note 38 to the financial report and includes all components of executive remuneration including wages and salaries, leave accruals, performance and other bonuses, superannuation, motor vehicles, any other allowances.
22. The identity of all known related parties (including controlled entities), related party relationships and transactions have been made known to the auditor. All related party relationships and transactions have been appropriately accounted for and disclosed in the financial report in accordance with the requirements of the accounting framework including revenue, purchases, loans, transfers, leasing arrangements and guarantees (written or verbal).
23. No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.
24. We believe that the significant assumptions used in making accounting estimates for inclusion in the financial report are reasonable.
25. We have in place effective communication tools to communicate to the subsidiaries and business unit's information about the Council and proposals.
26. We are satisfied that the accounting policies adopted by Council's subsidiaries are consistent with Council's accounting policies, where applicable, and are appropriate for Consolidation purposes.

Yours sincerely



Martin Cutter
Acting Chief Executive Officer



Phu Nguyen
Principal Accounting Officer