

Management report to Council

Agenda item 3.1

2016-17 Draft Consolidated Financial Statements and Performance Statement

5 September 2017

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 2017 in accordance with sections 131 and 132 of the *Local Government Act 1989* (the Act) and to seek authorisation for 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 2017. 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 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 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.

Consideration at Committee

6. The 2016-17 Fourth Quarter June 2017 Year to Date Financial Performance Report was presented to Future Melbourne Committee on 15 August 2017.

Key issues - Audit Committee

7. The 2016-17 annual financial statements of the Melbourne City Council consolidated with CityWide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd, Enterprise Melbourne Pty Ltd, Sustainable Melbourne Fund and SMF Investment Management Pty Ltd were considered by the Council's Audit Committee at its meeting held on 25 August 2017.
8. The 2016-17 Performance Statement have also been considered by the Audit Committee.
9. Following review, the Audit Committee has recommended the approval of the 2016-17 Consolidated Financial Statements and Performance Statement.
10. The 2016-17 audit by VAGO has resulted in an unqualified audit opinion.

Recommendation from management

11. That Council:
 - 11.1. Approves in principle the 2016-17 Consolidated Financial Statements and Performance Statement.
 - 11.2. Nominates and authorises the Lord Mayor, Robert Doyle, and the Chair of the Finance and Governance portfolio, Deputy Lord Mayor Arron Wood, 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.
 - 11.3. Acknowledges the declaration made by the 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 91)
2. Draft Annual Consolidated Financial Statements for Council 2016-17 (page 3 of 91)
3. Draft 2016-17 Performance Statement (page 73 of 91)
4. Declaration by the Chief Executive Officer and Acting Principal Accounting Officer (page 87 of 91)

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 2016-17 (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 25 August 2017.

Environmental sustainability

6. There is no significant impact on environmental sustainability.

Melbourne City Council

Annual Financial Report

2016 – 2017

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FINANCIAL STATEMENTS

Comprehensive Income Statement

For the Year Ended 30 June 2017

	Consolidated			Council	
	2017 \$'000	2016 \$'000	Note	2017 \$'000	2016 \$'000
Income					
Rates and charges	262,105	243,802	3	262,323	244,058
Statutory fees and fines					
Parking fines	39,066	41,573	4	39,066	41,573
Other statutory fees and fines	11,036	8,755	4	11,036	8,755
User fees					
Parking fees	53,713	52,794	5	49,883	48,386
Other user fees	17,562	18,044	5	17,590	17,370
Grants - operating	12,804	8,783	6	12,804	8,783
Grants - capital	10,098	11,533	6	10,098	11,533
Contributions - monetary	21,680	14,367	7	21,215	14,118
Contributions - non monetary	800	4,157	7	800	4,157
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	47,008	8,218	8	41,588	(526)
Fair value adjustments for investment properties	16,565	16,849	23	16,565	16,849
Other income	212,812	210,872	9	29,971	30,210
Total Income	705,249	639,747		512,939	445,266
Expenses					
Employee costs	243,513	235,835	10	156,222	143,292
Materials and services	250,580	240,960	11	168,757	159,761
Bad and doubtful debts	6,833	5,446	12	6,245	5,331
Depreciation and amortisation	75,833	73,529	13	61,372	58,785
Borrowing costs	1,090	927	14	942	897
Other expenses	10,686	10,983	15	6,262	6,097
Grants and contributions	14,305	12,891		14,305	12,891
Total Expenses	602,840	580,571		414,105	387,054
Surplus For The Year	102,409	59,176		98,834	58,212
Other Comprehensive Income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation increment	193,403	242,260	29	193,705	230,771
Gain/(loss) on defined benefits plans	10,653	(1,089)	36	-	-
Total Other Comprehensive Income	204,056	241,171		193,705	230,771
Total Comprehensive Result	306,465	300,347		292,539	288,983

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

Balance Sheet

For the Year Ended 30 June 2017

	Consolidated			Council	
	2017 \$'000	2016 \$'000	Note	2017 \$'000	2016 \$'000
Assets					
Current Assets					
Cash and cash equivalents	104,403	88,340	16	90,581	83,110
Trade and other receivables	49,859	50,465	17	29,245	26,625
Other financial assets	28,250	12,550	18	26,000	5,000
Inventories	721	580	19	-	-
Other assets	69,441	8,664	20	67,387	7,087
Total Current Assets	252,674	160,599		213,213	121,822
Non-Current Assets					
Investment in subsidiaries, associates and trust	7,250	7,250	21	31,394	31,395
Property, infrastructure, plant and equipment	3,981,954	3,779,627	22	3,905,159	3,703,978
Investment property	210,347	208,020	23	210,347	208,020
Intangible assets	39,513	37,798	24	16,368	14,353
Trade and other receivables	6,231	2,985	17	2,500	-
Net assets of City of Melbourne's Defined Benefits Superannuation fund	9,120	-	36	-	-
Total Non-Current Assets	4,254,415	4,035,680		4,165,768	3,957,746
Total Assets	4,507,089	4,196,279		4,378,981	4,079,568
Liabilities					
Current Liabilities					
Trade and other payables	77,624	70,406	25	54,433	47,553
Trust funds and deposits	6,475	7,422	26	6,215	6,718
Provisions	43,819	45,146	27	32,129	31,959
Total Current Liabilities	127,918	122,974		92,777	86,230
Non-Current Liabilities					
Trust funds and deposits	1,677	1,690	26	-	-
Provisions	5,057	5,064	27	3,641	3,314
Interest bearing loans and borrowings	30,473	30,497	28	30,000	30,000
Net liabilities of City of Melbourne's Defined Benefits Superannuation fund	-	555	36	-	-
Total Non-Current Liabilities	37,207	37,806		33,641	33,314
Total Liabilities	165,125	160,780		126,418	119,544
Net Assets	4,341,964	4,035,499		4,252,563	3,960,024
Equity					
Accumulated surplus	2,121,793	2,018,955		2,047,619	1,959,006
Reserves	2,220,171	2,016,544	29	2,204,944	2,001,018
Total Equity	4,341,964	4,035,499		4,252,563	3,960,024

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

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Statement of Changes in Equity

For the Year Ended 30 June 2017

Consolidated		Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2017	2016	2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		4,035,499	3,735,152	2,018,955	1,975,106	1,977,706	1,735,446	38,838	24,600
Surplus for the year		102,409	59,176	102,409	59,176	-	-	-	-
Net asset revaluation increment/(decrement)	29	193,403	242,260	-	-	193,403	242,260	-	-
Transfers to other reserves	29	-	-	(18,161)	(25,972)	-	-	18,161	25,972
Transfers from other reserves	29	-	-	7,937	11,734	-	-	(7,937)	(11,734)
Actuarial gain/(expense) - City of Melbourne's Defined Benefits Superannuation Fund	36	10,653	(1,089)	10,653	(1,089)	-	-	-	-
Balance at the end of the financial year		4,341,964	4,035,499	2,121,793	2,018,955	2,171,109	1,977,706	49,062	38,838

Council		Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2017	2016	2017	2016	2017	2016	2017	2016
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning 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
Surplus for the year		98,834	58,212	98,834	58,212	-	-	-	-
Net asset revaluation increment	29	193,705	230,771	-	-	193,705	230,771	-	-
Transfers to other reserves	29	-	-	(18,161)	(25,972)	-	-	18,161	25,972
Transfers from other reserves	29	-	-	7,937	11,734	-	-	(7,937)	(11,734)
Balance at the end of the financial year		4,252,563	3,960,024	2,047,616	1,959,006	2,155,885	1,962,180	49,062	38,838

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

Statement of Cash Flows

For the Year Ended 30 June 2017

	Consolidated			Council	
	2017 \$'000	2016 \$'000	Note	2017 \$'000	2016 \$'000
Cash Flows from Operating Activities					
Rates and charges	263,058	242,296		263,276	242,552
Statutory fees and fine	49,756	50,328		49,756	50,328
User fees	77,161	84,366		71,888	80,768
Grants - operating	13,069	10,247		13,069	10,247
Grants - capital	10,805	11,533		10,805	11,533
Contributions - monetary	21,999	14,367		21,534	14,118
Interest received	2,535	2,755		2,406	2,312
Dividends received	38	-		3,838	3,667
Other receipts	232,107	228,128		24,912	24,229
Net GST refund/payment	3,012	8,781		15,592	20,366
Trust funds and deposits taken/(repaid)	(960)	5,802		(503)	5,802
Employee costs	(248,892)	(234,449)		(150,396)	(141,365)
Materials and services	(285,885)	(299,179)		(195,916)	(210,292)
Other payments	(26,883)	(25,517)		(21,429)	(19,228)
Net cash provided by operating activities	110,920	99,458	30	108,832	95,037
Cash Flows from Investing Activities					
Proceeds from sale of property, infrastructure, plant and equipment	6,689	11,253		1,269	1,453
Payments for property, infrastructure, plant and equipment	(83,145)	(164,093)		(78,188)	(146,899)
Proceeds from sale of Investments	-	1,250		-	2,000
Payments for investments	(15,700)	-		(21,000)	-
Loans and advances made	(1,611)	-		(2,500)	-
Net cash used in investing activities	(93,767)	(151,590)		(100,419)	(143,446)
Cash Flows from Financing Activities					
Finance costs	(1,090)	-		(942)	-
Proceeds from borrowing	-	30,000		-	30,000
Net cash provided by/(used in) financing activities	(1,090)	30,000		(942)	30,000
Net increase(decrease) in cash and cash equivalents	16,063	(22,132)		7,471	(18,409)
Cash and cash equivalents at beginning of the financial year	88,340	110,472		83,110	101,519
Cash and cash equivalents at the end of the financial year	104,403	88,340	31	90,581	83,110
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 2017

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Buildings				
Buildings	6,854	3,537	6,507	3,492
Building improvements	7,547	8,634	6,550	5,985
Total Buildings	14,401	12,171	13,057	9,477
Plant & Equipment				
Plant, machinery and equipment	17,134	19,968	1,813	2,906
Fixtures, fittings and furniture	590	476	551	87
Computers and telecommunications	13,585	9,907	12,483	9,082
Library books	1,295	1,132	1,295	1,132
Total Plant & Equipment	32,604	31,483	16,142	13,207
Infrastructure				
Roads	6,932	13,710	6,932	13,710
Bridges	744	169	744	169
Footpaths and cycleways	8,018	2,818	8,018	2,818
Drainage	7,326	7,700	7,326	7,700
Recreational, leisure and community facilities	168	5,578	168	5,578
Parks, open space and streetscapes	25,295	18,535	25,295	18,535
Other infrastructures	643	4,547	643	4,547
Total Infrastructure	49,126	53,057	49,126	53,057
Total Capital Works Expenditure	96,131	96,711	78,325	75,741
Represented by:				
New asset expenditure	34,646	49,144	16,840	28,174
Asset renewal expenditure	45,813	38,184	45,813	38,184
Asset expansion expenditure	8,295	8,212	8,295	8,212
Asset upgrade expenditure	7,377	1,171	7,377	1,171
Total Capital Works Expenditure	96,131	96,711	78,325	75,741

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

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 2017:

- 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 2017 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))
- the determination of goodwill (refer to Note 1 (u))

Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

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 2017, 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 (corporate trustee SMF Investment Management Pty Ltd)
- 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 stage of completion of the contract. Where the outcome of a contract cannot be reliably estimated,

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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 Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets annually. 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.

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	50-90	2
Road kerb, channel and minor culverts	32-50	2
Bridge deck	15-25	2
Bridge substructure	25-100	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.

The components of this current liability are measured at:

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

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- Nominal value - component that is expected to be wholly settled within 12 months.

Classification of employee costs

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 or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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	5-8 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

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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. No financial guarantee is provided by Council.

y) Contingent assets and contingent liabilities and commitments

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

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

z) Pending accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2017 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Revenue from contracts with customers (AASB 15) (applies 2019/20)

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

Leases (AASB 16) (applies 2019/20)

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

Council has a significant number of operating leases (Note 34 (a)) that will be impacted as a result of this change.

aa) Rounding

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

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 2016. 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 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
	2017	2017	2017	%	
	\$'000	\$'000	\$'000	%	
Income					
Rates and charges	257,341	262,323	4,982	2%	
Statutory fees and fines					
Parking fines	42,641	39,066	(3,575)	(8%)	1
Other statutory fees and fines	10,057	11,036	979	10%	
User fees					
Parking fees	46,098	49,883	3,785	8%	2
Other user fees	17,070	17,590	520	3%	
Grants - operating	9,482	12,804	3,322	35%	3
Grants - capital	8,748	10,098	1,350	15%	4
Contributions - monetary	10,884	21,215	10,331	95%	5
Contributions - non monetary	-	800	800	100%	
Net gain on disposal of property, infrastructure, plant and equipment	920	41,588	40,668	N/A	6
Fair value adjustments for investment properties	-	16,565	16,565	100%	7
Other income	26,926	29,971	3,045	11%	8
Total Income	430,167	512,939	82,772	19%	
Expenses					
Employee benefit expense	151,660	156,222	(4,562)	(3%)	
Materials and services	162,838	168,757	(5,919)	(4%)	9
Bad and doubtful debts	5,604	6,245	(641)	(11%)	
Depreciation and amortisation	61,164	61,372	(208)	0%	
Borrowing costs	1,310	942	368	28%	
Other expenses	6,444	6,262	182	3%	
Grants and contributions	12,987	14,305	(1,318)	(10%)	10
Total Expenses	402,007	414,105	(12,098)	(3%)	
Surplus for the year	28,160	98,834	70,674	251%	
Other Comprehensive Income					
Net asset revaluation increment	92,250	193,705	101,455	110%	11
Total Other Comprehensive Income	92,250	193,705	101,455	110%	
Total Comprehensive Result	120,410	292,539	172,129	143%	

i. Explanation of material variations

Ref.	Item	Explanation
1	<i>Parking fines</i>	Mainly due to lower than anticipated parking infringements being issued as a result of continued increasing compliance by the public and reduced number of parking bays.
2	<i>Parking fees</i>	Mainly due to higher parking meter revenue as a result of lower than anticipated removal of parking spaces associated with tram stop platform works, landscaping works and Melbourne Metro Rail project works and increased revenue from construction zones.
3	<i>Grants - operating</i>	Mainly due to half of the 2017-18 Victorian Grants Commission grant being advanced in June 2017 (\$1.4 million) and higher arts (\$0.9 million) and community services grants revenue (\$0.4 million).
4	<i>Grants - capital</i>	Mainly due to funding for demonstration of Green Roof project (\$1.3 million).
5	<i>Contributions - monetary</i>	With increasing developments across the city, this has resulted in higher public open spaces contributions (\$10.2 million).
6	<i>Net gain on asset disposal</i>	Mainly due to the compulsory acquisition of the City Square for the Melbourne Metro Rail project.
7	<i>Fair value adjustments for investment properties</i>	This reflects the increasing land value on Council's investment properties.
8	<i>Other income</i>	Mainly Due to higher investment interest (\$2.0 million) from higher than anticipated cash balance and grants in kind revenue (\$0.8 million).
9	<i>Materials and Services</i>	Mainly due to the rise and fall provisions in contracts, higher contract expenditures, waste management variation, LED lights, and Melbourne Contemporary Pavilion.
10	<i>Grants and contributions</i>	Mainly due to contribution to Lord Mayors Charitable foundation (\$1.2 million) in relation to pathway innovation project.
11	<i>Net asset revaluation increment</i>	Gains on fixed asset valuations, as a result of increasing land values during the year.

b) Capital Works

Council	Budget	Actual	Variance		Ref
	2017	2017	2017	%	
	\$'000	\$'000	\$'000	%	
Buildings					
Buildings	10,993	6,507	4,486	41%	1
Building improvements	13,300	6,550	6,750	51%	2
Total Buildings	24,293	13,057	11,236	46%	
Total Property	24,293	13,057	11,236	46%	
Plant & Equipment					
Plant & equipment	2,770	1,813	957	35%	
Fixtures, fittings & furniture	687	551	136	20%	
Computers and telecommunications	12,816	12,483	333	3%	
Library books	1,275	1,295	(20)	(2%)	
Total Plant & Equipment	17,548	16,142	1,406	8%	
Infrastructure					
Roads	7,929	6,932	997	13%	
Bridges	1,175	744	431	37%	
Footpaths and cycleways	8,640	8,018	622	7%	
Drainage	10,194	7,326	2,868	28%	3
Recreational, leisure and community facilities	262	168	94	36%	
Parks, open space and streetscapes	41,111	25,295	15,816	38%	4
Other infrastructures	11,024	643	10,381	94%	5
Total Infrastructure	80,335	49,126	31,209	39%	
Total capital works expenditure	122,176	78,325	43,851	36%	
Represented by:					
New asset expenditure	33,555	16,840	16,715	50%	
Asset renewal expenditure	56,274	45,813	10,461	19%	
Asset expansion expenditure	13,489	8,295	5,194	39%	
Asset upgrade expenditure	18,858	7,377	11,481	61%	
Total capital works expenditure	122,176	78,325	43,851	36%	

Out of the \$43.9 million variance in total capital works expenditure, \$21.9 million will be carried forward to 2017-18 (refer to Note 16).

i. Explanation of material variations

Ref.	Item	Explanation
1	<i>Buildings</i>	Property services renewal works delayed due to contract lead time (\$3.0 million) and scope clarification (\$1.2 million) to be captured in the 2017-18 Council Works Program.
2	<i>Building improvements</i>	Queen Victoria Market Precinct Renewal will carry forward \$3.8 million into 2017-18, the carry forward will be used to prepare the Precinct Public Realm Plan and the design of the below ground operational areas in 2017/18. Lady Huntingfield Child Care Centre (\$1.7 million) due to re tender on reduced scope delaying build until the first half of 2017-18 carried forward to 2017-18.
3	<i>Drainage</i>	Due to Whiteman Street flood mitigation (\$1.5 million) carried forward to 2017-18; Queensbridge Street flooding (\$0.4 million) to be externally funded and delivered during 2017-18 in addition to remaining flood mitigation projects (\$0.9 million) due to latent conditions and third party negotiations to be captured in the 2017-18 Council Works Program.
4	<i>Parks, open space & streetscapes</i>	University Square delayed due to external authority approvals and design documentation (\$3.0 million), Hawke & Adderley Street Park and North Melbourne Reserve New Landscaping & Synthetic Court delayed due to external authority approvals (\$2.8 million), Streetscape program due to the deferral of New Quay Promenade works (\$1.9 million) and Green Your Laneway Pilot Projects delayed due to tender delays (\$1.3 million) carried forward to 2017-18. Works on various new open spaces (\$2.4 million) to be captured in the 2017-18 Council Works Program.
5	<i>Other Structures</i>	Street lighting network upgrade to LED lights reclassified as maintenance owing to the new assets created not owned or controlled by Council (\$3.7 million) with the remaining works to be captured in the 2017-18 Council Works Program (\$1.9 million). Delays caused by delivery of parking meters (\$1.3 million) carried forward to 2017-18 and scope clarification for South Wharf Marine Precinct (\$1.6 million) to be captured in the 2017-18 Council Works Program.

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 2016-17 was \$6.2 billion (2015-16 \$5.4 billion).

	Valuation base		Rate in \$	
	2017 \$'000	2016 \$'000	2017	2016
Residential	2,428,553	2,004,927	4.157	4.193
Non-residential	3,706,157	3,384,160	4.575	4.755
Cultural & recreational	56,063	54,656		
	6,190,773	5,443,743		

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Residential	90,070	84,064	90,288	84,064
Non-residential	163,887	160,661	163,887	160,917
Culture & recreational	422	411	422	411
Supplementary rates and rate adjustments	7,322	(1,703)	7,322	(1,703)
Interest on Rates & Charges	404	369	404	369
	262,105	243,802	262,323	244,058

The date of the latest general valuation of land for rating purposes within the municipal district was 1 January 2016 and the valuation first applied to the rating period commencing 1 July 2016. The valuation for rating purposes is performed on a two year cycle.

Note 4. Statutory fees and fines

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Infringements and costs				
Parking fines	39,066	41,573	39,066	41,573
Total parking fines	39,066	41,573	39,066	41,573
Infringements and costs				
General fines	1,363	1,501	1,363	1,501
Town planning fees	4,294	2,447	4,294	2,447
Land Information Certificates	209	193	209	193
Permits	1,880	1,603	1,880	1,603
Food and Health Act registration	3,290	3,011	3,290	3,011
Total other statutory fees and fines	11,036	8,755	11,036	8,755
Total Statutory fees and fines	50,102	50,328	50,102	50,328

Note 5. User fees

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Parking	53,713	52,794	49,883	48,386
Total parking fees	53,713	52,794	49,883	48,386
Aged and health services	283	259	283	259
Leisure centre and recreation	5,084	4,917	5,085	4,922
Child care/children's programs	2,734	2,681	2,734	2,681
Registration and other permits	1,973	1,758	1,973	1,758
Building services	4,125	5,238	4,125	5,238
Waste management services	442	59	442	59
Berthing	573	703	573	703
Other fees and charges	2,348	2,429	2,375	1,750
Total other user fees	17,562	18,044	17,590	17,370
Total user fees	71,275	70,838	67,473	65,756

Note 6. Grants

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Summary of Grants				
Commonwealth funded grants	8,083	3,097	8,083	3,097
State funded grants	14,819	17,219	14,819	17,219
Total grants received	22,902	20,316	22,902	20,316

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Note 6. Grants (cont'd)

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Operating Grants				
<i>Recurrent - Commonwealth Government</i>				
General home care	1,957	201	1,957	201
Victoria Grants Commission	3,929	1,274	3,929	1,274
Other	40	39	40	39
	5,926	1,514	5,926	1,514
<i>Recurrent - State Government</i>				
Aged care	1,242	2,888	1,242	2,888
Libraries	810	763	810	763
Maternal & Child Health	798	572	798	572
Pre School Services	306	374	306	374
Support Services for Families	458	438	458	438
Disability Services Grant	132	127	132	127
Arts Programs	666	-	666	-
Events	175	-	175	-
Other	921	986	921	986
	5,508	6,148	5,508	6,148
<i>Total Recurrent Operating Grants</i>	11,434	7,662	11,434	7,662
<i>Non-recurrent - Commonwealth Government</i>				
Other	380	321	380	321
	380	321	380	321
<i>Non-recurrent - State Government</i>				
Recycling Projects	-	181	-	181
Roads & Streets	23	137	23	137
Resilience	500	-	500	-
Arts Programs	374	-	374	-
Other	93	482	93	482
	990	800	990	800
<i>Total Non-recurrent Operating Grants</i>	1,370	1,121	1,370	1,121
Total Operating Grants	12,804	8,783	12,804	8,783

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Note 6. Grants (cont'd)

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Capital Grants				
Recurrent - Commonwealth Government				
Roads to recovery	755	934	755	934
Road & Streets	1,022	328	1,022	328
	1,777	1,262	1,777	1,262
Recurrent - State Government				
Parking Levy	7,000	7,000	7,000	7,000
	7,000	7,000	7,000	7,000
Total Recurrent Capital Grants	8,777	8,262	8,777	8,262
Non-recurrent - State Government				
Buildings	-	50	-	50
Park & Gardens	25	2,380	25	2,380
Road & Streets	1,296	741	1,296	741
Living Victoria Fund	-	100	-	100
Total Non-recurrent Capital Grants	1,321	3,271	1,321	3,271
Total Capital Grants	10,098	11,533	10,098	11,533

Unspent grants received on condition that they be spent in a specific manner

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at start of year	2,037	5,397	2,037	5,397
Received during the financial year and remained unspent at balance date	1,877	2,037	1,877	2,037
Received in prior years and spent during the financial year	(2,037)	(5,397)	(2,037)	(5,397)
Balance at year end	1,877	2,037	1,877	2,037

Note 7. Contributions

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Public Open Space*	17,207	9,615	17,207	9,615
Child Care Benefit	2,109	1,978	2,109	1,978
Sponsorships	820	1,046	675	797
Non-Government Capital	302	392	302	392
Other Contributions	1,242	1,336	922	1,336
Total Contributions - Monetary	21,680	14,367	21,215	14,118
Land	800	2,252	800	2,252
Buildings	-	720	-	720
Infrastructure	-	1,185	-	1,185
Total Contributions - Non Monetary	800	4,157	800	4,157
Total Contributions	22,480	18,524	22,015	18,275

* Public Open Space contributions are higher due to increased building development activities.

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

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Land & Buildings				
Proceeds of sales	62,725	1,034	62,725	1,034
Written down value of assets disposed	(20,665)	(797)	(20,665)	(797)
Gain on sale	42,060	237	42,060	237
Infrastructure				
Proceeds of sales	89	-	89	-
Written down value of assets disposed	(26)	-	(26)	-
Gain on sale	63	-	63	-
Plant and Equipment				
Proceeds of sales	6,600	10,219	1,180	419
Written down value of assets disposed	(1,715)	(2,238)	(1,715)	(1,182)
(Loss)/Gain on sale	4,885	7,981	(535)	(763)
Total proceeds of sale	69,414	11,253	63,994	1,453
Total written down value of assets disposed	(22,406)	(3,035)	(22,406)	(1,979)
Total net gain / (loss) on disposal of property, infrastructure, plant and equipment*	47,008	8,218	41,588	(526)

* The net gain mainly relates to compulsory acquisition of City Square assets by Melbourne Metro Rail.

Note 9. Other income

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest	2,535	2,386	2,406	1,942
Dividends	38	-	3,838	3,667
Investment property/market rentals*	24,769	27,800	7,672	9,484
Intercompany revenue	-	-	6,687	8,083
Sales & recoveries**	184,770	180,396	8,668	6,778
Project income	700	290	700	256
Total Other Income	212,812	210,872	29,971	30,210

* Consolidated income includes Queen Victoria Market stall holder revenue of \$17.1million for 2017 (2016: \$18.2 million).

** Consolidated income includes Citywide rendering of services revenue of \$176.9 million for 2017 (2016: \$171.5 million).

EXPENSE

Note 10. Employee costs

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Wages and salaries	193,833	186,373	121,992	110,921
WorkCover	4,052	2,622	1,494	615
Temporary non-permanent	3,664	5,083	3,264	4,363
Superannuation	19,888	19,563	13,586	12,251
Fringe benefit tax	1,290	1,849	528	592
Annual leave and long service leave	20,786	20,345	15,358	14,550
	243,513	235,835	156,222	143,292

Superannuation

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Defined benefit fund				
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	168	170	168	170
Melbourne City Council Superannuation sub-plan (Vision Super)	1,204	1,382	967	1,077
	1,372	1,552	1,135	1,247
Employer contributions payable at reporting date	-	-	-	-
Accumulation funds				
Employer contributions to Vision Super	11,751	11,577	8,870	8,119
Employer contributions - other funds	6,765	6,434	3,581	2,885
	18,516	18,011	12,451	11,004
Employer contributions payable at reporting date	60	541	-	-

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

Note 11. Materials and services

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Contract payments	136,865	131,708	114,089	109,338
Building maintenance	569	268	361	268
General maintenance	28,370	28,961	13,391	11,652
Utilities	10,795	11,484	7,561	7,712
Administration/Supplies	45,651	43,323	14,182	13,725
Information technology	6,637	4,839	4,585	3,724
Insurance	2,910	3,359	1,438	1,522
Consultant	18,783	17,018	13,150	11,820
	250,580	240,960	168,757	159,761

Note 12. Bad and doubtful debts

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Parking fine debtors	6,163	5,279	6,163	5,279
Other debtors	670	167	82	52
	6,833	5,446	6,245	5,331

Note 13. Depreciation and amortisation

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Property	8,393	7,781	7,497	7,028
Plant and equipment	22,579	22,365	9,314	8,674
Infrastructure	40,906	39,780	40,906	39,780
Total depreciation	71,878	69,926	57,717	55,482
Intangible assets	3,955	3,603	3,655	3,303
Total depreciation and amortisation	75,833	73,529	61,372	58,785

Refer to Note 22 for more detailed breakdown of depreciation and amortisation charges.

Note 14. Borrowing costs

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Interest - Borrowings	1,090	927	942	897
	1,090	927	942	897

Note 15. Other expenses

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Auditors remuneration - VAGO- audit of financial statements	255	252	143	149
Audit services - external	21	33	21	33
Audit services - internal	489	459	254	202
Fire brigade levy	171	176	171	176
Taxes & Levies	3,324	2,920	2,038	1,532
Operating lease rental	4,259	4,551	1,669	1,727
Other costs	2,167	2,592	1,966	2,278
	10,686	10,983	6,262	6,097

ASSETS

Note 16. Cash and cash equivalents

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash on hand	59	71	36	41
Cash at bank	37,643	43,569	25,545	36,069
Term deposits	66,701	44,700	65,000	47,000
Cash and cash equivalents	104,403	88,340	90,581	83,110

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	
	2017 \$'000	2016 \$'000	Note	2017 \$'000	2016 \$'000
Trust funds and deposits	8,152	9,112	26	6,215	6,718
Reserve funds (Public Open Space)	37,740	23,091	29	37,740	23,091
Total restricted funds	45,892	32,203		43,955	29,809
Unrestricted cash and cash equivalents	58,511	56,137		46,626	53,301
Total cash and cash equivalents	104,403	88,340		90,581	83,110

Intended allocations

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

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash held to fund carried forward capital	21,941	26,442	21,941	26,442
Total funds subject to intended allocations	21,941	26,442	21,941	26,442

Refer also to Note 18 for details of other financial assets held by Council.

Note 17. Trade and other receivables

Current	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Statutory receivables				
Rate debtors	1,002	1,955	1,002	1,955
Parking infringement debtors	32,558	32,525	32,558	32,525
Provision for doubtful debts - parking infringements	(17,381)	(17,722)	(17,381)	(17,722)
Non statutory receivables				
Other debtors*	32,233	31,535	8,474	5,560
Provision for doubtful debts - other debtors	(1,496)	(826)	(370)	(288)
Net GST receivable	2,943	2,998	4,962	4,595
Total current trade and other receivables	49,859	50,465	29,245	26,625

*Other debtors includes Citywide trade receivable of \$21.2 million.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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

Non-Current	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non statutory receivables				
Project loan	4,572	1,342	-	-
Loan to subsidiary*	-	-	2,500	-
Land sale deferred settlement	1,659	1,643	-	-
Total non-current trade and other receivables	6,231	2,985	2,500	-

*Loan to subsidiary relates to loan to the Sustainable Melbourne Fund.

(a) Ageing of receivables

At balance date other debtors representing financial assets were past due but not impaired. The ageing of the trade & other receivables (excluding statutory receivables) was:

Ageing of receivables - Other debtors	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current (not yet due)	26,895	24,929	6,423	3,206
Past due by up to 30 days	2,314	2,561	1,073	1,167
Past due between 31 and 180 days	2,328	3,134	758	1,033
Past due between 181 and 365 days	595	888	119	131
Past due by more than 1 year	101	23	101	23
Total	32,233	31,535	8,474	5,560

(b) Movement in provisions for doubtful debts

Provision for doubtful debts	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Provision for doubtful debts - Parking infringement	17,381	17,722	17,381	17,722
Provision for doubtful debts - Trade debtors	1,496	826	370	288
Total	18,877	18,548	17,751	18,010

Movement in doubtful debts - parking infringement	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at the beginning of the year	17,722	16,633	17,722	16,633
New provisions recognised	6,163	5,279	6,163	5,279
Amounts written off as uncollectible	(7,627)	(6,630)	(7,627)	(6,630)
Amounts recovered during the year	1,123	2,440	1,123	2,440
Balance at the end of the year	17,381	17,722	17,381	17,722

Movement in doubtful debts - trade debtors	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at the beginning of the year	826	794	288	371
New provisions recognised	670	64	82	(82)
Amounts written off as uncollectible	(68)	(165)	(70)	(134)
Amounts recovered during the year	68	133	70	133
Balance at the end of the year	1,496	826	370	288

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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

(c) Ageing of impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$1.5 million (2016: \$0.8 million) were impaired. The amount of the provision raised against these debtors was \$0.7 million (2016: \$0.1 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:

Ageing of receivables (impaired)	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current (not yet due)	19	172	-	-
Past due by up to 30 days	97	3	-	-
Past due between 31 and 180 days	728	88	160	79
Past due between 181 and 365 days	549	472	107	118
Past due by more than 1 year	103	91	103	91
Total	1,496	826	370	288

Note 18. Other financial assets

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Term deposits	28,250	12,550	26,000	5,000
Total	28,250	12,550	26,000	5,000

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

Note 19. Inventories

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Inventory held for distribution	721	580	-	-
Total	721	580	-	-

Note 20. Other assets

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Prepayments	3,187	4,174	1,771	1,789
Accrued income*	66,254	4,490	63,375	2,307
Other	-	-	2,241	2,991
Total	69,441	8,664	67,387	7,087

*Accrued income includes compensation for the compulsory acquisition of City Square assets (\$62.7million).

Note 21. Investment in subsidiaries, associates and trust

Non-Current	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
a) Subsidiaries				
CityWide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Sustainable Melbourne Fund	-	-	5,538	5,539
Enterprise Melbourne*	-	-	-	-
	-	-	24,144	24,145
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	31,394	31,395

* Investment in Enterprise Melbourne is \$10.

a) Subsidiaries**Citywide Service Solutions Pty Ltd (100% owned subsidiary of Council)**

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. A controlling interest is held by Council.

Summarised financial information

	2017 \$'000	2016 \$'000
Summarised statement of comprehensive income		
Total income	241,235	244,337
Total expenses	231,598	238,782
Surplus/(deficit) for the year	9,637	5,555
Other comprehensive income	-	7,893
Total comprehensive result	9,637	13,448
Summarised balance sheet		
Current assets	50,810	47,820
Non-current assets	103,400	103,366
Total assets	154,210	151,186
Current liabilities	55,002	57,330
Non-current liabilities	6,722	7,207
Total liabilities	61,724	64,537
Net assets	92,486	86,649
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	20,283	6,297
Net cash provided/(used in) investing activities	(8,156)	(6,539)
Net cash provided/(used in) financing activities	(3,650)	(2,600)
Net increase / (decrease) in cash and cash equivalents	8,477	(2,842)

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. A controlling interest is held by Council.

Summarised financial information

	2017 \$'000	2016 \$'000
Summarised statement of comprehensive income		
Total income	23,425	23,706
Total expenses	25,718	23,666
Surplus/(deficit) for the year	(2,293)	40
Other comprehensive income	-	-
Total comprehensive result	(2,293)	40
Summarised balance sheet		
Current assets	3,923	7,499
Non-current assets	4,825	2,885
Total assets	8,748	10,384
Current liabilities	3,848	3,196
Non-current liabilities	1,828	1,822
Total liabilities	5,676	5,018
Net assets	3,072	5,366
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(2,413)	809
Net cash provided/(used in) investing activities	1,397	(1,030)
Net cash provided/(used in) financing activities	(16)	(146)
Net increase / (decrease) in cash and cash equivalents	(1,032)	(367)

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 in projects with environmental benefits to the City. The projects extend beyond the boundaries of Council to the broader State of Victoria, reflecting the position of Melbourne as the capital city of Victoria.

On 11 November 2016, the Fund trustees resigned and a guarantor company, SMF Investment Management Pty Ltd, was incorporated with the former trustees appointed as directors of the new company.

There is a corporate trustee SMF Investment Management Pty. Ltd. of which Council has 100% voting rights 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. A controlling interest is held by Council.

Summarised financial information

	2017 \$'000	2016 \$'000
Summarised statement of comprehensive income		
Total income	762	279
Total expenses	(730)	(543)
Surplus/(deficit) for the year	<u>32</u>	<u>(264)</u>
Other comprehensive income	-	-
Total comprehensive result	<u>32</u>	<u>(264)</u>
Summarised balance sheet		
Current assets	3,615	4,304
Non-current assets	4,572	1,342
Total assets	<u>8,187</u>	<u>5,646</u>
Current liabilities	92	88
Non-current liabilities	2,525	20
Total liabilities	<u>2,617</u>	<u>108</u>
Net assets	<u>5,570</u>	<u>5,538</u>
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(3,653)	(513)
Net cash provided/(used in) investing activities	2,300	-
Net cash provided/(used in) financing activities	2,500	-
Net increase / (decrease) in cash and cash equivalents	<u>1,147</u>	<u>(513)</u>

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. A controlling interest is held by Council.

Summarised financial information

	2017 \$'000	2016 \$'000
Summarised statement of comprehensive income		
Total income	1	26
Total expenses	469	597
Surplus/(deficit) for the year	<u>(468)</u>	<u>(571)</u>
Other comprehensive income	-	-
Total comprehensive result	<u>(468)</u>	<u>(571)</u>
Summarised balance sheet		
Current assets	40	116
Non-current assets	-	-
Total assets	<u>40</u>	<u>116</u>
Current liabilities	69	-
Non-current liabilities	-	-
Total liabilities	<u>69</u>	<u>-</u>
Net assets	<u>(29)</u>	<u>116</u>
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(398)	(571)
Net cash provided/(used in) investing activities	322	629
Net cash provided/(used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	<u>(76)</u>	<u>58</u>

The negative net assets is due to timing of funds transfer between Council and Enterprise Melbourne Pty Ltd. The company will be able to pay its debt as and when they become due.

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 \$82,102 for year ended 30 June 2017 and an operating loss of \$261,040 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. 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 2017-18 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 approximately 15% 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 2016 of \$370,853 compared to a profit of \$988,794 for the previous year. The Company paid a dividend for the 2016 financial year of 15.0 cents per share. Dividend payment of \$37,500 was received in December 2016. Net assets are \$4.4 million as at 30 September 2016.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Note 22. Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

Consolidated	At Fair Value							At Fair Value
	30 June	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	30 June
	2016							2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,867,835	-	88	152,860	-	(5,768)	1,931	2,016,946
Buildings	340,089	1,454	712	24,123	(8,393)	(188)	4,464	362,261
Plant and Equipment	80,739	17,673	-	-	(22,579)	(6,256)	8,212	77,789
Infrastructure	1,412,624	-	-	16,420	(40,906)	(290)	58,390	1,446,238
Work in progress	78,340	73,377	-	-	-	-	(72,997)	78,720
Total	3,779,627	92,504	800	193,403	(71,878)	(12,502)	-	3,981,954

Summary of Work in Progress

Consolidated	Opening WIP	Additions	Transfers	Write offs	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Land & Buildings	14,591	13,461	(6,395)	-	21,657
Plant and Equipment	11,637	16,849	(8,212)	-	20,274
Infrastructure	52,112	43,067	(58,390)	-	36,789
Total	78,340	73,377	(72,997)	-	78,720

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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

Summary of Property Plant and Equipment

Council	At Fair Value							At Fair Value 30 June 2017 \$'000
	30 June 2016 \$'000	Acquisitions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	
	Land	1,846,403	-	88	153,162	-	(6,070)	
Buildings	333,368	-	712	24,123	(7,497)	-	4,464	355,170
Plant and Equipment	33,570	-	-	-	(9,314)	(1,460)	8,203	30,999
Infrastructure	1,412,623	-	-	16,420	(40,906)	(290)	58,390	1,446,237
Work in progress	78,015	72,213	-	-	-	-	(72,988)	77,240
Total	3,703,978	72,213	800	193,705	(57,717)	(7,820)	-	3,905,159

Summary of Work in Progress

Council	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Write offs \$'000	Closing WIP \$'000
Land & Buildings	14,264	13,431	(6,395)	-	21,300
Plant and Equipment	11,639	15,715	(8,203)	-	19,151
Infrastructure	52,112	43,067	(58,390)	-	36,789
Total	78,015	72,213	(72,988)	-	77,240

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 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
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	-	-	1,454	1,454	13,461	14,915
Contributed assets	88	-	88	-	-	712	-	712	-	800
Revaluation increments/decrements	147,005	5,855	152,860	7,760	7,552	8,811	-	24,123	-	176,983
Fair value of assets disposed	(5,768)	-	(5,768)	-	(45)	-	(507)	(552)	-	(6,320)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	1,931	-	1,931	664	3,800	-	-	4,464	(6,395)	-
	143,256	5,855	149,111	8,424	11,307	9,523	947	30,201	7,066	186,378
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	(2,976)	(2,837)	(1,602)	(978)	(8,393)	-	(8,393)
Accumulated depreciation of disposals	-	-	-	-	45	-	319	364	-	364
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
	-	-	-	(2,976)	(2,792)	(1,602)	(659)	(8,029)	-	(8,029)
At fair value 30 June 2017	1,877,455	139,491	2,016,946	179,696	126,350	73,257	11,404	390,707	21,657	2,429,310
Accumulated depreciation at 30 June 2017	-	-	-	(6,003)	(11,838)	(5,389)	(5,216)	(28,446)	-	(28,446)
	1,877,455	139,491	2,016,946	173,693	114,512	67,868	6,188	362,261	21,657	2,400,864

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 30 June 2016	1,712,767	133,636	1,846,403	168,245	103,720	59,947	2,790	334,702	14,264	2,195,369
Accumulated depreciation at 30 June 2016	-	-	-	-	-	-	(1,334)	(1,334)	-	(1,334)
	1,712,767	133,636	1,846,403	168,245	103,720	59,947	1,456	333,368	14,264	2,194,034
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	-	-	-	-	13,431	13,431
Contributed assets	88	-	88	-	-	712	-	712	-	800
Revaluation increments/decrements	147,307	5,855	153,162	7,760	7,552	8,811	-	24,123	-	177,285
Fair value of assets disposed	(6,070)	-	(6,070)	-	-	-	-	-	-	(6,070)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	1,931	-	1,931	664	3,800	-	-	4,464	(6,395)	-
	143,256	5,855	149,111	8,424	11,352	9,523	-	29,299	7,036	185,446
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	(2,976)	(2,756)	(1,602)	(163)	(7,497)	-	(7,497)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
	-	-	-	(2,976)	(2,756)	(1,602)	(163)	(7,497)	-	(7,497)
At fair value 30 June 2017	1,856,023	139,491	1,995,514	176,669	115,072	69,470	2,790	364,001	21,300	2,380,815
Accumulated depreciation at 30 June 2017	-	-	-	(2,976)	(2,756)	(1,602)	(1,497)	(8,831)	-	(8,831)
	1,856,023	139,491	1,995,514	173,693	112,316	67,868	1,293	355,170	21,300	2,371,983

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 30 June 2016	744,152	92,489	144,613	131,959	6,780	40,385	228,474	57,076	52,112	1,498,040
Accumulated depreciation at 30 June 2016	-	-	-	-	(1,208)	-	(24,245)	(7,852)	-	(33,305)
	744,152	92,489	144,613	131,959	5,572	40,385	204,229	49,224	52,112	1,464,735
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	-	-	-	-	43,067	43,067
Contributed assets	-	-	-	-	-	-	-	-	-	-
Revaluation increments/decrements	9,817	1,653	(4,810)	(280)	47	762	9,231	-	-	16,420
Fair value of assets disposed	(29)	-	-	-	-	-	-	(951)	-	(980)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	11,873	15,152	10,090	5,452	15	2,703	13,045	60	(58,390)	-
	21,661	16,805	5,280	5,172	62	3,465	22,276	(891)	(15,323)	58,507
Movements in accumulated depreciation										
Depreciation and amortisation	(17,180)	(1,428)	(6,307)	(1,822)	(391)	-	(13,106)	(672)	-	(40,906)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	690	-	690
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
	(17,180)	(1,428)	(6,307)	(1,822)	(391)	-	(13,106)	18	-	(40,216)
At fair value 30 June 2017	765,813	109,294	149,893	137,131	6,842	43,850	250,750	56,185	36,789	1,556,547
Accumulated depreciation at 30 June 2017	(17,180)	(1,428)	(6,307)	(1,822)	(1,599)	-	(37,351)	(7,834)	-	(73,521)
	748,633	107,866	143,586	135,309	5,243	43,850	213,399	48,351	36,789	1,483,026

Work in Progress includes Queen Victoria Market renewal program of \$11.9 million.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

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 30 June 2016	744,152	92,489	144,613	131,959	6,780	40,385	228,474	57,076	52,112	1,498,040
Accumulated depreciation at 30 June 2016	-	-	-	-	(1,208)	-	(24,245)	(7,852)	-	(33,305)
	744,152	92,489	144,613	131,959	5,572	40,385	204,229	49,224	52,112	1,464,735
Movements in fair value										
Acquisition of assets at fair value	-	-	-	-	-	-	-	-	43,067	43,067
Contributed assets	-	-	-	-	-	-	-	-	-	-
Revaluation increments/decrements	9,817	1,653	(4,810)	(280)	47	762	9,231	-	-	16,420
Fair value of assets disposed	(29)	-	-	-	-	-	-	(951)	-	(980)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	11,873	15,152	10,090	5,452	15	2,703	13,045	60	(58,390)	-
	21,661	16,805	5,280	5,172	62	3,465	22,276	(891)	(15,323)	58,507
Movements in accumulated depreciation										
Depreciation and amortisation	(17,180)	(1,428)	(6,307)	(1,822)	(391)	-	(13,106)	(672)	-	(40,906)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	690	-	690
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
	(17,180)	(1,428)	(6,307)	(1,822)	(391)	-	(13,106)	18	-	(40,216)
At fair value 30 June 2017	765,813	109,294	149,893	137,131	6,842	43,850	250,750	56,185	36,789	1,556,547
Accumulated depreciation at 30 June 2017	(17,180)	(1,428)	(6,307)	(1,822)	(1,599)	-	(37,351)	(7,834)	-	(73,521)
	748,633	107,866	143,586	135,309	5,243	43,850	213,399	48,351	36,789	1,483,026

Work in Progress includes Queen Victoria Market renewal program of \$11.9 million.

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 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
Movements in fair value						
Acquisition of assets at fair value	15,483	177	2,013	-	16,849	34,522
Contributed assets	-	-	-	-	-	-
Revaluation increments/decrements	-	-	-	-	-	-
Fair value of assets disposed	(27,559)	(22)	(206)	(1,227)	-	(29,014)
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers from WIP	3,460	1,490	1,988	1,274	(8,212)	-
	(8,616)	1,645	3,795	47	8,637	5,508
Movements in accumulated depreciation						
Depreciation and amortisation	(14,913)	(691)	(5,379)	(1,596)	-	(22,579)
Accumulated depreciation of disposals	21,306	19	206	1,227	-	22,758
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
	6,393	(672)	(5,173)	(369)	-	179
At fair value 30 June 2017	147,966	9,106	44,979	12,667	20,274	234,992
Accumulated depreciation at 30 June 2017	(91,009)	(6,859)	(30,355)	(8,706)	-	(136,929)
	56,957	2,247	14,624	3,961	20,274	98,063

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 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
Movements in fair value						
Acquisition of assets at fair value	-	-	-	-	15,715	15,715
Contributed assets	-	-	-	-	-	-
Revaluation increments/decrements	-	-	-	-	-	-
Fair value of assets disposed	(2,257)	-	-	(1,227)	-	(3,484)
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers from WIP	3,460	1,481	1,988	1,274	(8,203)	-
	1,203	1,481	1,988	47	7,512	12,231
Movements in accumulated depreciation						
Depreciation and amortisation	(2,973)	(426)	(4,319)	(1,596)	-	(9,314)
Accumulated depreciation of disposals	797	-	-	1,227	-	2,024
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
	(2,176)	(426)	(4,319)	(369)	-	(7,290)
At fair value 30 June 2017	39,026	6,792	36,066	12,667	19,151	113,702
Accumulated depreciation at 30 June 2017	(25,587)	(5,221)	(24,038)	(8,706)	-	(63,552)
	13,439	1,571	12,028	3,961	19,151	50,150

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. 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.

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.

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 2017 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	DoV
Non-specialised land	-	121,918	17,573	139,491	Jun-2017
Specialised land	-	15,970	1,840,053	1,856,023	Jun-2017
Total land	-	137,888	1,857,626	1,995,514	
Heritage Buildings	-	10,851	162,842	173,693	Jun-2017
Buildings	-	70,241	109,942	180,183	Jun-2017
Total buildings	-	81,092	272,784	353,876	

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 Infrastructure Engineering and Management.

The date of the current valuation is detailed in the following table. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2017 are as follows:

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

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Dov
Roads	-	-	748,633	748,633	Jun-2017
Bridges	-	-	107,866	107,866	Jun-2017
Footpaths and cycleways	-	-	143,586	143,586	Jun-2017
Drainage	-	-	135,309	135,309	Jun-2017
Recreational, leisure and community facilities	-	-	5,243	5,243	Jun-2017
Parks, open space and streetscapes	-	-	43,850	43,850	Jun-2017
Promenades and wharves	-	-	68,592	68,592	Jun-2017
Other infrastructure	-	-	144,798	144,798	Jun-2017
Total Infrastructure	-	-	1,397,877	1,397,877	

No transfers between levels occurred during the year.

c) Description of significant unobservable inputs into Level 3 valuations

Council	2017 \$'000	2016 \$'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.	1,856,023	1,712,767
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.	112,316	103,720
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 and design lives 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.	1,397,877	1,363,400

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

Council	2017 \$'000	2016 \$'000
Land under roads	17,200	17,200
Parks and reserves	1,838,823	1,695,567
Total specialised land	1,856,023	1,712,767

Note 23. Investment property

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Land				
Balance at beginning of financial year	140,570	46,344	140,570	46,344
Additions	-	69,500	-	69,500
Disposals	(750)	-	(750)	-
Fair value adjustments	14,413	24,726	14,413	24,726
Balance at end of financial year	154,233	140,570	154,233	140,570
Buildings				
Balance at beginning of financial year	67,450	67,725	67,450	67,725
Additions	357	7,602	357	7,602
Disposals	(13,845)	-	(13,845)	-
Fair value adjustments	2,152	(7,877)	2,152	(7,877)
Balance at end of financial year	56,114	67,450	56,114	67,450
Total investment properties	210,347	208,020	210,347	208,020

Building disposals includes City Square assets disposed due to compulsory acquisition by Melbourne Metro Rail.

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. The valuation is at fair value, based on the current market value for the property.

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

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Software	16,368	14,353	16,368	14,353
Goodwill	22,770	22,770	-	-
Customer relationships	375	675	-	-
	39,513	37,798	16,368	14,353

Note 24. Intangible assets (cont'd)

Consolidated	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 1 July 2016	29,248	22,770	675	52,693
Additions from acquisition	5,670	-	-	5,670
Other	-	-	-	-
Balance at 30 June 2017	34,918	22,770	675	58,363
Accumulated amortisation and impairment				
Balance at 1 July 2016	(14,895)	-	-	(14,895)
Amortisation expense	(3,655)	-	(300)	(3,955)
Impairment expense	-	-	-	-
Amortisation written back	-	-	-	-
Balance at 30 June 2017	(18,550)	-	(300)	(18,850)
Net book value at 30 June 2016	14,353	22,770	675	37,798
Net book value at 30 June 2017	16,368	22,770	375	39,513

Council	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 1 July 2016	29,248	-	-	29,248
Additions from acquisition	5,670	-	-	5,670
Other	-	-	-	-
Balance at 30 June 2017	34,918	-	-	34,918
Accumulated amortisation and impairment				
Balance at 1 July 2016	(14,895)	-	-	(14,895)
Amortisation expense	(3,655)	-	-	(3,655)
Amortisation written back	-	-	-	-
Balance at 30 June 2017	(18,550)	-	-	(18,550)
Net book value at 30 June 2016	14,353	-	-	14,353
Net book value at 30 June 2017	16,368	-	-	16,368

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 2017.

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

Note 24. Intangible assets (cont'd)

	2017 \$'000	2016 \$'000
Current		
Arboriculture VIC		194
Horticulture VIC		5,224
Street Cleaning VIC		3,296
Open Space NSW		7,868
Open Space QLD		6,188
Victoria Operations	8,714	
NSW Operations	7,868	
Technigro	6,188	
	22,770	22,770

During the year, the CGU's have been redefined in line with the new business structure and implementation of the new customer focussed operating model. 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.

c) Key assumptions used in the discounted cash flow projections

Future cash flows have been based on the 2017-18 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2017	2016
Current		
Discount Rate	8.50%	9.30%
Terminal Value Growth Rate	2.20%	1.50%

The discount rate used is a post-tax measure based on the Citywide's weighted average cost of capital (WACC). The WACC has been determined in conjunction with professional valuation advice received from an independent consulting firm.

Each CGU has five years of cash flows included in its discounted cash flow models and a terminal growth rate thereafter. The discounted cash flow models the first year cash flow which is based on the 2017-18 budget. The long-term compound annual growth rate in EBITDA is estimated by management using past experience and expectations for the future.

d) Sensitivity to change in assumptions

Citywide has modelled reasonably possible changes in key assumptions to determine whether sensitivities would cause the carrying value of any CGU to exceed its recoverable amount.

Each +/- 10 basis point movement in the discount rate assumption impacts the recoverable amount of the NSW CGU by approximately \$140,000 which would result in a minor impairment in the case of a 10 basis point increase.

Each +/- 10 basis point movement in the growth rate assumption impacts the recoverable amount of the NSW CGU by approximately \$140,000 which would result in a minor impairment in the case of a 10 basis point decrease.

LIABILITIES

Note 25. Trade and other payables

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Trade payables	16,974	18,644	4,445	8,573
Accrued operating expenses	51,253	32,924	34,334	22,184
Accrued capital work expenses	5,500	15,858	14,635	15,858
Income in advance	3,897	2,980	1,019	938
	77,624	70,406	54,433	47,553

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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Refundable deposits	3,345	4,062	3,158	3,893
Fire services levy	2,669	2,405	2,669	2,405
Retention amount	98	143	98	143
Other refundable deposits	363	812	290	277
	6,475	7,422	6,215	6,718
Non Current				
Refundable deposits	1,677	1,690	-	-
	1,677	1,690	-	-

Refundable deposits - Current 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Employee provisions				
Balance at the beginning of financial year	48,092	47,237	33,465	31,506
Additional provisions	20,786	20,345	15,358	14,550
Amounts used	(20,739)	(19,490)	(13,781)	(12,591)
Balance at the end of the financial year	48,139	48,092	35,042	33,465
Insurance claims				
Balance at the beginning of financial year	558	413	558	413
Additional provisions	198	285	198	285
Amounts used	(28)	(140)	(28)	(140)
Balance at the end of the financial year	728	558	728	558
Other provisions*				
Balance at the beginning of financial year	1,560	1,549	1,250	1,250
Additional provisions	-	11	-	-
Amounts used	(1,551)	-	(1,250)	-
Balance at the end of the financial year	9	1,560	-	1,250

* Other provisions mainly include provision for rate objection (\$1.25m in 2015-16) which is not required in 2016-17.

a) Employee provisions

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
(a) Current provisions expected to be wholly settled within 12 months				
Annual leave	15,842	13,746	10,775	9,986
Long service leave	2,846	2,263	1,608	1,523
	18,688	16,009	12,383	11,509
(b) Current provisions expected to be wholly settled after 12 months				
Annual leave	28	1,836	-	-
Long service leave	24,366	25,183	19,018	18,642
	24,394	27,019	19,018	18,642
Total current provisions	43,082	43,028	31,401	30,151
(c) Non-Current				
Long service leave	5,057	5,064	3,641	3,314
Total non-current provisions	5,057	5,064	3,641	3,314
Aggregate carrying amount of employee provisions				
Current	43,082	43,028	31,401	30,151
Non-current	5,057	5,064	3,641	3,314
Total aggregate carrying amount of employee provisions	48,139	48,092	35,042	33,465

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

Note 27. Provisions (cont'd)

b) Insurance claims and other provisions

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Current				
Insurance claims	728	558	728	558
Other provisions	9	1,560	-	1,250
	737	2,118	728	1,808

Note 28. Interest-bearing loans and borrowing

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Non-current				
Borrowing - secured (1)	30,000	30,000	30,000	30,000
Security deposits	473	497	-	-
Total	30,473	30,497	30,000	30,000
Maturity profile for borrowing is:				
Not later than one year	-	-	-	-
Later than one year and not later than five years	30,473	30,497	30,000	30,000
Later than five years	-	-	-	-

(1) Borrowings 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Asset revaluation - property and infrastructure	2,171,109	1,977,706	2,155,882	1,962,180
Other Reserves				
Restricted				
Reserve for public open space	37,740	23,091	37,740	23,091
Non-Restricted				
Investments revaluation reserve	4,225	4,225	4,225	4,225
Tree Compensation Reserve	3,203	2,249	3,203	2,249
Queen Victoria Market Renewal Project Reserve	3,894	9,273	3,894	9,273
	2,220,171	2,016,544	2,204,944	2,001,018

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

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Note 29. Reserves (cont'd)

a) Movement in Reserves – Asset revaluation reserve

Consolidated	Balance at beginning of 2016 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Balance at end of 2016 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Balance at end of 2017 \$'000
Property							
Land	1,059,105	200,018	-	1,259,123	152,866	-	1,411,989
Buildings	70,817	26,130	-	96,947	24,123	-	121,070
Infrastructure							
Roads	377,303	13,676	-	390,979	9,815	-	400,794
Bridges	16,392	(1,090)	-	15,302	1,653	-	16,955
Footpaths and cycleways	100,137	2,162	-	102,299	(1,205)	-	101,094
Drainage	33,662	(2,419)	-	31,243	(857)	-	30,386
Recreational, leisure and community facilities	34	(130)	-	(96)	-	-	(96)
Parks, open space and streetscapes	4,414	(1,691)	-	2,723	762	-	3,485
Other infrastructure	67,972	5,604	-	73,576	6,246	-	79,822
Artworks	5,610	-	-	5,610	-	-	5,610
	1,735,446	242,260	-	1,977,706	193,403	-	2,171,109

Council	Balance at beginning of 2016 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Balance at end of 2016 \$'000	Increment (Decrement) \$'000	Transfer to Accum Surplus \$'000	Balance at end of 2017 \$'000
Property							
Land	1,055,068	188,528	-	1,243,596	153,162	-	1,396,758
Buildings	70,817	26,130	-	96,947	24,123	-	121,070
Infrastructure							
Roads & Laneways	377,303	13,676	-	390,979	9,821	-	400,800
Bridges	16,392	(1,089)	-	15,303	1,653	-	16,956
Footpaths and cycleways	100,137	2,162	-	102,299	(1,205)	-	101,094
Drainage	33,662	(2,419)	-	31,243	(857)	-	30,386
Recreational, leisure and community facilities	2,222	(130)	-	2,092	-	-	2,092
Parks, open space and streetscapes	4,414	(1,691)	-	2,723	762	-	3,485
Other infrastructure	65,784	5,604	-	71,388	6,246	-	77,634
Artworks	5,610	-	-	5,610	-	-	5,610
	1,731,409	230,771	-	1,962,180	193,705	-	2,155,882

Note 29. Reserves (cont'd)**b) Summary of movements in other reserves**

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at the beginning of the year	38,838	24,600	38,838	24,600
Transfers from accumulated surplus	18,161	25,972	18,161	25,972
Transfers to accumulated surplus	(7,937)	(11,734)	(7,937)	(11,734)
Balance at the end of the financial year	49,062	38,838	49,062	38,838

Movement in Reserves – Reserve for Public Open Space

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at the beginning of the year	23,091	18,671	23,091	18,671
Transfers from accumulated surplus	17,207	9,615	17,207	9,615
Transfers to accumulated surplus	(2,558)	(5,195)	(2,558)	(5,195)
Balance at the end of the financial year	37,740	23,091	37,740	23,091

Public Open Space reserve is used to transfer contributions from developers to provide for open space within the Municipality pursuant to Section 18A of the Subdivision Act 1988.

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

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at the beginning of the year	4,225	4,225	4,225	4,225
Transfers from investment-non current asset	-	-	-	-
Transfers to investment-non current asset	-	-	-	-
Balance at the end of the financial year	4,225	4,225	4,225	4,225

This revaluation reserve is used to record the increased (or decrease) value of Council's share of Regent Management Pty Ltd assets over time.

Movement in Reserves – Tree Compensation reserve

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at the beginning of the year	2,249	1,704	2,249	1,704
Transfers from accumulated surplus	954	545	954	545
Transfers to accumulated surplus	-	-	-	-
Balance at the end of the financial year	3,203	2,249	3,203	2,249

Tree compensation reserve is used to fund future tree planting following compensation from developers who remove mature trees within the municipality.

Movement in Reserves – Queen Victoria Market Renewal Project reserve

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at the beginning of the year	9,273	-	9,273	-
Transfers from accumulated surplus	-	15,812	-	15,812
Transfers to accumulated surplus	(5,379)	(6,539)	(5,379)	(6,539)
Balance at the end of the financial year	3,894	9,273	3,894	9,273

Queen Victoria Market renewal reserve is used 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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Surplus/(deficit) for the year	102,409	59,176	98,834	58,212
Depreciation/amortisation	75,833	73,529	61,372	58,785
Profit/(Loss) on disposal of property, plant and equipment	(47,008)	(8,218)	(41,588)	526
Fair value adjustments for investment property	(16,565)	(16,849)	(16,565)	(16,849)
Contributions - Non-monetary assets	(800)	(4,157)	(800)	(4,157)
Other	(42)	(3,369)	(42)	(4,517)
Changes in assets and liabilities in relation to operating activities:				
(Increase)/Decrease in trade and other receivables	606	(2,321)	(2,620)	510
(Increase)/Decrease in prepayment	987	5,453	18	8,235
(Increase)/Decrease in accrued income	961	1,543	2,407	(2,664)
(Decrease)/Increase in trade and other payables	6,649	(6,947)	7,822	(5,755)
(Increase) in Inventories	(141)	236	-	-
(Decrease)/Increase in provisions	(1,381)	156	(1,080)	559
(Decrease)/Increase in employee benefits	(9,628)	640	1,577	1,545
(Decrease)/Increase in trust funds and deposits	(960)	586	(503)	607
Net cash provided by operating activities	110,920	99,458	108,832	95,037

Note 31. Reconciliation of cash and cash equivalents

	Consolidated		Council	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	104,403	88,340	90,581	83,110
	104,403	88,340	90,581	83,110

Note 32. Financing arrangements

	Consolidated		Council	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Bank overdraft facility	2,500	-	-	-
Credit card facilities	373	-	300	-
Bank loan facility	102,100	75,000	75,000	75,000
Other financing facilities*	30,000	30,000	30,000	30,000
Total facilities	134,973	105,000	105,300	105,000
Used facilities*	(30,086)	(30,000)	(30,086)	(30,000)
Unused facilities	104,887	75,000	75,214	75,000

* Clean Energy Finance Corporation

Note 33. Commitments

Council 2017	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	37,813	102	-	-	37,915
Cleaning	12,429	12,238	20,553	-	45,220
Consultancies	22,289	8,513	504	-	31,306
Home care service	161	-	-	-	161
Events Services	4,187	149	-	-	4,336
Maintenance	15,045	12,167	386	-	27,598
Open space management	15,198	15,198	26,648	-	57,044
Other service	24,961	12,359	11,305	-	48,625
IT services	5,445	2,405	842	-	8,692
Waste management (including Garbage collection)	16,892	13,409	5,921	-	36,222
Total	154,420	76,540	66,159	-	297,119
Capital					
Land and buildings	-	-	-	-	-
Parks & gardens	35	18	-	-	53
Total	35	18	-	-	53

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
Home care service	176	-	-	-	176
Events Services	1,198	638	-	-	1,836
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
IT services	1,230	86	72	-	1,388
Waste management (including Garbage collection)	3,204	3,142	2,376	-	8,722
Total	54,427	47,037	19,133	18	120,615
Capital					
Land and buildings	1,741	17	17	-	1,775
Parks & gardens	273	-	-	-	273
Total	2,014	17	17	-	2,048

Council capital contract commitments are a combination of fixed and variable over the tender period varying between one and five years. The commitments in 2016-17 includes increased contract value in relation to waste management, cleaning services, tree maintenance and IT services. This is in line with our overall increased expenditure within the Council across one to five year horizon.

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

At the reporting date, Council and its subsidiaries 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	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Property rentals				
Not later than one year	3,388	3,054	1,415	1,397
Later than one year and not later than five years	6,337	6,945	3,247	4,081
Later than five years	1,026	925	587	325
	10,751	10,924	5,249	5,803
Fleet lease				
Not later than one year	2,514	-	686	-
Later than one year and not later than five years	6,874	-	910	-
Later than five years	363	-	-	-
	9,751	-	1,596	-
Total operating lease payable	20,502	10,924	6,845	5,803

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.

Consolidated leasing includes Queen Vic Market stall and standard enclosure rentals.

Future minimum lease receipts under non-cancellable operating leases are as follows:

	Consolidated		Council	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Not later than one year	14,219	11,357	3,234	4,048
Later than one year and not later than five years	46,501	24,450	7,636	9,219
Later than five years	34,791	34,922	30,556	30,533
	95,511	70,729	41,426	43,800

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.

Due to the nature of business operations, Council has a number of outstanding insurance claims/court cases 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/court claims.

Contingent assets

Due to the compulsory acquisition of City Square assets, the Council will take an alternative valuation approach to the City Square Car Park, which may result in an improved outcome.

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 2017, this was 9.5% required under Superannuation Guarantee legislation).

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 2016, 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 31 March 2017 is 106.6%.

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 2016 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015-16). This rate will increase in line with any increase to the 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.

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

Note 36. Superannuation funds (cont'd)

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.

2016 interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the Defined Benefit category of which Council is a contributing employer:

- A VBI surplus of \$40.3 million
- A total service liability surplus of \$156 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 2016. 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 2016 VBI during August 2016.

2017 Full triennial actuarial investigation

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

Future superannuation contributions

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2017. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 are \$0.2 million.

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.

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.

Note 36. Superannuation funds (cont'd)

As a result, the level of participation of the Council in the CMSSP cannot be measured as a percentage compared with other participating employers in the Council's individual entity level financial statements. While there is an agreed methodology to allocate any CMSSP shortfalls identified by the Fund Actuary for funding purposes, there is no agreed methodology to allocate CMSSP benefit liabilities, assets and costs between participating employers for accounting purposes. Therefore, the Fund Actuary is unable to allocate CMSSP benefit liabilities, assets and costs between employers on an individual entity basis for purposes of AASB 119 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 2014, the CMSSP's VBI was 112%. At 30 June 2016, the Fund Actuary estimated the VBI to be 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 2016 estimated VBI was above 100%, the CMSSP was in a satisfactory financial position 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.

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 2017, 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%.

Note 36. Superannuation funds (cont'd)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 AASB 1056 (2016: AAS 25) and for the values needed for the AASB 119 disclosures in Council's financial statements.

For each measure, the asset value used is the same but the value of liabilities can be different. Under AASB 119, a Commonwealth Government bond rate is used to calculate the liability. This means the discount rate under AASB 119 is independent of the way the assets of CMSSP are actually invested. The AASB 119 liability is also calculated using the Council's estimate of future salary increases.

The above contrasts with AASB 1056 (2016: AAS 25) and the actuarial funding review which both require the discount rate to be based on the best estimate of the expected investment return on CMSSP's assets and use a salary increase assumption based on the advice of the Fund Actuary. The assumptions and methods adopted in determining the value of the liabilities for these purposes are largely prescribed by either the relevant accounting standard and/or actuarial professional standards..

Retrenchment increments

During 2016-17, Council was not required to make payments to the CMSSP in respect of retrenchment increments (\$50,564.26 in 2015-16). Council's liability to the CMSSP as at 30 June 2017 for retrenchment increments, accrued interest and tax is \$0 (2016: \$0).

Note 36. Superannuation funds (cont'd)**2014 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 2017 actuarial investigation

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. It is anticipated that this actuarial investigation will be completed in December 2017. The financial assumptions for the purposes of these investigations are:

- Net investment return 5.5% pa
- Salary inflation 3.5% pa
- Price inflation 2.5% pa.

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

The total amount of superannuation contributions paid by Council (inclusive of its wholly-owned subsidiary Citywide Service Solutions Pty Ltd) during the year was \$1.2 million (2016: \$1.9 million, which included Citywide Service Solutions Pty Ltd and Queen Victoria Market Pty Ltd).

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 2018 is \$1.2 million.

Melbourne City Council Superannuation Sub Plan	2017 000's	2016 000's
Asset/(Liability) recognised in Balance Sheet	9,120	(555)
Total amount recognised in Comprehensive Income Statement	10,653	(1,089)

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

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and 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 the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which expose Council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 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.

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.

Note 37. Financial instruments (cont'd)

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 Council 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.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

Council has a loan facility of \$2.5 million to the Sustainable Melbourne Fund (SMF). SMF indemnifies Council against all losses of any nature. In the event of default, Council has the right to terminate the facility and demand all moneys owing under this agreement and all accrued interest thereon are due and payable immediately. SMF extends this loan amounts to various businesses for the purpose of sustainability projects and each loan is secured by a charge over the project 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.

d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements, or because 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; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

Note 37. Financial instruments (cont'd)

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 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 2019. The interest rate on the ANZ Bank facility is the Bank Bill Interest Rate (for the relevant interest period plus a margin of 0.8%). A line fee of 0.12% 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 and bank loan facility are secured facilities with a 1st ranking fixed and floating charge over the net assets of the Group. The bank facilities may be drawn at any time and may be terminated by the bank if the Group defaults under the loan agreement. The facilities expire on 27 July 2019.

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.

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 1.51% (2016:1.72%).

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

Note 38. Related party transactions**a) Related Parties***Parent entity*

Melbourne City Council is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associated are detailed in Note 21 and Note 38 (h).

b) Key Management Personnel

Details of persons holding the position of Councillors or other members of key management personnel at any time during the year are:

Councillors (including dates if not full year)

Lord Mayor Robert Doyle	
Deputy Lord Mayor Arron Wood	
Cathy Oke	
Jackie Watts	
Kevin Louey	
Rohan Leppert	
Susan Riley	1 July 2016 - 1 November 2016, and 21 March 2017 - 30 June 2017
Nicolas Frances Gilley	21 March 2017 - 30 June 2017
Le Liu	2 November 2016 - 30 June 2017
Nicolas Reece	2 November 2016 - 30 June 2017
Tessa Sullivan	2 November 2016 - 30 June 2017
Ken Ong	1 July 2016 - 22 October 2016
Beverley Pinder-Mortimer	1 July 2016 - 22 October 2016
Stephen Mayne	1 July 2016 - 22 October 2016
Richard Foster	1 July 2016 - 22 October 2016
Michael-Lee Caiafa	2 November 2016 - 14 March 2017

Chief Executive Officer and other Key Management Personnel

Position	Name
Chief Executive Officer	Ben Rimmer
Director City Operations	Martin Cutter
Director City Design and Projects	Rob Adams
Director City Strategy and Place	Kate Vinot
Director City Communities	Linda Weatherson
Director City Economy and Activation	Katrina Mckenzie
Chief Financial Officer	Phu Nguyen
Chief Information Officer	Colin Fairweather
Manager Governance and Legal	Keith Williamson
Manager People and Culture	Clive Peter
Manager Strategy and Partnerships	Alexandra Paterson/Miriam Slattery
Manager Customer Relations	Joelene Shembri
Chief Digital Officer and Manager Smart City Office	Michelle Fitzgerald
Senior Strategic Advisor	Geoffrey Lawler

Councillors (including part year)	16
Chief Executive Officer and other Key Management Personnel	14
Total Key Management Personnel	<u>30</u>

Note 38. Related party transactions (cont'd)**c) Remuneration of Key Management Personnel**

Total remuneration of key management personnel was as follows:

	2017 \$'000
Short-term benefits	4,217
Long-term benefits	7
Post-employment benefits	505
Total	4,729

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

	2017
\$10,000 - \$19,999	5
\$20,000 - \$29,999	1
\$30,000 - \$39,999	3
\$40,000 - \$49,999	5
\$60,000 - \$69,999	1
\$80,000 - \$89,999	1
\$180,000 - \$189,999	1
\$200,000 - \$209,999	1
\$220,000 - \$229,999	1
\$230,000 - \$239,999	1
\$250,000 - \$259,999	1
\$260,000 - \$269,999	2
\$270,000 - \$279,999	1
\$330,000 - \$339,999	1
\$340,000 - \$349,999	2
\$360,000 - \$369,999	1
\$380,000 - \$389,999	1
\$450,000 - \$459,999	1
	30
	\$'000
Total remuneration for the financial year included above	4,729

d) Remuneration transactions with related parties (key management personnel)

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

Transaction type	Nature of transactions (on normal commercial terms)	Transaction Amount (\$'000)
Supplier payment	Funding support by Council to organisations such as The Shrine of Remembrance Trustees, Lord Mayor's Charitable Foundation	399
Supplier payment	Products and Services, including consulting, event permit fees, advertisement and delivery costs.	109
Funds received	Products and Services, mainly event management recovery	10

e) Outstanding balances with related parties (key management personnel)

There are no outstanding balances that have been made to key management personnel. There were no matters to report in the previous financial year.

Note 38. Related party transactions (cont'd)**f) Loans to/from related parties (key management personnel)**

There are no loans that have been made to key management personnel. There were no matters to report in the previous financial year.

g) Commitments to/from related parties (key management personnel)

There are no commitments that have been made to key management personnel. There were no matters to report in the previous financial year.

h) 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.

\$'000	Citywide Service Solutions Pty Ltd		Queen Victoria Market Pty Ltd		Sustainable Melbourne Fund Trust		Enterprise Melbourne Pty Ltd	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue from subsidiary	440	432	3,518	5,251	27	34	-	-
Expenditure to subsidiary	58,876	53,136	-	-	9	7	-	-
Funding to subsidiary	-	-	-	-	-	-	469	598
Income Tax & Payroll Tax Equivalent and Dividend	7,690	7,274	(983)	(6)	-	-	-	-
Debtor balance to subsidiary	55	107	652	541	-	-	-	-
Creditor balance to subsidiary	8,618	14,611	40	29	-	-	-	-
Loans and borrowing to subsidiary*	-	-	-	-	2,500	-	-	-

* Loans and borrowing to subsidiary relates to loan provided by Council to the Sustainable Melbourne Fund at 3% variable. More details refer to Note 37 (c).

Note 39. Senior Officers' Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- For Council, is an officer who has management responsibilities and reports directly to the Chief Executive; or whose total annual remuneration exceeds \$142,000 (2016: \$139,000); or
- For subsidiaries, are the Managing Director, Chief Executive Officers and executives, or whose total annual remuneration exceeds \$142,000 (2016: \$139,000).

Note 39. Senior Officers' Remuneration (cont'd)

Income Range	Consolidated		Council	
	2017	2016	2017	2016
\$140,000 - \$149,999	57	93	54	91
\$150,000 - \$159,999	30	22	25	17
\$160,000 - \$169,999	13	10	10	6
\$170,000 - \$179,999	10	6	8	5
\$180,000 - \$189,999	8	5	7	4
\$190,000 - \$199,999	11	14	10	14
\$200,000 - \$209,999	3	4	2	4
\$210,000 - \$219,999	5	4	3	3
\$220,000 - \$229,999	7	4	7	3
\$230,000 - \$239,999	2	-	2	-
\$240,000 - \$249,999	3	1	3	1
\$250,000 - \$259,999	1	1	1	1
\$260,000 - \$269,999	3	3	1	1
\$270,000 - \$279,999	-	1	-	-
\$280,000 - \$289,999	2	-	-	-
\$290,000 - \$299,999	2	3	1	1
\$300,000 - \$309,999	-	1	-	-
\$320,000 - \$329,999	2	-	1	-
\$330,000 - \$339,999	1	1	1	-
\$350,000 - \$359,999	-	2	-	1
\$430,000 - \$439,999	1	-	-	-
\$480,000 - \$489,999	-	1	-	-
	161	176	136	152
	\$'000	\$'000	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to	28,573	32,912	23,384	24,802

The remuneration threshold for Senior Officers' is reviewed each year by the Minister for Local Government. The threshold amount in 2016-17 was \$142,000 (2016: \$139,000). The number of senior officers and the total remuneration for Council decreased in 2017 is mainly due to key management personnel moved to Note 38 (c).

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.

Note 40. 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 2017 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:

Arron Wood
Deputy Lord Mayor
Melbourne
Date:

Ben Rimmer
Chief Executive Officer
Melbourne
Date:

Melbourne City Council

Performance Statement

For the year ended 30 June 2017

Performance Statement

For the year ended 30 June 2017

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 137,000 people called the municipality home in 2016 and a further 909,000 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 2017

<i>Indicator/measure</i>	Results			Material Variations
	2015	2016	2017	
Population				
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$3,074	\$3,001	\$3,037	No material variation.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$14,894	\$14,513	\$14,007	No material variation.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	492	519	565	Our estimated residential population has increased from 129,000 last year to almost 137,000, 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	\$3,433	Increase due to compulsory acquisition of City Square assets by Melbourne Metro Rail.
Recurrent grants				
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$147	\$123	\$148	Increase due to 50 per cent of 2017-18 Victoria Grants Commission grant advanced in June 2016.
Disadvantage				
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	8	8	8	No material variation.

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 *Road Management Act 2004*

"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 2017

<i>Service/indicator/measure</i>	Results			Material Variations
	2015	2016	2017	
Aquatic facilities				
Utilisation				
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	4.0*	4.2*	4.1	This result is not materially different from previous years. *As a result of feedback from VAGO, interpretation of visitation data was broadened to include visits to dry areas. This has been applied to all three years. Reported results for 2014-15 and 2015-16 were 1.6.
Animal management				
Health and safety				
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	1	4	6	There has been an increase in dog attacks which we have prosecuted in 2016-17. There were three serious and one minor dog attacks prosecuted. Also one prosecution for failing to renew the registration of multiple pets and one repeat offender for letting their dog off a leash.
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%	99%	This result is not materially different from previous years. From 1 July 2016, 'Critical and major non-compliance outcome notifications' will be reported by calendar year. Previously this indicator was reported by financial year. This has been implemented to better align reporting with the Department of Health and Human Services. This may result in some variances year on year.
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	66	The level of community satisfaction with how the Council has performed in making decisions in the interest of the community in 2017 is four points higher than last year. It is also eight points higher than other councils across metropolitan Melbourne and 12 points higher than the state wide average for councils who participate in the same community satisfaction survey.

<i>Service/indicator/measure</i>	Results			Material Variations
	2015	2016	2017	
Libraries				
Participation				
<i>Active library members</i> [Number of active library members / Municipal population] x100	34%	35%	34%	This result is not materially different from previous years. The percentage of active library members is higher than other Councils due to the City of Melbourne's unique position in servicing large number of visitors in addition to resident population.
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%	83%	This result is not materially different from previous years.
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%	88%	Increase in participation is a result of Maternal and Child Health nurses attending several workshops and forums providing education in engaging and working with Aboriginal families. This can also be attributed to working more closely with Victorian Aboriginal Health Services.
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	73	The level of community satisfaction with how the Council has performed on the condition of sealed local roads in 2017 is two points lower than last year. It is seven points higher than other councils across metropolitan Melbourne and 20 points higher than the state wide average for councils who participate in the same community satisfaction survey.

<i>Service/indicator/measure</i>	Results			Material Variations
	2015	2016	2017	
Statutory Planning				
Decision making				
<i>Council planning decisions upheld at VCAT</i>	66%	62%	69%	This result is not materially different from previous years. The number of decisions made in favour of City of Melbourne did not significantly change, however there was a reduction in total matters heard at VCAT from 68 (2015-16) to 51 (2016-17). The City of Melbourne does not influence the number of applications that are lodged with VCAT each year.
[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				
Waste Collection				
Waste diversion				
<i>Kerbside collection waste diverted from landfill</i>	25%*	26%	27%	This result is not materially different from previous years, with a slight improvement due to an increased tonnage of comingled recycling and green waste. The City of Melbourne's landfill diversion rate is historically less than other local Councils due to low volume of green waste. *The reported result from 2014-15 has been updated from 23 per cent to 25 per cent due to an error in calculating garbage tonnage.
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100				

Definitions

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the *Aboriginal Heritage Act 2006*

"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

"class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, 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 *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, 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 *Food Act 1984*

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, 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

"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 *Occupational Health and Safety Act 2004*.

Financial Performance Indicators

For the year ended 30 June 2017

Dimension/ <i>indicator/measure</i>	Results			Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	
Efficiency								
Revenue level								
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,086	\$1,130	\$1,062	\$1,104	\$1,117	\$1,148	\$1,133	No material variation.
Expenditure level								
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,954	\$3,950	\$3,870	\$3,704	\$3,591	\$3,552	\$3,405	No material variation.
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%	12.24%	12.68%	12.68%	12.69%	12.69%	Variance related to organisation realignment in 2016-17.
Liquidity								
Working capital								
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	163.60%	141.28%	229.82%	127.30%	41.24%	34.41%	34.88%	Increase in 2017 is due to compulsory acquisition of City Square assets by Melbourne Metro Rail. Lower ratio in forward projections reflect funding requirements for major infrastructure projects.

Dimension/ <i>indicator/measure</i>	Results			Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	
								works for major infrastructure projects.
Operating position Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	6.24%	9.53%	16.11%	1.38%	2.15%	1.82%	3.42%	Increase due to 50 per cent of 2017-18 Victoria Grants Commission grant advanced in June 2016.
Stability Rates concentration <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	57.71%	56.96%	53.14%	63.68%	64.60%	65.69%	66.48%	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%	0.25%	0.25%	0.25%	0.25%	0.25%	No material variation.

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 2017

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 27 June 2017 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

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
Principal Accounting Officer
Dated:

In our opinion, the accompanying Performance Statement of the Melbourne City Council for the year ended 30 June 2017 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:

Aaron Wood
Deputy Lord Mayor
Dated:

Ben Rimmer
Chief Executive Officer
Dated:


CITY OF MELBOURNE

29 August 2017

GPO Box 1603
Melbourne VIC 3001

TO THE MELBOURNE CITY COUNCIL

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

DECLARATION BY THE CHIEF EXECUTIVE OFFICER AND
PRINCIPAL ACCOUNTING OFFICER

DX210487
ABN 55 370 219 287

Financial report for the year ended 30 June 2017

This representation letter is provided in connection with financial report and performance statement of Council for the year ended 30 June 2017 for the purpose of stating whether the financial report and performance report presented fairly, in all material respects, in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989* and whether the performance statement presents fairly in accordance with the requirements of the *Local Government Act 1989*.

Preparation of the financial report

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 *Local Government Act 1989*.

1. We have prepared the financial report as a not-for-profit entity for the purpose of reporting under Australian Accounting Standards.
2. All transactions have been recorded in the accounting records and are reflected in the financial report.¹
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. The effects of uncorrected misstatements are immaterial, both individual and in the aggregate, to the financial report as a whole.

Access to information

5. 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. any additional information that have been requested from Council for the purpose of the audit
 - c. unrestricted access to persons within the council from whom you determined it necessary to obtain audit evidence²

Controlled entities

6. We have undertaken a control assessment using the criteria outlined in AASB 10 *Consolidated Financial Statements*. Our assessment has not identified any additional controlled or jointly controlled entities that require consolidation.

¹ ASA 580 *Written Representations*, paragraph 11(b)

² ASA 580.11(a)/ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6

7. The consolidated financial statements include the value of all assets, liabilities, equity, revenue and expenditure of Council and its controlled entities:

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

The consolidated financial statements have been prepared using uniform accounting policies as required by AASB 10 *Consolidated Financial Statements*. The gain/(loss) on the City of Melbourne's Superannuation Sub Plan (a "pooled" Fund) for the year has been in the consolidation only, in the comprehensive income statement.

Joint arrangements

8. We have undertaken an assessment of our contractual arrangements to determine whether they are joint arrangements as per the requirements of AASB 11 *Joint Arrangements*. Our assessment has not identified any additional joint arrangements that require disclosure.

9. The financial statements have accounted for the following joint arrangements:

- MAP's Group Pty Ltd
- Regent Management Company Pty Ltd

We have assessed these arrangements to determine whether they are joint operations or joint ventures and accounted for the arrangements in line with the requirements of AASB 11 *Joint Arrangements*.

Fraud disclosure

10. We are not aware of any actual or suspected fraud affecting Council that involves:

- a. management
- b. employees who have significant roles in internal control or
- c. others where the fraud could have a material effect on the financial report.³

11. We are not aware of any allegations of fraud, or suspected fraud, affecting Council's financial report communicated by employees, former employees, analysts, regulators or others⁴.

Internal control

12. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and/or error⁵. 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 you details of all deficiencies in internal control of which we are aware.

Legal

13. There are no known or suspected instances of non-compliance with laws or regulations whose effects should be considered when preparing the financial report.
14. There is no known actual or possible litigation and claims whose effects should be considered when preparing the financial report.

³ ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph 39(c)

⁴ ASA 240.39(d)

⁵ ASA 240.39(b)

15. The council 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.
16. The council has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of noncompliance.
17. City of Melbourne has been properly managed in accordance with the requirements of the *Local Government Act 1989*.
18. We have complied with, in all material respects, the requirements of *Local Government Act 1989* for the establishment and keeping of relevant accounts, registers and other appropriate records.

Accounting estimates

19. We believe that the significant assumptions and judgements we have used in making accounting estimates for inclusion in the financial report are reasonable, appropriately supported and, where required, disclosed⁶.

Financial statement disclosures

20. The financial report discloses all significant accounting policies used in the preparation of the financial report. We considered the substance of the underlying transactions as well as their legal form in selecting the appropriate accounting policies and related disclosures for the financial report.
21. The following have been properly recorded and/or disclosed in the financial report:
 - a. arrangements involving restrictions on cash balances and line-of-credit or similar arrangements

Asset and liability fair values (including property, plant and equipment)

22. We consider the measurement methods, including related assumptions, used to determine fair values relating to assets and liabilities to be appropriate based on the nature and purpose of the asset/liability. These have been consistently applied and appropriately disclosed in the financial report.

In addition, we have considered the requirements of AASB 13 *Fair Value Measurement* relating to the fair value of property, plant and equipment. These assets have been valued on the basis that the highest and best use of the asset is obtained from its current use, taking into consideration what is physically possible, legally permissible and financially feasible. Our fair value assessment did not identify any internal or external events that would trigger a reassessment of the assets' highest and best use.

Further, we confirm that the assumptions used by us in the categorisation of observable and unobservable inputs within the fair value valuation hierarchy are reasonable and have been fully disclosed in accordance with the accounting standards and other applicable financial reporting requirements.

23. 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.
24. Asset useful lives have been reviewed and any resulting changes accounted for as a change in accounting estimates.
25. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

Related parties and key management personnel

⁶ ASA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, paragraph 22

26. We have determined who are the key management personnel of Council in accordance with AASB 124 *Related Party Disclosures* and we are satisfied that our assessment is completed and appropriate.
27. We are satisfied that the remuneration paid to key management personnel has been properly reported in note 38 to the financial statements in accordance with AASB 124 *Related Party Disclosures*, and includes all required components of remuneration.
28. We have identified and appropriately disclosed all significant transactions with government-related entities in accordance with AASB 124 *Related Party Disclosures*.
29. We have disclosed to you the identity of all non-government related parties (including any controlled entities), related party relationships and transactions of which we are aware. We have assessed these transactions to be material to the financial statements and therefore required to be disclosed in the financial report under AASB 124 *Related Party Disclosures*. Appropriate disclosure has been made.
30. We have appropriately accounted for and disclosed in the financial report all material related party relationships and transactions in accordance with AASB 124 *Related Party Disclosures*.

Senior officer disclosure

31. We have disclosed the remuneration of all senior officers other than key management personnel.

Future plans

32. 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.
33. We have no plans or intentions that may materially affect the carrying values or classification of any assets and liabilities.

Going concern

34. We have assessed the council's ability to continue as a going concern and believe there are reasonable grounds to believe that the entity will be able to pay its debts as and when they fall due.

Subsequent events

35. No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

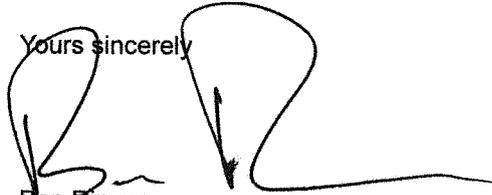
Preparation of the performance statement

36. We have prepared and presented the performance statement in conformity with the requirements of *Local Government Performance Reporting Framework*. We consider the indicators to present fairly the performance of the council.
37. All relevant matters have been recorded in the council's records and are reflected in the performance statement⁷.
38. We believe the effects of uncorrected misstatements are not material, both individually and in the aggregate, to the performance statement taken as a whole.
39. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and/or error. We have established and maintained an adequate internal control structure to facilitate the preparation of a reliable performance statement. We have disclosed to you details of all deficiencies in internal control of which we are aware⁸.

⁷ ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, paragraph 56(b)

⁸ ASAE 3000.A137

Yours sincerely

A handwritten signature in black ink, consisting of a large, stylized 'B' followed by a long horizontal line extending to the right.

Ben Rimmer
Chief Executive officer

A handwritten signature in black ink, featuring a series of overlapping, fluid strokes that form a recognizable name.

Phu Nguyen
Principal Accounting Officer