

Management report to Council

Agenda item 3.1

2017-18 Draft Consolidated Financial Statements and Performance Statement

Council

Presenter: Sandeep Bordia, (Acting) Chief Financial Officer

4 September 2018

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 2018 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 2018. 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 2017-18 Fourth Quarter June 2018 Year to Date Financial Performance Report was presented to Future Melbourne Committee on 21 August 2018.

Key issues - Audit Committee

7. The 2017-18 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 and Risk Committee at its meeting held on 24 August 2018.
8. The 2017-18 Performance Statement has also been considered by the Audit and Risk Committee.
9. Following review, the Audit and Risk Committee has recommended the approval of the 2017-18 Consolidated Financial Statements and Performance Statement.
10. The 2017-18 audit by VAGO has resulted in an unqualified audit opinion.

Recommendation from management

11. That Council:
 - 11.1. Approves in principle the 2017-18 Consolidated Financial Statements and Performance Statement.
 - 11.2. Nominates and authorises the Lord Mayor, Sally Capp, 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 90)
2. Draft Annual Consolidated Financial Statements for Council 2017-18 (Page 3 of 90)
3. Draft 2017-18 Performance Statement (Page 72 of 90)
4. Declaration by the Chief Executive Officer and Acting Principal Accounting Officer (Page 86 of 90)

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 2017-18 (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. 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 24 August 2018.

Environmental sustainability

6. There is no significant impact on environmental sustainability.

Melbourne City Council

Annual Financial Report

2017-18

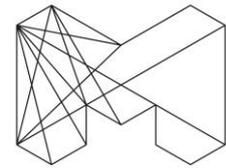
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FINANCIAL REPORT

Certification of the Financial Statements



CITY OF MELBOURNE

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

Sandeep Bordia (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 2018 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 the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Sally Capp
Lord Mayor
Melbourne
Date:

Arron Wood
Deputy Lord Mayor
Melbourne
Date:

Ben Rimmer
Chief Executive Officer
Melbourne
Date:

Victorian Auditor-General's Office Report

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FINANCIAL STATEMENTS

Comprehensive Income Statement

For the Year Ended 30 June 2018

	Consolidated			Council	
	2018 \$'000	2017 \$'000	Note	2018 \$'000	2017 \$'000
Income					
Rates and charges	271,273	262,105	2.1	271,508	262,323
Statutory fees and fines					
Parking fines	44,347	39,066	2.2	44,347	39,066
Other statutory fees and fines	11,467	11,036	2.2	11,467	11,036
User fees					
Parking fees	50,352	53,713	2.3	46,621	49,883
Other user fees	22,681	17,562	2.3	22,683	17,590
Grants - operating	15,545	12,804	2.4	15,292	12,804
Grants - capital	9,955	10,098	2.4	9,955	10,098
Contributions - monetary	19,968	21,680	2.5	19,947	21,215
Contributions - non monetary	35	800	2.5	35	800
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2,707	47,008	2.6	2,156	41,588
Fair value adjustments for investment properties	1,186	16,565	5.4	1,186	16,565
Other income	210,236	212,812	2.7	24,631	29,971
Total Income	659,752	705,249		469,828	512,939
Expenses					
Employee costs	250,221	243,513	3.1	160,925	156,222
Materials and services	267,012	250,580	3.2	185,304	168,757
Depreciation and amortisation	76,883	75,833	3.3	63,392	61,372
Bad and doubtful debts	6,452	6,833	3.4	6,458	6,245
Borrowing costs	1,117	1,090	3.5	995	942
Other expenses	10,354	10,686	3.6	6,099	6,262
Grants and contributions	13,245	14,305		13,245	14,305
Total Expenses	625,284	602,840		436,418	414,105
Surplus For The Year	34,468	102,409		33,410	98,834
Other Comprehensive Income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation increment	257,097	193,403	5.2(a)	232,528	193,705
Gain/(loss) on defined benefits plans	1,675	10,653	8.3	-	-
Total Other Comprehensive Income	258,772	204,056		232,528	193,705
Total Comprehensive Result	293,240	306,465		265,938	292,539

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

Balance Sheet

For the Year Ended 30 June 2018

	Consolidated			Council	
	2018 \$'000	2017 \$'000	Note	2018 \$'000	2017 \$'000
Assets					
Current Assets					
Cash and cash equivalents	59,866	104,403	4.1 (a)	49,982	90,581
Trade and other receivables	57,174	49,859	4.1 (c)	33,603	29,245
Other financial assets	89,750	28,250	4.1 (b)	88,000	26,000
Inventories	749	721	4.2 (a)	-	-
Other assets	7,130	69,441	4.2 (b)	2,677	67,387
Total Current Assets	214,669	252,674		174,262	213,213
Non-Current Assets					
Trade and other receivables	9,686	6,231	4.1 (c)	7,500	2,500
Other financial assets	32,175	-	4.1 (b)	32,175	-
Investment in subsidiaries, associates and trust	7,750	7,250	5.3	31,980	31,394
Property, infrastructure, plant and equipment	4,259,172	3,981,954	5.2	4,157,894	3,905,159
Investment property	211,447	210,347	5.4	211,447	210,347
Intangible assets	61,258	39,513	4.2 (c)	37,813	16,368
Net assets of City of Melbourne's Defined Benefits Superannuation Fund	10,818	9,120	8.3	-	-
Total Non-Current Assets	4,592,306	4,254,415		4,478,809	4,165,768
Total Assets	4,806,975	4,507,089		4,653,071	4,378,981
Liabilities					
Current Liabilities					
Trade and other payables	82,359	77,624	4.3 (a)	60,853	54,433
Trust funds and deposits	7,973	6,475	4.3 (b)	6,036	6,215
Provisions	44,617	43,819	4.5	33,393	32,129
Interest bearing liabilities	223	473	4.4	-	-
Total Current Liabilities	135,172	128,391		100,282	92,777
Non-Current Liabilities					
Trust funds and deposits	75	1,677	4.3 (b)	75	-
Provisions	6,024	5,057	4.5	3,713	3,641
Interest bearing liabilities	30,000	30,000	4.4	30,000	30,000
Total Non-Current Liabilities	36,099	36,734		33,788	33,641
Total Liabilities	171,271	165,125		134,070	126,418
Net Assets	4,635,704	4,341,964		4,519,001	4,252,563
Equity					
Accumulated surplus	2,097,056	2,121,793		2,020,146	2,047,619
Reserves	2,538,648	2,220,171	8.1	2,498,855	2,204,944
Total Equity	4,635,704	4,341,964		4,519,001	4,252,563

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

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Statement of Changes in Equity

For the Year Ended 30 June 2018

Consolidated		Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
	Note								
Balance at beginning 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
Surplus for the year		34,468	102,409	34,468	102,409	-	-	-	-
Net asset revaluation increment	8.1	257,097	193,403	-	-	257,097	193,403	-	-
Investment in associates	8.1	500	-	-	-	-	-	500	-
Transfers to other reserves	8.1	-	-	(76,241)	(18,161)	-	-	76,241	18,161
Transfers from other reserves	8.1	-	-	15,360	7,937	-	-	(15,360)	(7,937)
Actuarial gain - City of Melbourne's Defined Benefits Superannuation Fund	8.1	1,675	10,653	1,675	10,653	-	-	-	-
Balance at the end of the financial year		4,635,704	4,341,964	2,097,055	2,121,793	2,428,206	2,171,109	110,443	49,062

Council		Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
	Note								
Balance at beginning 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
Surplus for the year		33,410	98,834	33,410	98,834	-	-	-	-
Net asset revaluation increment	8.1	232,528	193,705	-	-	232,528	193,705	-	-
Investment in associates	8.1	500	-	-	-	-	-	500	-
Transfers to other reserves	8.1	-	-	(76,241)	(18,161)	-	-	76,241	18,161
Transfers from other reserves	8.1	-	-	15,360	7,937	-	-	(15,360)	(7,937)
Balance at the end of the financial year		4,519,001	4,252,563	2,020,145	2,047,616	2,388,413	2,155,885	110,443	49,062

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 2018

	Consolidated			Council	
	2018 \$'000	2017 \$'000	Note	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities					
Rates and charges	269,698	263,058		269,933	263,276
Statutory fees and fine	55,303	49,756		55,303	49,756
User fees	75,487	77,161		78,035	71,888
Grants - operating	15,770	13,069		15,517	13,069
Grants - capital	10,805	10,805		10,805	10,805
Contributions - monetary	20,236	21,999		20,215	21,534
Interest received	4,064	2,535		3,533	2,406
Dividends received	45	38		2,595	3,838
Other receipts	227,373	232,107		19,239	24,912
Net GST refund	8,425	3,012		20,654	15,592
Trust funds and deposits repaid	(104)	(960)		(1,401)	(503)
Employee costs	(250,620)	(248,892)		(160,059)	(150,396)
Materials and services	(309,778)	(285,885)		(218,210)	(195,916)
Other payments	(24,714)	(26,883)		(20,039)	(21,429)
Net cash provided by operating activities	101,988	110,920		96,120	108,832
Cash Flows from Investing Activities					
Proceeds from sale of property, infrastructure, plant and equipment	65,639	6,689	5.2	65,088	1,269
Payments for property, infrastructure, plant and equipment	(113,667)	(83,145)		(101,637)	(78,188)
Payments for investments	(93,675)	(15,700)		(94,175)	(21,000)
Loans and advances made	(3,928)	(1,611)		(5,000)	(2,500)
Net cash used in investing activities	(145,631)	(93,767)		(135,724)	(100,419)
Cash Flows from Financing Activities					
Finance costs	(1,117)	(1,090)		(995)	(942)
Proceeds from borrowings	223	-		-	-
Net cash used in financing activities	(894)	(1,090)		(995)	(942)
Net increase(decrease) in cash and cash equivalents	(44,537)	16,063		(40,599)	7,471
Cash and cash equivalents at beginning of the financial year	104,403	88,340		90,581	83,110
Cash and cash equivalents at the end of the financial year	59,866	104,403		49,982	90,581
Financing arrangements			7.2		
Restrictions on cash assets			4.1		

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

Statement of Capital Works

For the Year Ended 30 June 2018

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Buildings				
Buildings	9,960	6,854	9,600	6,507
Building improvements	11,344	7,547	10,880	6,550
Total Buildings	21,304	14,401	20,480	13,057
Plant & Equipment				
Plant, machinery and equipment	16,952	17,134	3,566	1,813
Fixtures, fittings and furniture	285	590	279	551
Computers and telecommunications	14,912	13,585	14,665	12,483
Library books	1,427	1,295	1,427	1,295
Total Plant & Equipment	33,576	32,604	19,937	16,142
Infrastructure				
Roads	7,173	6,932	7,173	6,932
Bridges	201	744	201	744
Footpaths and cycleways	9,092	8,018	9,092	8,018
Drainage	9,905	7,326	9,905	7,326
Recreational, leisure and community facilities	695	168	695	168
Parks, open space and streetscapes	32,712	25,295	32,712	25,295
Other infrastructures	5,061	643	5,061	643
Total Infrastructure	64,839	49,126	64,839	49,126
Total Capital Works Expenditure	119,719	96,131	105,256	78,325
Represented by:				
New asset expenditure	50,389	34,646	36,157	16,840
Asset renewal expenditure	50,420	45,813	50,420	45,813
Asset expansion expenditure	10,401	8,295	10,401	8,295
Asset upgrade expenditure	8,509	7,377	8,278	7,377
Total Capital Works Expenditure	119,719	96,131	105,256	78,325

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

OVERVIEW

Introduction

These financial statements are the consolidated Group accounts for Melbourne City Council (the "Council") and its 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.

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 report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Significant accounting policies

Basis of accounting

Application of Accrual Basis

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.

Use of Judgements, Estimates and Assumptions

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 to reflect better information or to reflect actual results are recognised in the period in which the estimates are 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 values of assets and liabilities (refer to Note 7.4 related to determination of fair value);
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.2);
- the measurement of employee provisions (refer to Note 4.5);
- the measurement of goodwill (refer to Note 4.2).

Application of Accounting Policies

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 PERFORMANCE AGAINST BUDGET

This note compares actual to budget performance for both income and expenditure and the capital works programme. It shows actual performance against Council's financial plan, expressed through its annual budget. 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 whereby further explanation is warranted for any items where variances exceed the threshold. 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 2017. 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 at the time of budget preparation.

The budget information provided only relates to Council. A consolidated budget is not required and therefore not prepared.

1.1 Income and Expenditure

Council	Budget	Actual	Variance		Ref
	2018	2018	2018	%	
	\$'000	\$'000	\$'000	%	
Income					
Rates and charges	272,661	271,508	(1,153)	(0%)	
Statutory fees and fines					
Parking fines	40,675	44,347	3,672	9%	1
Other statutory fees and fines	10,803	11,467	664	6%	
User fees					
Parking fees	46,185	46,621	436	1%	
Other user fees	17,197	22,683	5,486	32%	2
Grants - operating	10,352	15,292	4,940	48%	3
Grants - capital	9,127	9,955	828	9%	
Contributions - monetary	23,620	19,947	(3,673)	(16%)	4
Contributions - non monetary	-	35	35	100%	
Net gain on disposal of property, infrastructure, plant and equipment	943	2,156	1,213	129%	5
Fair value adjustments for investment properties	-	1,186	1,186	100%	6
Other income	20,254	24,631	4,377	22%	7
Total Income	451,817	469,828	18,011	4%	
Expenses					
Employee costs	158,625	160,925	(2,300)	(1%)	
Materials and services	174,661	185,304	(10,643)	(6%)	8
Depreciation and amortisation	63,098	63,392	(294)	0%	
Bad and doubtful debts	5,135	6,458	(1,323)	(26%)	9
Borrowing costs	1,310	995	315	24%	
Other expenses	6,431	6,099	332	5%	
Grants and contributions	13,006	13,245	(239)	(2%)	
Total Expenses	422,266	436,418	(14,152)	(3%)	
Surplus for the year	29,551	33,410	3,859	13%	

Explanation of material variations

Ref.	Item	Explanation
1	<i>Parking fines</i>	Mainly due to increase in fines issued and additional penalties related to parking infringements not being paid on time.
2	<i>Other user fees</i>	Increased volume of gantry permits due to increased construction activities.
3	<i>Grants - operating</i>	Funding was received from the Department of Justice and Regulation for Public Security Measures (\$3.3 million) and higher community and arts programs grants (\$1.3 million).
4	<i>Contributions - monetary</i>	Funding for certain infrastructure projects were delayed in 17/18.
5	<i>Net gain on disposal of property, infrastructure, plant and equipment</i>	This is due to partial sale of Sampson Lane in 17/18.
6	<i>Fair value adjustments for investment properties</i>	This reflects the increasing land value on Council's investment properties.
7	<i>Other income</i>	Mainly due to increase in investment interest from higher than anticipated cash balance.
8	<i>Materials and services</i>	There were higher waste management, CBD security measures, and increased meter maintenance costs, as a result of a growing city population. Legal costs were higher due to By-election and investigation costs.
9	<i>Bad and doubtful debts</i>	Increase due to higher parking infringement notices issued and increase in court lodgement and enforcement fees.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

1.2 Capital Works

Council	Budget	Actual	Variance		Ref
	2018 \$'000	2018 \$'000	2018 \$'000	%	
Buildings					
Buildings	11,601	9,600	2,001	17%	1
Building improvements	40,575	10,880	29,695	73%	2
Total Buildings	52,176	20,480	31,696	61%	
Total Property	52,176	20,480	31,696	61%	
Plant & Equipment					
Plant & equipment	2,346	3,566	(1,220)	(52%)	3
Fixtures, fittings & furniture	1,475	279	1,196	81%	4
Computers and telecommunications	14,380	14,665	(285)	(2%)	
Library books	1,502	1,427	75	5%	
Total Plant & Equipment	19,703	19,937	(234)	(1%)	
Infrastructure					
Roads	8,284	7,173	1,111	13%	5
Bridges	891	201	690	77%	
Footpaths and cycleways	8,908	9,092	(184)	(2%)	
Drainage	10,009	9,905	104	1%	
Recreational, leisure and community facilities	978	695	283	29%	
Waste management	200	-	200	100%	
Parks, open space and streetscapes	51,636	32,712	18,924	37%	6
Other infrastructures	6,040	5,061	979	16%	
Total Infrastructure	86,946	64,839	22,107	25%	
Total capital works expenditure	158,825	105,256	53,569	34%	
Represented by:					
New asset expenditure	43,682	36,157	7,525	17%	
Asset renewal expenditure	54,242	50,420	3,822	7%	
Asset expansion expenditure	21,054	10,401	10,653	51%	
Asset upgrade expenditure	39,847	8,278	31,569	79%	
Total capital works expenditure	158,825	105,256	53,569	34%	

Out of the \$53.6 million variance in total capital works expenditure, \$10.3 million will be carried forward to 2018-19 (2017: \$21.9 million was carried forward to 2017-18) (refer to Note 4.1(a)).

i. Explanation of material variations

Ref.	Item	Explanation
1	<i>Buildings</i>	The renewal of the Melbourne Town Hall roof (\$1.0 million) was postponed due to a change of scope and will be incorporated into the wider Melbourne Town Hall restoration project.
2	<i>Building improvements</i>	Queen Victoria Market Precinct Renewal delayed due to external authority approvals and lengthy contract negotiations (\$27.0 million). Lady Huntingfield Child Care Centre delayed due to external authority approvals in addition to tender documentation delays (\$2.5 million); construction is now due to commence in August 2018.
3	<i>Plant & equipment</i>	External funding was received from the Department of Justice and Regulation for security upgrades for the City of Melbourne (\$1.1 million).
4	<i>Fixtures, fittings & furniture</i>	Fitout works at the Melbourne Visitor Centre (currently located at Federation Square) were cancelled in 2017/18, and an alternative Visitor centre will be trialled at the Melbourne Town Hall in 2018/19.
5	<i>Roads</i>	The City Road improvement plan was delayed due to a change in scope, (which includes construction of signalised traffic lights) will commence in July 2018. (\$0.3 million), funding was received in advance in the prior year (\$0.4 million), Spencer Street Pedestrian Safety Works have been delayed due to an external part sewer upgrade (\$0.1 million).
6	<i>Parks, open space & streetscapes</i>	A planned landscape upgrade at Southbank Promenade, was dependant on an external contribution (\$2.9 million), this was not received due to the development at Crown Casino being postponed. The Southbank Boulevard upgrade and Living Victoria Fund was delayed due to the Metro Rail Project. The Dodd St Linear park will now be delivered in unison with the Southbank Boulevard upgrade project (\$2.7 million). Boyd new park demolition works were delayed (\$1.2 million) due to the presence of asbestos.

NOTE 2 FUNDING FOR THE DELIVERY OF OUR SERVICES

2.1. Rates and charges

Council uses 'net annual value' as the basis of valuation for 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 2017-18 was \$6.1 billion (2016-17 \$5.9 billion).

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Residential	100,709	90,070	100,944	90,288
Non-residential	169,546	163,887	169,546	163,887
Culture & recreational	430	422	430	422
Supplementary rates and rate adjustments	74	7,322	74	7,322
Interest on Rates & Charges	514	404	514	404
	271,273	262,105	271,508	262,323

The 2016 General Valuation reflects property values as at 1 January 2016 was used for 2017-18 rating purposes. The valuation was first applied in the rating year commencing 1 July 2016 and will end 30 June 2018 after which the 2018 General Valuation will take effect from 1 July 2018.

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 supplementary rates notices are issued.

2.2. Statutory fees and fines

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Infringements and costs				
Parking fines	44,347	39,066	44,347	39,066
Total parking fines	44,347	39,066	44,347	39,066
Infringements and costs				
General fines	1,350	1,363	1,350	1,363
Town planning fees	4,449	4,294	4,449	4,294
Land Information Certificates	220	209	220	209
Permits	2,097	1,880	2,097	1,880
Food and Health Act registration	3,351	3,290	3,351	3,290
Total other statutory fees and fines	11,467	11,036	11,467	11,036
Total Statutory fees and fines	55,814	50,102	55,814	50,102

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

2.3. User fees

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Parking	50,352	53,713	46,621	49,883
Total parking fees	50,352	53,713	46,621	49,883
Aged and health services	291	283	291	283
Leisure centre and recreation	4,985	5,084	4,987	5,085
Child care/children's programs	2,763	2,734	2,763	2,734
Registration and other permits	2,096	1,973	2,096	1,973
Building services	9,204	4,125	9,204	4,125
Waste management services	546	442	546	442
Berthing	628	573	628	573
Other fees and charges	2,168	2,348	2,168	2,375
Total other user fees	22,681	17,562	22,683	17,590
Total user fees	73,033	71,275	69,304	67,473

User fees are recognised as revenue when the service has been provided or Council has otherwise earned the income. Citywide recognises revenue arising from service contracts by reference to the stage of completion by reference to the proportion of costs incurred to date compared to the estimated total costs of contract.

2.4. Funding from other levels of government

Grants were received in respect of the following:

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Summary of Grants				
Commonwealth funded grants	6,970	8,083	6,717	8,083
State funded grants	18,530	14,819	18,530	14,819
Total grants received	25,500	22,902	25,247	22,902

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(a) Operating Grants

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Recurrent - Commonwealth Government				
General home care	2,110	1,957	2,110	1,957
Financial Assistance Grant	2,991	3,929	2,991	3,929
Other	56	40	56	40
Recurrent - State Government				
Aged care	1,253	1,242	1,253	1,242
Libraries	858	810	858	810
Maternal & Child Health	850	798	850	798
Pre School Services	380	306	380	306
Support Services for Families	604	458	604	458
Disability Services Grant	139	132	139	132
Arts Programs	641	666	641	666
Events	150	175	150	175
Other	698	921	698	921
Total Recurrent Operating Grants	10,730	11,434	10,730	11,434
Non-recurrent - Commonwealth Government				
Other	453	380	200	380
Non-recurrent - State Government				
Roads & Streets	104	23	104	23
Resilience	333	500	333	500
Arts Programs	562	374	562	374
Public Security	3,266	-	3,266	-
Other	97	93	97	93
Total Non-recurrent Operating Grants	4,815	1,370	4,562	1,370
Total Operating Grants	15,545	12,804	15,292	12,804

(b) Capital Grants

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Recurrent - Commonwealth Government				
Roads to recovery	654	755	654	755
Road & Streets	706	1,022	706	1,022
Recurrent - State Government				
Parking Levy	7,000	7,000	7,000	7,000
Total Recurrent Capital Grants	8,360	8,777	8,360	8,777
Non-recurrent - Commonwealth Government				
Other	100	-	100	-
Non-recurrent - State Government				
Park & Gardens	67	25	67	25
Road & Streets	1,428	1,296	1,428	1,296
Total Non-recurrent Capital Grants	1,595	1,321	1,595	1,321
Total Capital Grants	9,955	10,098	9,955	10,098

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

(c) Unspent grants received on condition that they be spent in a specified manner

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at start of year	1,877	2,037	1,877	2,037
Received during the financial year and remained unspent at balance date	745	1,877	745	1,877
Received in prior years and spent during the financial year	(542)	(2,037)	(542)	(2,037)
Balance at year end	2,080	1,877	2,080	1,877

Grant income is recognised when Council obtains control of the contributions. Control normally occurs upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

2.5 Contributions

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Public Open Space	15,299	17,207	15,299	17,207
Child Care Benefit	1,962	2,109	1,962	2,109
Sponsorships	580	820	559	675
Non-Government Capital	1,583	302	1,583	302
Other Contributions	544	1,242	544	922
Total Contributions - Monetary	19,968	21,680	19,947	21,215
Land	-	800	-	800
Infrastructure	35	-	35	-
Total Contributions - Non Monetary	35	800	35	800

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

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

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Land & Buildings				
Proceeds of sales	2,310	62,725	2,310	62,725
Written down value of assets disposed	(73)	(20,665)	(73)	(20,665)
Gain on sale	2,237	42,060	2,237	42,060
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	604	6,600	53	1,180
Written down value of assets disposed	(134)	(1,715)	(134)	(1,715)
(Loss)/Gain on sale	470	4,885	(81)	(535)
Proceeds of sale	2,914	69,414	2,363	63,994
Written down value of assets disposed	(207)	(22,406)	(207)	(22,406)
Total net gain on disposal of property, infrastructure, plant and equipment*	2,707	47,008	2,156	41,588

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

* The net gain of \$41.6 million in 2017 mainly relates to compulsory acquisition of City Square assets by Rail Projects Victoria.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

2.7. Other income

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest	4,064	2,535	3,533	2,406
Dividends	45	38	2,595	3,838
Investment property/market rentals*	23,838	24,769	6,718	7,672
Intercompany revenue	-	-	4,011	6,687
Sales & recoveries**	182,107	184,770	7,592	8,668
Project income	182	700	182	700
Total Other Income	210,236	212,812	24,631	29,971

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the rights to receive the income.

* Consolidated income includes Queen Victoria Market stall holder revenue of \$17.1 million for 2018 (2017: \$17.1 million).

** Consolidated income includes Citywide Services revenue for rendering of contractual services of \$172.7 million for 2018 (2017: \$176.9 million).

NOTE 3 THE COST OF DELIVERING SERVICES

3.1. Employee costs

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Wages and salaries	202,834	197,497	128,847	125,256
WorkCover	4,103	4,052	1,461	1,494
Superannuation contributions	20,009	19,888	13,715	13,586
Fringe benefit tax	706	1,290	470	528
Annual leave and long service leave	22,569	20,786	16,432	15,358
	250,221	243,513	160,925	156,222

Superannuation

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Defined benefit fund				
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	175	168	175	168
Melbourne City Council Superannuation sub-plan (Vision Super)	1,247	1,204	985	967
	1,422	1,372	1,160	1,135
Accumulation funds				
Employer contributions to Vision Super	11,784	11,751	8,317	8,870
Employer contributions - other funds	6,803	6,765	4,238	3,581
	18,587	18,516	12,555	12,451
Total Superannuation contributions	20,009	19,888	13,715	13,586
Employer contributions payable at reporting date	812	60	-	-

Refer to Note 8.2 for further information relating to Council's superannuation obligations.

3.2. Materials and services

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Contract payments	137,785	136,865	119,022	114,089
Building maintenance	530	569	306	361
General maintenance	40,549	28,370	23,775	13,391
Utilities	11,784	10,795	7,895	7,561
Administration/Supplies	45,673	45,651	11,902	14,182
Information technology	7,373	6,637	4,833	4,585
Insurance	3,102	2,910	1,528	1,438
Consultants	20,216	18,783	16,043	13,150
	267,012	250,580	185,304	168,757

3.3. Depreciation and amortisation

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Property	8,526	8,393	7,557	7,497
Plant and equipment	21,174	22,579	8,952	9,314
Infrastructure	41,998	40,906	41,998	40,906
Total depreciation	71,698	71,878	58,507	57,717
Intangible assets	5,185	3,955	4,885	3,655
Total depreciation and amortisation	76,883	75,833	63,392	61,372

Refer to Note 4.2(c) and 5.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

3.4. Bad and doubtful debts

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Parking fine debtors	6,467	6,163	6,467	6,163
Trade debtors	(15)	670	(9)	82
Total bad and doubtful debts	6,452	6,833	6,458	6,245

Below table provides movement in doubtful debts related to parking infringements

Movement in doubtful debts - parking infringements	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at the beginning of the year	17,381	17,722	17,381	17,722
New provisions recognised	6,467	6,163	6,467	6,163
Amounts written off as uncollectible	(2,622)	(7,627)	(2,622)	(7,627)
Amounts recovered during the year	(5,768)	1,123	(5,768)	1,123
Balance at the end of the year	15,458	17,381	15,458	17,381

Below table provides movement in doubtful debts related to trade debtors

Movement in doubtful debts - trade debtors	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at the beginning of the year	1,496	826	370	288
New provisions recognised	(15)	670	(9)	82
Amounts written off as uncollectible	(438)	(68)	(47)	(70)
Amounts recovered during the year	58	68	44	70
Balance at the end of the year	1,101	1,496	358	370

3.5. Borrowing costs

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest - Borrowings	1,117	1,090	995	942
	1,117	1,090	995	942

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.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

3.6. Other expenses

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Auditors remuneration - VAGO- audit of financial statements	251	255	146	143
Audit services - external	45	21	45	21
Audit services - internal	513	489	258	254
Fire brigade levy	159	171	159	171
Taxes & Levies	2,097	3,324	881	2,038
Operating lease rentals	4,708	4,259	2,228	1,669
Other costs	2,581	2,167	2,382	1,966
	10,354	10,686	6,099	6,262

NOTE 4 OUR FINANCIAL POSITION

4.1. Financial assets

(a) 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.

(b) Other financial assets

Other financial assets are valued at fair value (refer to Note 7.4) at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(a) Cash and Cash Equivalents				
Cash on hand	65	59	32	36
Cash at bank	27,047	37,643	17,950	25,545
Term deposits	32,754	66,701	32,000	65,000
Total Cash and cash equivalents	59,866	104,403	49,982	90,581
(b) Other financial assets				
Term deposits - current	89,750	28,250	88,000	26,000
Term deposits - non current*	32,175	-	32,175	-
Total other financial assets	121,925	28,250	120,175	26,000
Total financial assets	181,791	132,653	170,157	116,581

Council funds are subject to external restrictions that limit amounts available for discretionary use. These include:

	Consolidated			Council	
	2018 \$'000	2017 \$'000	Note	2018 \$'000	2017 \$'000
Trust funds and deposits	8,048	8,152	4.3	6,111	6,215
Acquisition trust*	32,175	-		32,175	-
Reserve funds (Public Open Space)	44,489	37,740	8.1	44,489	37,740
Total restricted funds	84,712	45,892		82,775	43,955
Unrestricted funds	97,079	86,761		87,382	72,626
Total Council funds	181,791	132,653		170,157	116,581

* Term deposit – non current is the Acquisition Trust fund created in relation to compulsory sale of City Square assets by Rail Projects Victoria in 2016-17. The funds received in 2017-18 have been placed in a trust account until the City Square land has been handed back to City of Melbourne.

Intended allocations

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

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash held to fund carried forward capital projects	13,790	21,941	10,332	21,941
Total funds subject to intended allocations	13,790	21,941	10,332	21,941

(c) Trade and other receivables

Current	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Statutory receivables				
Rate debtors	2,577	1,002	2,577	1,002
Infringement debtors	36,295	32,558	36,295	32,558
Provision for doubtful debts - Infringements	(15,458)	(17,381)	(15,458)	(17,381)
Non statutory receivables				
Trade debtors*	30,167	32,233	3,912	8,474
Provision for doubtful debts - Trade debtors	(1,101)	(1,496)	(358)	(370)
Net GST receivable	4,694	2,943	6,635	4,962
Total current trade and other receivables	57,174	49,859	33,603	29,245

*Consolidated trade debtors includes Citywide trade receivables of \$19.3 million (2017: \$21.2 million).

Non-Current	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Non statutory receivables				
Project loan*	9,686	4,572	-	-
Loan to subsidiary**	-	-	7,500	2,500
Land sale deferred settlement	-	1,659	-	-
Total non-current trade and other receivables	9,686	6,231	7,500	2,500

*Project loan includes Sustainable Melbourne Fund issuing Environmental Upgrade Agreement (EUA) financial loans to borrowers that are asset backed.

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

Short term receivables are recognised at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

i. Ageing of receivables (other debtors)

The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current (not yet due)	26,362	26,895	2,370	6,423
Past due by up to 30 days	1,573	2,314	692	1,073
Past due between 31 and 180 days	1,407	2,328	517	758
Past due between 181 and 365 days	374	595	299	119
Past due by more than 1 year	451	101	34	101
Total	30,167	32,233	3,912	8,474

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ii. Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$1.1 million (2017: \$1.5 million) were impaired. The amount of the provision raised against these debtors was \$0.4 million (2017: \$0.7 million). They individually have been impaired due to their doubtful collection. Many of the long outstanding past due amounts are in the hands of Council's debt collectors or are subject to payment arrangements.

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

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current (not yet due)	-	19	-	-
Past due by up to 30 days	-	97	-	-
Past due between 31 and 180 days	440	728	86	160
Past due between 181 and 365 days	569	549	180	107
Past due by more than 1 year	92	103	92	103
Total	1,101	1,496	358	370

4.2. Non-financial assets**(a) Inventories**

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Inventory held for distribution	749	721	-	-
Total inventories	749	721	-	-

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Prepayments	2,778	3,187	1,421	1,771
Accrued income*	4,352	66,254	1,256	65,616
Total other assets	7,130	69,441	2,677	67,387

*Accrued income in 2017 includes compensation for the compulsory acquisition of City Square assets by Rail Projects Victoria (\$62.7million).

(c) Intangible assets

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Software	38,413	16,368	37,813	16,368
Goodwill	22,770	22,770	-	-
Customer relationships	75	375	-	-
	61,258	39,513	37,813	16,368

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Consolidated	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 30 June 2017	35,350	22,770	375	58,495
Additions from acquisition	15,674	-	-	15,674
WIP	10,936	-	-	10,936
Balance at 30 June 2018	61,960	22,770	375	85,105
Accumulated amortisation and impairment				
Balance at 30 June 2017	(18,550)	-	-	(18,550)
Amortisation expense	(4,997)	-	(300)	(5,297)
Impairment expense	-	-	-	-
Amortisation written back	-	-	-	-
Balance at 30 June 2018	(23,547)	-	(300)	(23,847)
Net book value at 30 June 2017	16,800	22,770	375	39,945
Net book value at 30 June 2018	38,413	22,770	75	61,258

Council	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 30 June 2017	34,918	-	-	34,918
Additions from acquisition	15,394	-	-	15,394
WIP	10,936	-	-	10,936
Balance at 30 June 2018	61,248	-	-	61,248
Accumulated amortisation and impairment				
Balance at 30 June 2017	(18,550)	-	-	(18,550)
Amortisation expense	(4,885)	-	-	(4,885)
Amortisation written back	-	-	-	-
Balance at 30 June 2018	(23,435)	-	-	(23,435)
Net book value at 30 June 2017	16,368	-	-	16,368
Net book value at 30 June 2018	37,813	-	-	37,813

All intangible assets have finite lives and are amortised as expenses on a systematic basis over the assets' useful lives. Amortisation is generally calculated on a straight line basis, at a rate that allocates asset values, less any estimated residual values over their estimated useful lives. Estimates of the remaining useful lives and amortisation methods are reviewed at least annually, and adjustments made where appropriate.

Impairment testing for cash generating units containing goodwill

Goodwill is related to Council's subsidiary Citywide Service Solutions Pty Ltd. Goodwill has been reviewed for impairment at the year ending 30 June 2018.

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:

	2018	2017
	\$'000	\$'000
Victoria Operations	8,714	8,714
NSW/ACT Operations	7,868	7,868
Technigro	6,188	6,188
	22,770	22,770

During the year, the CGU's have been redefined in line with the new business structure. 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,

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and therefore no impairment has been recognised.

Key assumptions used in the discounted cash flow projections

Future cash flows have been based on the 2018-2019 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2018	2017
Discount Rate	8.50%	8.50%
Terminal Value Growth Rate	2.20%	2.20%

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. In the model the first year of cash flows are based on the 2018-19 budget. The long-term compound annual growth rate in EBITDA is estimated by management using past experience and expectations for the future.

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 \$123,000 (2017: \$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 \$123,000 (2017: \$140,000) which would result in a minor impairment in the case of a 10 basis point decrease.

4.3. Payables

(a) Trade and other payables

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current				
Trade payables	19,246	16,974	8,358	4,445
Accrued operating expenses	48,133	51,253	31,805	34,334
Accrued capital work expenses	9,017	5,500	17,628	14,635
Income in advance	5,963	3,897	3,062	1,019
	82,359	77,624	60,853	54,433

(b) Trust funds and deposits

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current				
Refundable deposits	5,332	3,345	3,462	3,158
Fire services levy	2,032	2,669	2,032	2,669
Retention amount	212	98	212	98
Other refundable deposits	397	363	330	290
	7,973	6,475	6,036	6,215
Non Current				
Refundable deposits	75	1,677	75	-
	75	1,677	75	-

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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. Trust funds that are forfeited, resulting in Council gaining control of the funds, are recognised as revenue at the time of forfeit.

Purpose and nature of items

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

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received to the State government.

Retention Amounts - Council has a contractual right to retain certain amounts until contractors have met those 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 are paid to the relevant contractor in line with Council's contractual obligations.

4.4. Interest-bearing loans and borrowing

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current				
Security deposits	223	473	-	-
Non-current				
Borrowing - secured*	30,000	30,000	30,000	30,000
Total	30,223	30,473	30,000	30,000
Maturity profile for borrowing is:				
Not later than one year	223	-	-	-
Later than one year and not later than five years	30,000	30,473	30,000	30,000

* Borrowings consist of a \$30 million fixed term loan (ending 9 October 2020) with Clean Energy Finance Corporation, secured by a charge over general rates levied by Council.

4.5. Provisions

Below is a summary of current and non-current provisions:

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current provisions				
Employee provisions	43,454	43,082	32,235	31,401
Other provisions	1,163	737	1,158	728
	44,617	43,819	33,393	32,129
Non-current provisions				
Employee provisions	6,024	5,057	3,713	3,641
	6,024	5,057	3,713	3,641
Total provisions	50,641	48,876	37,106	35,770

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Below is a summary of provisions by categories:

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Employee provisions				
Balance at the beginning of year	48,139	48,092	35,042	33,465
Additional provisions	22,569	20,786	16,432	15,358
Amounts used	(21,230)	(20,739)	(15,526)	(13,781)
Balance at the end of year	49,478	48,139	35,948	35,042
Insurance claims				
Balance at the beginning of year	728	558	728	558
Additional provisions	609	198	609	198
Amounts used	(179)	(28)	(179)	(28)
Balance at the end of year	1,158	728	1,158	728
Other provisions				
Balance at the beginning of year	9	1,560	-	1,250
Amounts used	(4)	(1,551)	-	(1,250)
Balance at the end of year	5	9	-	-
Total provisions	50,641	48,876	37,106	35,770

(a) Employee provisions

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current provisions expected to be wholly settled within 12 months				
Annual leave	16,082	15,842	11,166	10,775
Long service leave	2,504	2,846	1,740	1,608
	18,586	18,688	12,906	12,383
Current provisions expected to be wholly settled after 12 months				
Annual leave	69	28	-	-
Long service leave	24,799	24,366	19,329	19,018
	24,868	24,394	19,329	19,018
Total current provisions	43,454	43,082	32,235	31,401
Non-Current				
Long service leave	6,024	5,057	3,713	3,641
Total non-current provisions	6,024	5,057	3,713	3,641
Aggregate carrying amount of employee provisions				
Current	43,454	43,082	32,235	31,401
Non-current	6,024	5,057	3,713	3,641
Total aggregate carrying amount of employee provisions	49,478	48,139	35,948	35,042

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 and annual 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 the 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.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

Long service leave key assumptions:

	Consolidated		Council	
	2018	2017	2018	2017
Discount rate	1.9%-2.7%	1.6%-2.7%	1.9%-2.7%	1.6%-2.7%
Inflation rate	2.0%-3.9%	2.5%-3.8%	2.0%-3.9%	2.5%-3.8%
Settlement period	7 years	7 years	7 years	7 years

(b) Insurance claims and other provisions

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current				
Insurance claims	1,158	728	1,158	728
Other provisions	5	9	-	-
	1,163	737	1,158	728

4.6. Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2018.

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Bank overdraft facility	2,500	2,500	-	-
Credit card facilities	630	373	300	300
Bank loan facility	75,000	102,100	75,000	75,000
Other financing facilities*	30,000	30,000	30,000	30,000
Total facilities	108,130	134,973	105,300	105,300
Used facilities*	(30,093)	(30,086)	(30,029)	(30,086)
Unused facilities	78,037	104,887	75,271	75,214

* Clean Energy Finance Corporation

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

4.7. Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

Council 2018	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					
Waste	14,570	3,516	2,544	-	20,630
Roads, Streets & Related Infrastructure	49,070	47,374	45,997	-	142,441
Parks & Gardens	17,060	17,044	12,690	-	46,794
Parking	6,775	1,501	205	-	8,481
Integrated Security Services, Infrastructure & Maintenance	4,963	4,870	2,734	-	12,567
HR Services	6,563	444	778	87	7,872
Facilities & Maintenance	4,677	214	323	-	5,214
Events	5,710	4,002	2,945	-	12,657
Community Services	5,298	1,427	958	-	7,683
Cleaning - Outdoor	12,985	12,347	9,141	-	34,473
Energy & Utilities	3,197	3,197	9,166	3,055	18,615
Business Services	2,301	2,132	2,074	-	6,507
Other categories	12,857	3,293	114	-	16,264
Total	146,026	101,361	89,669	3,142	340,198
Capital					
Building & Equipment	14,752	154	-	-	14,906
Parks & Gardens	255	-	-	-	255
Total	15,007	154	-	-	15,161

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					
Waste	16,892	13,409	5,921	-	36,222
Roads, Streets & Related Infrastructure	38,783	553	162	-	39,498
Parks & Gardens	18,774	15,501	27,006	-	61,281
Parking	9,293	6,043	2,160	-	17,496
Integrated Security Services, Infrastructure & Maintenance	3,242	3,049	5,320	-	11,611
HR Services	15,637	5,504	252	-	21,393
Facilities & Maintenance	8,350	8,350	3,510	-	20,210
Events	4,187	149	-	-	4,336
Community Services	6,731	2,620	155	-	9,506
Cleaning - Outdoor	12,238	12,238	20,555	-	45,031
Property	3,167	3,167	24	-	6,358
IT Software	3,523	1,520	745	-	5,788
Other categories	13,638	4,453	351	-	18,442
Total	154,455	76,556	66,161	-	297,172
Capital					
Building & Equipment	-	-	-	-	-
Parks & Gardens	-	-	-	-	-
Total	-	-	-	-	-

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

Operating lease commitments

At the reporting date, Council and its subsidiaries have the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use by Council and its subsidiaries in carrying out their normal operations (these obligations are not recognised as liabilities):

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Property rentals				
Not later than one year	3,765	3,388	1,430	1,415
Later than one year and not later than five years	5,220	6,337	1,944	3,247
Later than five years	852	1,026	602	587
	9,837	10,751	3,976	5,249
Fleet lease				
Not later than one year	2,346	2,514	686	686
Later than one year and not later than five years	4,257	6,874	224	910
Later than five years	23	363	-	-
	6,626	9,751	910	1,596
Total operating lease payable	16,463	20,502	4,886	6,845

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.

NOTE 5 ASSETS WE MANAGE

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5.1 Assets held for sale

Council does not have non-current assets held for sale at reporting date, nor in the previous year.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

5.2 Property, infrastructure, plant and equipment

a. Summary of Property, Infrastructure, Plant and Equipment

Consolidated

Category	Fair Value 30 June 2017 \$'000	Acquisitions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	Fair Value 30 June 2018 \$'000
Property	2,379,207	14,776	-	257,702	(8,526)	(14)	-	2,643,145
Infrastructure	1,446,238	51,100	-	(605)	(41,906)	(73)	-	1,454,754
Plant & Equipment	77,789	19,229	-	-	(21,266)	(1,266)	-	74,486
Work in progress	66,257	92,807	-	-	-	-	(72,277)	86,787
Total	3,969,491	177,912	-	257,097	(71,698)	(1,353)	(72,277)	4,259,172

Council

Category	Fair Value 30 June 2017 \$'000	Acquisitions \$'000	Contributions \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	Fair Value 30 June 2018 \$'000
Property	2,350,684	14,067	-	233,133	(7,557)	-	-	2,590,327
Infrastructure	1,446,237	51,100	-	(605)	(41,906)	(73)	-	1,454,753
Plant & Equipment	30,999	5,729	-	-	(9,044)	(134)	-	27,550
Work in progress	64,777	91,390	-	-	-	-	(70,903)	85,264
Total	3,892,696	162,286	-	232,528	(58,507)	(207)	(70,903)	4,157,894

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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

b. Summary of Work in Progress

Consolidated

Category	Balance 30 June 2017 \$'000	Additions \$'000	Write offs \$'000	Transfers \$'000	Balance 30 June 2018 \$'000
Property	21,657	21,941	-	(14,096)	29,502
Infrastructure	24,326	64,971	-	(51,100)	38,197
Plant & Equipment	20,274	5,895	-	(7,081)	19,088
Total	66,257	92,807	-	(72,277)	86,787

Council

Category	Balance 30 June 2017 \$'000	Additions \$'000	Write offs \$'000	Transfers \$'000	Balance 30 June 2018 \$'000
Property	21,300	21,697	-	(14,066)	28,931
Infrastructure	24,326	64,971	-	(51,100)	38,197
Plant & Equipment	19,151	4,722	-	(5,737)	18,136
Total	64,777	91,390	-	(70,903)	85,264

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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

c. Details of Property Category

Consolidated

	Land			Buildings					Work In Progress	Property Total
	Specialised	Non-specialised	Total	Heritage	Specialised	Non-specialised	Leasehold Improvements	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
At fair value 30 June 2017	1,877,455	139,491	2,016,946	173,693	114,512	67,868	11,404	367,477	21,657	2,406,080
Accumulated depreciation at 30 June 2017	-	-	-	-	-	-	(5,216)	(5,216)	-	(5,216)
Fair Value 30 June 2017	1,877,455	139,491	2,016,946	173,693	114,512	67,868	6,188	362,261	21,657	2,400,864
Movements in Fair Value										
Additions	3,755	-	3,755	2,622	5,756	1,831	812	11,021	21,941	36,717
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	223,852	26,073	249,925	26,735	(9,864)	(9,094)	-	7,777	-	257,702
Disposals	-	-	-	-	(21)	-	(418)	(439)	-	(439)
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(14,096)	(14,096)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Total	227,607	26,073	253,680	29,357	(4,129)	(7,263)	394	18,359	7,845	279,884
Movements in Accumulated Depreciation										
Depreciation and amortisation	-	-	-	(2,203)	(3,287)	(1,964)	(1,072)	(8,526)	-	(8,526)
Accumulated depreciation on disposals	-	-	-	-	21	-	404	425	-	425
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	(2,203)	(3,266)	(1,964)	(668)	(8,101)	-	(8,101)
Fair value 30 June 2018	2,105,062	165,564	2,270,626	203,050	110,383	60,605	11,798	385,836	29,502	2,685,964
Accumulated depreciation 30 June 2018	-	-	-	(2,203)	(3,266)	(1,964)	(5,884)	(13,317)	-	(13,317)
Fair Value/Written Down Value 30 June 2018	2,105,062	165,564	2,270,626	200,847	107,117	58,641	5,914	372,519	29,502	2,672,647

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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

Council

	Land			Buildings					Work In Progress	Property Total
	Specialised	Non-specialised	Total	Heritage	Specialised	Non-specialised	Leasehold Improvements	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
At fair value 30 June 2017	1,856,023	139,491	1,995,514	173,693	112,316	67,868	2,790	356,667	21,300	2,373,481
Accumulated depreciation at 30 June 2017	-	-	-	-	-	-	(1,497)	(1,497)	-	(1,497)
Fair Value 30 June 2017	1,856,023	139,491	1,995,514	173,693	112,316	67,868	1,293	355,170	21,300	2,371,983
Movements in Fair Value										
Additions	3,680	-	3,680	2,622	5,687	1,831	247	10,387	21,697	35,764
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	199,283	26,073	225,356	26,735	(9,864)	(9,094)	-	7,777	-	233,133
Disposals	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(14,066)	(14,066)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Total	202,963	26,073	229,036	29,357	(4,177)	(7,263)	247	18,164	7,631	254,831
Movements in Accumulated Depreciation										
Depreciation and amortisation	-	-	-	(2,203)	(3,201)	(1,964)	(189)	(7,557)	-	(7,557)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	(2,203)	(3,201)	(1,964)	(189)	(7,557)	-	(7,557)
Fair value 30 June 2018	2,058,986	165,564	2,224,550	203,050	108,139	60,605	3,037	374,831	28,931	2,628,312
Accumulated depreciation 30 June 2018	-	-	-	(2,203)	(3,201)	(1,964)	(1,686)	(9,054)	-	(9,054)
Fair Value/Written Down Value 30 June 2018	2,058,986	165,564	2,224,550	200,847	104,938	58,641	1,351	365,777	28,931	2,619,257

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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

d. Details of Infrastructure Category

Consolidated

	Roads	Bridges	Footpaths & cycleways	Drainage	Recreational, leisure and Community	Parks open spaces and streetscapes	Other	Statues, sculptures & artworks	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 30 June 2017	748,633	107,866	143,586	135,309	6,842	43,850	213,399	56,185	24,326	1,479,996
Accumulated depreciation at 30 June 2017	-	-	-	-	(1,599)	-	-	(7,834)	-	(9,433)
Fair Value 30 June 2017	748,633	107,866	143,586	135,309	5,243	43,850	213,399	48,351	24,326	1,470,563
Movements in Fair Value										
Additions	12,187	781	12,416	8,570	122	2,552	14,054	418	64,971	116,071
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	4,618	1,310	(6,636)	772	(69)	(244)	(356)	-	-	(605)
Disposals	(61)	-	-	(12)	-	-	-	-	-	(73)
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(51,100)	(51,100)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Total	16,744	2,091	5,780	9,330	53	2,308	13,698	418	13,871	64,293
Movements in Accumulated Depreciation										
Depreciation and amortisation	(17,452)	(1,612)	(6,521)	(1,754)	(401)	-	(13,493)	(673)	-	(41,906)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total	(17,452)	(1,612)	(6,521)	(1,754)	(401)	-	(13,493)	(673)	-	(41,906)
Fair value 30 June 2018	765,377	109,957	149,366	144,639	6,895	46,158	227,097	56,603	38,197	1,544,289
Accumulated depreciation 30 June 2018	(17,452)	(1,612)	(6,521)	(1,754)	(2,000)	-	(13,493)	(8,507)	-	(51,339)
Fair Value/Written Down Value 30 June 2018	747,925	108,345	142,845	142,885	4,895	46,158	213,604	48,096	38,197	1,492,950

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

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

Council

	Roads	Bridges	Footpaths & cycleways	Drainage	Recreational, leisure and Community	Parks open spaces and streetscapes	Other	Statues, sculptures & artworks	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 30 June 2017	748,633	107,866	143,586	135,309	6,842	43,850	213,399	56,185	24,326	1,479,996
Accumulated depreciation at 30 June 2017	-	-	-	-	(1,599)	-	-	(7,834)	-	(9,433)
Fair Value 30 June 2017	748,633	107,866	143,586	135,309	5,243	43,850	213,399	48,351	24,326	1,470,563
Movements in Fair Value										
Additions	12,187	781	12,416	8,570	122	2,552	14,054	418	64,971	116,071
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	4,618	1,310	(6,636)	772	(69)	(244)	(356)	-	-	(605)
Disposals	(61)	-	-	(12)	-	-	-	-	-	(73)
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(51,100)	(51,100)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Total	16,744	2,091	5,780	9,330	53	2,308	13,698	418	13,871	64,293
Movements in Accumulated Depreciation										
Depreciation and amortisation	(17,452)	(1,612)	(6,521)	(1,754)	(401)	-	(13,493)	(673)	-	(41,906)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total	(17,452)	(1,612)	(6,521)	(1,754)	(401)	-	(13,493)	(673)	-	(41,906)
Fair value 30 June 2018	765,377	109,957	149,366	144,639	6,895	46,158	227,097	56,603	38,197	1,544,289
Accumulated depreciation 30 June 2018	(17,452)	(1,612)	(6,521)	(1,754)	(2,000)	-	(13,493)	(8,507)	-	(51,339)
Fair Value/Written Down Value 30 June 2018	747,925	108,345	142,845	142,885	4,895	46,158	213,604	48,096	38,197	1,492,950

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

e. Details of Plant & Equipment Category

Consolidated

	Plant machinery & equipment	Fixtures fittings & furniture	Computers & telecomms	Library books	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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)
Fair Value 30 June 2017	56,957	2,247	14,624	3,961	20,274	98,063
Movements in Fair Value						
Additions	15,343	647	2,310	929	5,895	25,124
Contributions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Disposals	(13,644)	(152)	(202)	-	-	(13,998)
Write-offs	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	(7,081)	(7,081)
Impairment losses recognised in operating result	-	-	-	-	-	-
Total	1,699	495	2,108	929	(1,186)	4,045
Movements in Accumulated Depreciation						
Depreciation and amortisation	(13,447)	(473)	(5,746)	(1,600)	-	(21,266)
Accumulated depreciation on disposals	12,389	147	196	-	-	12,732
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total	(1,058)	(326)	(5,550)	(1,600)	-	(8,534)
Fair value 30 June 2018	149,665	9,601	47,087	13,596	19,088	239,037
Accumulated depreciation 30 June 2018	(92,067)	(7,185)	(35,905)	(10,306)	-	(145,463)
Fair Value/Written Down Value 30 June 2018	57,598	2,416	11,182	3,290	19,088	93,574

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

Council

	Plant machinery & equipment	Fixtures fittings & furniture	Computers & telecomms	Library books	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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)
Fair Value 30 June 2017	13,439	1,571	12,028	3,961	19,151	50,150
Movements in Fair Value						
Additions	2,750	538	1,512	929	4,722	10,451
Contributions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Disposals	(4,133)	-	-	-	-	(4,133)
Write-offs	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	(5,737)	(5,737)
Impairment losses recognised in operating result	-	-	-	-	-	-
Total	(1,383)	538	1,512	929	(1,015)	581
Movements in Accumulated Depreciation						
Depreciation and amortisation	(2,640)	(284)	(4,520)	(1,600)	-	(9,044)
Accumulated depreciation on disposals	3,999	-	-	-	-	3,999
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total	1,359	(284)	(4,520)	(1,600)	-	(5,045)
Fair value 30 June 2018	37,643	7,330	37,578	13,596	18,136	114,283
Accumulated depreciation 30 June 2018	(24,228)	(5,505)	(28,558)	(10,306)	-	(68,597)
Fair Value/Written Down Value 30 June 2018	13,415	1,825	9,020	3,290	18,136	45,686

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

f. Recognition

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 (refer to Note 7.4) is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

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

Recognition thresholds

Council has set a threshold limit for all categories of assets of \$2,000 which means that all assets with a fair value of \$2,000 (2017:\$2,000) or greater are recognised in these financial statements.

Land under roads

Council recognises land under roads it controls at deemed cost.

Financial leases

Council does not have any financial leases.

Repairs and maintenance

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.

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.

g. Depreciation and amortisation

Buildings, infrastructure, plant and equipment, and other assets having limited useful lives are systematically depreciated over their estimated 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.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

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

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

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

All assets in the below table have capitalisation threshold limit of \$2,000.

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

Threshold limit for above assets is \$2,000

h. Description of significant unobservable inputs into level 3 valuations

Council	2018 \$'000	2017 \$'000
<p>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.</p>	2,058,986	1,856,023
<p>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.</p>	104,938	112,316
<p>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.</p>	1,406,657	1,397,877

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

i. Valuation of Property

In accordance with Council policy, a revaluation was undertaken for land and buildings at the reporting date. For land and buildings, fair value (refer to Note 7.4) is market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

Valuation of land and buildings were undertaken by a qualified independent valuer John O'Leary, Fellow of the Australian Property Institute, Certified Practising Valuer, Member No 62206. Date of valuation is 30/6/2018.

Details of Council's land and buildings and other relevant information about the fair value hierarchy as at 30 June 2018 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Non-specialised land	-	149,264	16,300	165,564
Specialised land	-	13,309	2,045,677	2,058,986
Total land	-	162,573	2,061,977	2,224,550
Heritage Buildings	-	13,981	186,866	200,847
Buildings	-	61,051	102,528	163,579
Total buildings	-	75,032	289,394	364,426

No transfers between levels occurred during the year.

j. Valuation of Infrastructure

In accordance with Council policy, a revaluation was undertaken of infrastructure assets at the reporting date. For infrastructure, fair value (refer to Note 7.4) is replacement cost less accumulated depreciation as the date of valuation. The date of the current valuation is detailed in the following table.

Valuation of infrastructure assets was undertaken by Thyagie Wettasinghe, Asset Engineer, Master of Infrastructure Engineering and Management. Date of valuation is 30/6/2018

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2018 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Roads	-	-	747,925	747,925
Bridges	-	-	108,345	108,345
Footpaths and cycleways	-	-	142,845	142,845
Drainage	-	-	142,885	142,885
Recreational, leisure and community facilities	-	-	4,895	4,895
Parks, open space and streetscapes	-	-	46,158	46,158
Promenades and wharves	-	-	68,741	68,741
Other infrastructure	-	-	144,863	144,863
Total Infrastructure	-	-	1,406,657	1,406,657

No transfers between levels occurred during the year.

k. Reconciliation of Specialised Land

Council	2018 \$'000	2017 \$'000
Land under roads	17,200	17,200
Parks and reserves	2,041,786	1,838,823
Total specialised land	2,058,986	1,856,023

5.3 Investment in Subsidiaries, Associates and Trusts

Non-Current	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
a) Subsidiaries				
CityWide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Sustainable Melbourne Fund	-	-	5,624	5,538
Enterprise Melbourne*	-	-	-	-
	-	-	24,230	24,144
b) Associates				
Regent Management Company Pty Ltd	7,500	7,000	7,500	7,000
MAPS Group Ltd (Procurement Australia)	250	250	250	250
	7,750	7,250	7,750	7,250
	7,750	7,250	31,980	31,394

* Investment in Enterprise Melbourne is \$10.

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2018 and the results of their operations for the year then ended. There were no changes in Council's ownership or control of its subsidiary entities during the year.

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.

Principles of consolidation

Council controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with that 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 Council assumes control.

Where dissimilar accounting policies are adopted by subsidiary entities and the effect of those differences are considered to be 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.

a) Subsidiaries

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

Citywide has a 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

	2018 \$'000	2017 \$'000
Summarised statement of comprehensive income		
Total income	243,155	241,235
Total expenses	238,921	231,598
Surplus/(deficit) for the year	4,234	9,637
Other comprehensive income	-	-
Total comprehensive result	4,234	9,637
Summarised balance sheet		
Current assets	50,004	50,810
Non-current assets	126,750	103,400
Total assets	176,754	154,210
Current liabilities	50,660	55,002
Non-current liabilities	14,674	6,722
Total liabilities	65,334	61,724
Net assets	111,420	92,486
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	12,062	20,283
Net cash provided/(used in) investing activities	(12,559)	(8,156)
Net cash provided/(used in) financing activities	(3,800)	(3,650)
Net increase / (decrease) in cash and cash equivalents	(4,297)	8,477

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

	2018 \$'000	2017 \$'000
Summarised statement of comprehensive income		
Total income	23,928	23,425
Total expenses	23,680	25,718
Surplus/(deficit) for the year	248	(2,293)
Other comprehensive income	(931)	-
Total comprehensive result	(683)	(2,293)
Summarised balance sheet		
Current assets	3,898	3,923
Non-current assets	3,475	4,825
Total assets	7,373	8,748
Current liabilities	3,171	3,848
Non-current liabilities	1,813	1,828
Total liabilities	4,984	5,676
Net assets	2,389	3,072
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	225	(2,413)
Net cash provided/(used in) investing activities	32	1,397
Net cash provided/(used in) financing activities	-	(16)
Net increase / (decrease) in cash and cash equivalents	257	(1,032)

Sustainable Melbourne Fund Trust (100% owned subsidiary of Council)

This entity is a self-sustaining fund set up by Council to invest 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

	2018 \$'000	2017 \$'000
Summarised statement of comprehensive income		
Total income	1,084	762
Total expenses	1,030	730
Surplus/(deficit) for the year	54	32
Other comprehensive income	-	-
Total comprehensive result	54	32
Summarised balance sheet		
Current assets	3,583	3,615
Non-current assets	9,684	4,572
Total assets	13,267	8,187
Current liabilities	108	92
Non-current liabilities	7,535	2,525
Total liabilities	7,643	2,617
Net assets	5,624	5,570
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(4,896)	(3,653)
Net cash provided/(used in) investing activities	-	2,300
Net cash provided/(used in) financing activities	5,000	2,500
Net increase / (decrease) in cash and cash equivalents	104	1,147

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

	2018 \$'000	2017 \$'000
Summarised statement of comprehensive income		
Total income	2	1
Total expenses	508	469
Surplus/(deficit) for the year	(506)	(468)
Other comprehensive income	-	-
Total comprehensive result	(506)	(468)
Summarised balance sheet		
Current assets	88	40
Non-current assets	-	-
Total assets	88	40
Current liabilities	60	69
Non-current liabilities	-	-
Total liabilities	60	69
Net assets	28	(29)
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(515)	(398)
Net cash provided/(used in) investing activities	-	322
Net cash provided/(used in) financing activities	563	-
Net increase / (decrease) in cash and cash equivalents	48	(76)

The negative net assets position shown above 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.

b) 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.

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

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 profit of \$36,410 (2017: operating loss of \$82,102) and net gain on revaluation of non current assets (\$1.7 million).
- The latest valuation of the Regent Management Company Pty Ltd.'s assets was undertaken by Ernst & Young on 23 November 2017 using the Income Capitalisation Approach. That valuation resulted in land and buildings being revalued at \$15 million as at 31 December 2017 (previous valuation was \$14.0 million). The Income Capitalisation Approach is based on

primary valuation method.

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. Council has approximately 15% of the voting rights (it 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 2017 of \$815,835 compared to a profit of \$370,853 for the previous year. The Company paid a dividend for the 2017 financial year of 18.0 cents per share. Dividend payment of \$45,000 was received in December 2017. Net assets are \$5.2 million as at 30 September 2017.

5.4 Investment property

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Land				
Balance at beginning of financial year	154,233	140,570	154,233	140,570
Additions	-	-	-	-
Disposals	-	(750)	-	(750)
Fair value adjustments	15,197	14,413	15,197	14,413
Balance at end of financial year	169,430	154,233	169,430	154,233
Buildings				
Balance at beginning of financial year	56,114	67,450	56,114	67,450
Additions	-	357	-	357
Disposals	-	(13,845)	-	(13,845)
Fair value adjustments	(14,097)	2,152	(14,097)	2,152
Balance at end of financial year	42,017	56,114	42,017	56,114
Total investment properties	211,447	210,347	211,447	210,347

Investment property 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 the 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.

Building disposals in 2017 includes City Square assets disposed due to compulsory acquisition by Rail Projects Victoria.

Valuation of investment property

Valuation of investment property was undertaken in June 2018. The valuation has been determined in accordance with a valuation by a qualified valuer John O'Leary, Fellow of the Australian Property Institute, (FAPI, Grad Dip (Prop) F.Fin, Certified Practising Valuer, Member No 62206. The valuation is at fair value (refer to Note 7.4), based on the current market value for the property.

NOTE 6 PEOPLE AND RELATIONSHIPS

6.1 Council and key management remuneration**(a) Related Parties***Parent entity*

Melbourne City Council is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associated are detailed in Note 5.3.

(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 Sally Capp	24 May 2018	- 30 June 2018
Deputy Lord Mayor Arron Wood	(Acting Lord Mayor from 6 February to 23 May 2018)	
Cathy Oke		
Jackie Watts		
Kevin Louey		
Rohan Leppert		
Susan Riley		
Beverley Pinder-Mortimer	17 Jan 2018	- 30 June 2018
Nicolas Frances Gilley		
Philip Le Liu		
Nicolas Reece		
Tessa Sullivan	1 July 2017	- 31 December 2017
Lord Mayor Robert Doyle	1 July 2017	- 5 February 2018

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	Claire Ferres Miles/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	Miriam Slattery
Manager Customer Relations	Joelene Shembri
Chief Digital Officer and Manager Smart City Office	Michelle Fitzgerald
Senior Strategic Advisor	Geoff Lawler
Chief of Staff	Amelia Bitsis/Ben Hart
Chief Legal Counsel	Kim Wood

Councillors (including part year)	13
Chief Executive Officer and other Key Management Personnel	16
Total Key Management Personnel	<u>29</u>

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

	2018 \$'000	2017 \$'000
Short-term benefits	5,055	4,217
Post-employment benefits	508	505
Long-term benefits	34	7
Termination benefits	378	-
Total	5,975	4,729

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

	2018	2017
\$10,000 - \$19,999	1	5
\$20,000 - \$29,999	3	1
\$30,000 - \$39,999	1	3
\$40,000 - \$49,999	8	5
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$80,000 - \$89,999	-	1
\$120,000 - \$129,999	1	-
\$139,000 - \$139,999	1	-
\$180,000 - \$189,999	2	1
\$200,000 - \$209,999	-	1
\$220,000 - \$229,999	1	1
\$230,000 - \$239,999	1	1
\$240,000 - \$249,999	1	-
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	-	2
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	1	-
\$300,000 - \$309,999	1	-
\$330,000 - \$339,999	-	1
\$340,000 - \$349,999	1	2
\$360,000 - \$369,999	-	1
\$370,000 - \$379,999	2	-
\$380,000 - \$389,999	-	1
\$390,000 - \$399,999*	1	-
\$400,000 - \$409,999	1	-
\$430,000 - \$439,999*	1	-
\$450,000 - \$459,999	1	1
\$510,000 - \$519,999*	1	-
	32	30
	\$'000	\$'000
Total remuneration for the financial year included above	5,975	4,729

* These remunerations include termination payments in 2018.

(d) Senior Officers' Remuneration

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

a) For Council, is an officer who has management responsibilities and reports directly to the Chief Executive; or whose total annual remuneration exceeds \$145,000 (2017:\$142,000); or

b) For subsidiaries, are the Managing Director, Chief Executive Officers and executives, or whose total annual remuneration exceeds \$145,000 (2017:\$142,000).

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

Income Range	Consolidated		Council	
	2018	2017	2018	2017
\$140,000 - \$149,999	21	57	17	54
\$150,000 - \$159,999	43	30	39	25
\$160,000 - \$169,999	59	13	54	10
\$170,000 - \$179,999	17	10	15	8
\$180,000 - \$189,999	14	8	11	7
\$190,000 - \$199,999	8	11	7	10
\$200,000 - \$209,999	6	3	4	2
\$210,000 - \$219,999	6	5	3	3
\$220,000 - \$229,999	5	7	3	7
\$230,000 - \$239,999	-	2	-	2
\$240,000 - \$249,999	5	3	2	3
\$250,000 - \$259,999	5	1	1	1
\$260,000 - \$269,999	3	3	2	1
\$270,000 - \$279,999	1	-	1	-
\$280,000 - \$289,999	-	2	-	-
\$290,000 - \$299,999	1	2	1	1
\$310,000 - \$319,999	1	-	1	-
\$320,000 - \$329,999	-	2	-	1
\$330,000 - \$339,999	1	1	-	1
\$350,000 - \$359,999	1	-	-	-
\$430,000 - \$439,999	-	1	-	-
\$600,000 - \$699,999	1	-	-	-
	198	161	161	136
	\$'000	\$'000	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to	35,263	28,573	27,601	23,384

The remuneration threshold for Senior Officers' is reviewed each year by the Minister for Local Government. The threshold amount in 2017-18 was \$145,000 (2017: \$142,000). 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

6.2 Related party disclosure

(a) Transactions with related Parties

During the period Council entered into related party transactions totalling \$338,000. The nature of the transactions is related to products and services, including consulting, subscriptions and delivery costs.

(b) 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.

(c) 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.

(d) 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.

(e) 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 shown below.

All subsidiaries are incorporated and are resident in Australia.

\$'000	Citywide Service Solutions Pty Ltd		Queen Victoria Market Pty Ltd		Sustainable Melbourne Fund Trust		Enterprise Melbourne Pty Ltd	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from subsidiaries	449	440	171	3,518	118	27	-	-
Expenditure to subsidiaries	69,840	58,876	91	-	7	9	-	-
Funding to subsidiaries	-	-	-	-	-	-	508	469
Income Tax and Payroll Tax Equivalent payments from subsidiaries	2,608	3,890	931	(983)	-	-	-	-
Dividend payments from subsidiaries	2,550	3,800	-	-	-	-	-	-
Owing to subsidiaries	41	55	58	652	-	-	-	-
Owing by subsidiaries	14,579	8,618	40	40	-	-	-	-
Loans to subsidiaries*	-	-	-	-	7,500	2,500	-	-

* Loans and borrowing to subsidiary relates to a loan provided by Council to the Sustainable Melbourne Fund at 3% fixed.

NOTE 7 MANAGING UNCERTAINTIES

7.1 Contingent assets and liabilities

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

(a) Contingent assets

There were no contingent assets to disclose for 2017-18.

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 receivables under non-cancellable operating leases are as follows:

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Not later than one year	16,358	14,219	3,881	3,234
Later than one year and not later than five years	29,567	46,501	9,207	7,636
Later than five years	34,768	34,791	30,533	30,556
	80,693	95,511	43,621	41,426

(b) Contingent liabilities**Superannuation**

As shown in Note 8.3, Council and its subsidiaries contribute to two superannuation schemes that may require additional employer contributions depending on the performance of the schemes. Details of the circumstances which may result in the need to make additional contributions are explained in Note 8.3.

Future superannuation contributions

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2018. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 are \$0.1 million.

Other contingent liabilities

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

7.2 Change in accounting standards

The following new Australian Accounting Standards (AAS's) have recently been issued but which are not mandatory for the year ended 30 June 2018. Council has assessed the impact of these pending standards on its business and has identified that the following potential impacts will flow from the application of these standards in future reporting periods.

Financial Instruments - Disclosures (AASB 7) (applies 2018/19)

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed.

Financial Instruments (AASB 9) (applies 2018/19)

The key changes in this standard include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.

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

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.

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

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.

Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.

7.3 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.

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 \$10 million to the Sustainable Melbourne Fund (SMF), which has drawn to \$7.5 million (\$2.5 million 2017). 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 7.1 (b).

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 council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or 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.

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 period's 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 4.4.

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

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) 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% (2017:1.51%).

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.

7.4 Fair value measurement

Fair value hierarchy

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.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. 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 Australian Accounting Standards.

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.

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 initial recognition. At reporting date each year, Council reviews the carrying value of the individual classes of assets to ensure that each asset materially approximates their fair value. Where the carrying value materially differs from the fair value, the class of assets is revalued.

Fair value valuations are determined in accordance with a valuation hierarchy, changes to which can only occur if an external change in the restrictions or limitations on the use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details of the fair value hierarchy are explained in Note 5 for each class of asset.

In addition, Council undertakes a formal valuation of land, buildings and infrastructure assets annually. The valuations are performed either by experienced Council officers or independent experts engaged by Council.

Where assets are revalued, the revaluation increments arising from the valuations 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 previously 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 have been included in the asset revaluation reserve for that class of asset in which case the decrement is debited 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.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal 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.

7.5 Events occurring after balance date

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

NOTE 8 OTHER MATTERS

8.1 Reserves

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Asset revaluation - property and infrastructure	2,428,206	2,171,109	2,388,413	2,155,885
Other Reserves				
Restricted				
Reserve for public open space	44,489	37,740	44,489	37,740
Non-Restricted				
Investments revaluation reserve	4,725	4,225	4,725	4,225
Tree Compensation Reserve	3,470	3,203	3,470	3,203
Queen Victoria Market Renewal Project Reserve	57,759	3,894	57,759	3,894
	2,538,648	2,220,171	2,498,855	2,204,947

(a) Asset revaluation reserve

Consolidated	Balance at beginning of 2017		Balance at end of 2017		Balance at end of 2018
	\$'000	Increment (Decrement) \$'000	\$'000	Increment (Decrement) \$'000	
Property					
Land	1,259,123	152,866	1,411,989	249,925	1,661,914
Buildings	96,947	24,123	121,070	7,777	128,847
Infrastructure					
Roads	390,979	9,815	400,794	4,618	405,412
Bridges	15,302	1,653	16,955	1,310	18,265
Footpaths and cycleways	102,299	(1,205)	101,094	(6,636)	94,458
Drainage	31,243	(857)	30,386	772	31,158
Recreational, leisure and community facilities	(96)	-	(96)	(69)	(165)
Parks, open space and streetscapes	2,723	762	3,485	(244)	3,241
Other infrastructure	73,576	6,246	79,822	(356)	79,466
Artworks	5,610	-	5,610	-	5,610
	1,977,706	193,403	2,171,109	257,097	2,428,206

Council	Balance at beginning of 2017		Balance at end of 2017		Balance at end of 2018
	\$'000	Increment (Decrement) \$'000	\$'000	Increment (Decrement) \$'000	
Property					
Land	1,243,596	153,162	1,396,758	225,356	1,622,114
Buildings	96,947	24,123	121,070	7,777	128,847
Infrastructure					
Roads & Laneways	390,979	9,821	400,800	4,618	405,418
Bridges	15,302	1,653	16,955	1,310	18,265
Footpaths and cycleways	102,299	(1,205)	101,094	(6,636)	94,458
Drainage	31,243	(857)	30,386	772	31,158
Recreational, leisure and community facilities	2,092	-	2,092	(69)	2,023
Parks, open space and streetscapes	2,723	762	3,485	(244)	3,241
Other infrastructure	71,389	6,246	77,635	(356)	77,279
Artworks	5,610	-	5,610	-	5,610
	1,962,177	193,705	2,155,885	232,528	2,388,413

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

(b) Other reserves - Summary

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at the beginning of the year	49,062	38,838	49,062	38,838
Transfers from accumulated surplus	76,241	18,161	76,241	18,161
Transfers to accumulated surplus	(15,360)	(7,937)	(15,360)	(7,937)
Transfers from investment-non current asset	500	-	500	-
Balance at the end of the financial year	110,443	49,062	110,443	49,062

Other reserves – Reserve for Public Open Space

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at the beginning of the year	37,740	23,091	37,740	23,091
Transfers from accumulated surplus	15,299	17,207	15,299	17,207
Transfers to accumulated surplus	(8,550)	(2,558)	(8,550)	(2,558)
Balance at the end of the financial year	44,489	37,740	44,489	37,740

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.

Other reserves – Investments Revaluation Reserve - Regent Management Pty Ltd

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at the beginning of the year	4,225	4,225	4,225	4,225
Transfers from investment-non current asset	500	-	500	-
Transfers to investment-non current asset	-	-	-	-
Balance at the end of the financial year	4,725	4,225	4,725	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.

Other reserves – Tree Compensation reserve

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at the beginning of the year	3,203	2,249	3,203	2,249
Transfers from accumulated surplus	1,267	954	1,267	954
Transfers to accumulated surplus	(1,000)	-	(1,000)	-
Balance at the end of the financial year	3,470	3,203	3,470	3,203

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

Other reserves – Queen Victoria Market Renewal Project reserve

	Consolidated		Council	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at the beginning of the year	3,894	9,273	3,894	9,273
Transfers from accumulated surplus	59,675	-	59,675	-
Transfers to accumulated surplus	(5,810)	(5,379)	(5,810)	(5,379)
Balance at the end of the financial year	57,759	3,894	57,759	3,894

Queen Victoria Market renewal reserve is used to facilitate a major redevelopment of the Queen Victoria Market site.

8.2 Reconciliation of cash flow from operating activities to surplus/(deficit)

	Consolidated		Council	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Surplus/(deficit) for the year	34,468	102,409	33,410	98,834
Depreciation/amortisation	76,883	75,833	63,392	61,372
Profit/(Loss) on disposal of property, plant and equipment	(2,707)	(47,008)	(2,156)	(41,588)
Fair value adjustments for investment property	(1,186)	(16,565)	(1,186)	(16,565)
Contributions - Non-monetary assets	(35)	(800)	(35)	(800)
Other	(3,493)	(42)	(3,579)	(42)
Changes in assets and liabilities in relation to operating activities:				
(Increase)/Decrease in trade and other receivables	(7,315)	606	(4,358)	(2,620)
(Increase)/Decrease in prepayment	409	987	350	18
(Increase)/Decrease in accrued income	(823)	961	1,635	2,407
(Decrease)/Increase in trade and other payables	5,852	6,649	7,415	7,822
(Increase) in Inventories	(28)	(141)	-	-
(Decrease)/Increase in provisions	426	(1,381)	430	(1,080)
(Decrease)/Increase in employee benefits	(359)	(9,628)	906	1,577
(Decrease)/Increase in trust funds and deposits	(104)	(960)	(104)	(503)
Net cash provided by/(used in) operating activities	101,988	110,920	96,120	108,832

8.3 Superannuation

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 the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive 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 2018, this was 9.5% as 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 for employers to top up funding. 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 Fund 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 2017, a full triennial actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

- Net investment returns 6.5% pa
- Salary inflation 3.5% pa
- Price inflation (CPI) 2.5% pa.

Vision Super has advised that the VBI as at 30 June 2018 is 106.0%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 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 2017 triennial 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 2018, this rate was 9.5% of members' salaries (9.5% in 2016-2017). This rate will increase in line with any increases in the SG contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2017 triennial actuarial investigation surplus amounts

The Fund's triennial investigation as at 30 June 2017 identified the following in the Defined Benefit category of which Council is a contributing employer:

- A VBI surplus of \$69.8 million
- A total service liability surplus of \$193.5 million
- A discounted accrued benefits surplus of \$228.8 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 2017. Council was notified of the 30 June 2017 VBI during August 2017.

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.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to the investigation date.

2018 interim actuarial investigation

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in December 2018.

Melbourne City Council Superannuation Sub Plan (CMSSP) Members

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

As provided under paragraph 34 of AASB 119, the Council does not use the defined benefit accounting for its defined benefit obligations under the CMSSP at the individual entity level. 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. 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

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

The CMSSP's latest actuarial investigation was as at 30 June 2017. As at 30 June 2017, the CMSSP's VBI was 123.5%. At 30 June 2018, the Fund Actuary advised that the VBI is 124.0%.

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 fully funded within three years.

Under SPS 160, the VBI is used as the primary funding indicator. Because the VBI was above 100% at 30 June 2017, the Fund Actuary determined that no change was necessary to the Defined Benefit category's funding arrangements from prior years and that 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 components 2 and 3 referred to above.

Employees are also required to make member contributions to the CMSSP. As such, assets accumulate in

the CMSSF to meet member benefits, as defined in the Trust Deed, as they accrue.

Employer contributions

Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 31 December 2017, 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%.

Funding calls

The Fund's Trustee is required to comply with the superannuation prudential standards. Under 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% (2017: 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, and
- 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 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.

Retrenchment increments

During 2017-18, Council was required to make payment of 50,974 to the CMSSP in respect of retrenchment increments (\$0 in 2016-17). Council's liability to the CMSSP as at 30 June 2018 for retrenchment increments, accrued interest and tax is \$0 (2017: \$0).

2017 actuarial investigation surplus amounts

The CMSSP's latest actuarial investigation was as at 30 June 2017. This investigation identified the following in the defined benefit category:

- A VBI surplus of \$10.8 million;
- A total service liability surplus of \$12.2 million, and
- A discounted accrued benefits surplus of \$13.5 million.

The VBI surplus means that the market value of the CMSSP's assets as at 30 June 2017 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 2017.

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 2017.

The discounted accrued benefit surplus means that the current value of the assets in the CMSSP's defined benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2017.

Council was notified of the 30 June 2017 VBI during August 2017.

Accrued benefits

The CMSSP's liability was determined in the 30 June 2017 actuarial investigation pursuant to the requirements of the Australian Accounting Standard AAS 1056 as follows:

	30 June 2017 \$ Million
Net market value of assets	56.7
Accrued benefits (per Accounting Standards)	43.2
Difference between Assets and Accrued benefits	13.5
Vested benefits	45.9
Vested benefits index	123.5%

The financial assumptions used to calculate the accrued benefits of the CMSSP as at 30 June 2017 were:

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

The 2018 interim actuarial investigation

The next interim actuarial investigation of the CMSSP's liability for accrued benefits is based on the CMSSP's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in October 2018. The Fund Trustee has begun to de-risk the investment portfolio of the CMSSP because of its VBI position. The financial assumptions for the purposes of this investigation are:

- Net investment return 2.0% pa
- Salary inflation 3.5% pa
- Price inflation 2.0% pa.

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 \$1.3 million (2017: \$1.2 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 2019 is \$0.1 million.

Melbourne City Council Superannuation Sub Plan	2018 000's	2017 000's
Asset/(Liability) recognised in Balance Sheet	10,818	9,120
Total amount recognised in Comprehensive Income Statement	1,675	10,653

Melbourne City Council

Performance Statement

For the year ended 30 June 2018

Performance Statement

For the year ended 30 June 2018

Description of municipality

The Melbourne municipality is the heart of greater Melbourne and covers the central city and 14 inner city suburbs. More than 160,000 people call the municipality home and a further 768,000 people visit every day for work and recreation. Our population is diverse: 48 per cent of our residents speak a language other than English at home. As more people seek out the cultural, business, education, work and lifestyle opportunities the city offers, the population is expected to continue growing rapidly. The weekday population is forecast to increase by around 50 per cent by the year 2036.

The Local Government Area covers an area of 37.7 square kilometres and in 2018 has 583.4 hectares of parkland.

Sustainable Capacity Indicators

For the year ended 30 June 2018

<i>Indicator/measure</i>	Results				Material Variations
	2015	2016	2017	2018	
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$3,074	\$3,001	\$3,037	\$2,728	Lower ratio than last year due to increased estimated residential population growth.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$14,894	\$14,513	\$14,007	\$12,084	Lower ratio due to increased estimated residential population growth.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	492	519	565	663	Our estimated residential population has increased from 137,000 last year to almost 160,000, leading to a higher population density per kilometre 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	\$2,654	2017-18 included compulsory acquisition of City Square assets by Rail Projects Victoria, which led to higher ratio. Also, the increased estimated residential population growth has not translated into higher revenue due to constrained revenue environment.
Recurrent grants					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$147	\$123	\$148	\$119	No material variation.
Disadvantage					
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	8	8	8	7	The index is designed to compare the relative socio-economic characteristics of areas at a given point in time, not to compare individual areas across time. The Australian Bureau of Statistics cautions against comparing across time because the values will have changed, meaning the same score in different census years does not represent the same level of disadvantage.

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 2018

Service/indicator/measure	Results				Material Variations
	2015	2016	2017	2018	
Aquatic facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	4.0	4.2	4.1	3.8	No material variation.
Animal management					
Health and safety					
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	1	4	6	10	Melbourne's ongoing growth in population and higher density living will place a range of additional demands on our public open spaces including animal management. This will present a greater emphasis on the enforcement of animal controls and potentially a greater number of prosecutions.
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%	100%	No material variation.
Governance					
Satisfaction					
<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	60	62	66	63	The level of community satisfaction with how the Council has performed in making decisions in the interest of the community in 2018 is three points lower than last year. It is five points higher than other councils across metropolitan Melbourne and nine 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	2018	
Libraries					
Participation					
<i>Active library members</i> [Number of active library members / Municipal population] x100	34%	35%	34%	30%	End of year result is lower than the previous year but still within the acceptable threshold of five per cent. The number of active members has increased by 1.4 per cent while the municipal population increased by 8.04 per cent.
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%	82%	80%	No material variation.
Participation <i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	56%	81%	88%	83%	No material variation.
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	70	The level of community satisfaction with how the Council has performed on the condition of sealed local roads in 2018 is three points lower than last year. It is two points higher than other councils across metropolitan Melbourne and 17 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	2018	
Statutory Planning					
Decision making					
<i>Council planning decisions upheld at VCAT</i>	66%	62%	69%	68%	
[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					The number of decisions made in favour of City of Melbourne did not significantly change from the previous years.
Waste Collection					
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i>	25%	26%	27%	27%	
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					This result is not materially different from previous years. The City of Melbourne's landfill diversion rate is historically less than other local Councils due to low volumes of green waste.

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 2018

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	
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	\$1,109	\$1,139	\$1,116	\$1,108	\$1,075	No material variation.
Expenditure level									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,954	\$3,950	\$3,870	\$3,862	\$3,667	\$3,557	\$3,545	\$3,471	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%	11.45%	12.64%	12.68%	12.69%	12.70%	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%	173.77%	125.89%	122.18%	122.23%	117.78%	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	2022	
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%	3.64%	6.90%	7.75%	6.83%	5.95%	2016-17 was higher due to sale of City Square assets. Ratio for 2017-18 is lower because of lower revenue and higher maintenance cost related to growing city population.
Stability									
Rates concentration									
<i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	57.71%	56.96%	53.14%	59.95%	61.23%	61.54%	62.52%	63.53%	2016-17 was lower than prior and current year due to sale of City Square assets increased the underlying revenue.
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%	0.26%	0.26%	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 2018

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 26 June 2018 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.

Sandeep Bordia
Acting Principal Accounting Officer
Dated:

In our opinion, the accompanying Performance Statement of the Melbourne City Council for the year ended 30 June 2018 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.

Sally Capp
Lord Mayor
Dated:

Arron Wood
Deputy Lord Mayor
Dated:

Ben Rimmer
Chief Executive Officer
Dated:



CITY OF MELBOURNE

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28 August 2018

TO THE MELBOURNE CITY COUNCIL

DECLARATION BY THE CHIEF EXECUTIVE OFFICER AND
PRINCIPAL ACCOUNTING OFFICER

Financial report for the year ended 30 June 2018

This representation letter relates to the financial report and performance statement of Council for the year ended 30 June 2018 to confirm that 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*.

Preparation of the financial report

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. We identified only one uncorrected misstatement which is detailed on the attachment.

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 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:
- MAPS 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.

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)

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.
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.

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

Further, we confirm that the assumptions used by us in the categorisation of observable and un-observable 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

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.

Yours sincerely



Ben Rimmer
Chief Executive officer



Sandeep Bordia
Acting Principal Accounting Officer

Attachment

Uncorrected misstatement

Dr Provision for employee entitlements (annual leave)	\$350,000	
Cr Employee costs		\$350,000

Reflecting a conservative estimate of overstatement arising from incorrect application of leave loading factor to certain employee entitlements.

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

⁸ ASAE 3000.A137