

**Management report to Council****Agenda item 3.1****2019-20 Draft Consolidated Financial Statements and Performance Statement****Special Council****Presenter:** Michael Tenace, General Manager Finance and Corporate (Chief Financial Officer)**8 September 2020****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 2020 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 2020. 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 5). The statement gives Council greater assurance of the integrity in financial reporting.

**Consideration at Committee**

6. The 2019-20 Financial Performance report was presented to Future Melbourne Committee on 18 August 2020.

**Key issues – Audit and Risk Committee (AR Committee)**

7. The 2019-20 annual financial statements of the Melbourne City Council consolidated with CityWide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd and Enterprise Melbourne Pty Ltd were considered by the Council's AR Committee at its meeting held on 27 August 2020.
8. The AR Committee advises that copies of the audited Annual Financial Report (AFR) for Citywide Services Pty Ltd for the year ended 30 June 2020 be provided to AR Committee members as soon as possible, noting that if there are any material changes relating to disclosures prior to VAGO issuing a clear opinion on the Citywide Pty Ltd AFR, that the AR Committee be advised of such changes. Management will also notify Council of any such changes to the Citywide Pty Ltd AFR. VAGO expects to sign a clear opinion on Citywide's AFR and does not expect any material changes to the AFR to occur.
9. The 2019-20 Performance Statement has also been considered by the AR Committee.
10. Following review, the AR Committee has recommended the approval of the 2019-20 Consolidated Financial Statements and Performance Statement.
11. The 2019-20 audit by VAGO has resulted in an unqualified audit opinion.

**Recommendation from management**

12. That Council:
  - 12.1. Approves in principle the 2019-20 Consolidated Financial Statements and Performance Statement.

- 12.2. 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.
- 12.3. 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 3 of 99)
2. Draft Annual Consolidated Financial Statements for Council 2019-20 (Page 4 of 99)
3. Draft 2019-20 Performance Statement (Page 78 of 99)
4. Certification documents (Page 92 of 99)
5. Declaration by the Chief Executive Officer and Principal Accounting Officer (Page 94 of 99)

## Supporting Attachment

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### 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 2019-20 (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. Michael Tenace, General Manager Finance and Corporate (Chief Financial Officer) at City of Melbourne is also a director of Queen Victoria Market.

### Health and Safety

4. In developing this proposal, no Occupational Health and Safety issues or opportunities have been identified.

### Stakeholder consultation

5. VAGO undertook the audit of the Consolidated Financial Statements and Performance Statement.
6. The information attached to the report was considered by the AR Committee at its meeting on 27 August 2020.

### Environmental sustainability

7. There is no significant impact on environmental sustainability.

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# Melbourne City Council

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## Annual Financial Report

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2019-20

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# FINANCIAL REPORT



## Certification of the Financial Statements

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

Michael Tenace (FCPA)  
General Manager Finance and Corporate (Chief Financial 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 2020 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:

Justin Hanney  
Chief Executive Officer  
Melbourne  
Date:

**Victorian Auditor-General's Office Audit Report**

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# FINANCIAL STATEMENTS

## Comprehensive Income Statement

For the Year Ended 30 June 2020

	Consolidated			Council	
	2020 \$'000	2019 \$'000	Note	2020 \$'000	2019 \$'000
<b>Income</b>					
Rates and charges	301,534	286,584	3.1	301,765	286,833
Statutory fees and fines					
Parking fines	38,196	38,532	3.2	38,196	38,532
Other statutory fees and fines	13,694	14,122	3.2	13,694	14,122
User fees					
Parking fees	50,397	58,731	3.3	46,638	54,474
Other user fees	24,511	26,327	3.3	24,513	26,331
Grants - operating	19,484	27,827	3.4	19,484	27,827
Grants - capital	24,963	12,881	3.4	24,963	12,881
Contributions - monetary	39,815	26,318	3.5	39,805	26,308
Contributions - non monetary	-	3,297	3.5	-	3,297
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	23,585	(178)	3.6	23,604	(177)
Fair value adjustments for investment properties	5,378	(5,971)	6.4	5,378	(5,971)
Other income*	219,259	212,252	3.7	18,659	25,603
<b>Total Income</b>	<b>760,816</b>	<b>700,722</b>		<b>556,699</b>	<b>510,060</b>
<b>Expenses</b>					
Employee costs	260,036	252,363	4.1	169,799	164,350
Materials and services	291,919	273,727	4.2	196,745	190,002
Depreciation	73,606	71,169	4.3	61,048	57,946
Amortisation/Impairment - intangible assets	14,518	14,688	4.4	9,726	14,608
Amortisation - right of use assets	6,379	-	4.5	2,350	-
Bad and doubtful debts	14,503	12,484	4.6	14,464	12,485
Borrowing costs	542	1,031	4.7	339	961
Finance costs - leases	583	-	4.8	187	-
Other expenses	8,412	9,598	4.9	6,596	5,100
Grants and contributions	20,550	13,607	4.10	22,450	14,379
<b>Total Expenses</b>	<b>691,048</b>	<b>648,667</b>		<b>483,704</b>	<b>459,831</b>
<b>Surplus For The Year</b>	<b>69,768</b>	<b>52,055</b>		<b>72,995</b>	<b>50,229</b>
<b>Other Comprehensive Income Items that will not be reclassified to surplus or deficit in future periods</b>					
Net asset revaluation (decrement)/increment	142,978	(233,537)	9.1(a)	132,134	(233,537)
Gain on defined benefits plans	2,842	471	9.3	-	-
<b>Total Other Comprehensive Income</b>	<b>145,820</b>	<b>(233,066)</b>		<b>132,134</b>	<b>(233,537)</b>
<b>Total Comprehensive Result</b>	<b>215,588</b>	<b>(181,011)</b>		<b>205,129</b>	<b>(183,308)</b>

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

## Balance Sheet

## For the Year Ended 30 June 2020

	Consolidated			Council	
	2020 \$'000	2019 \$'000	Note	2020 \$'000	2019 \$'000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	54,018	128,767	5.1 (a)	42,599	119,529
Trade and other receivables	56,745	64,519	5.1 (c)	36,754	42,913
Other financial assets	65,750	23,748	5.1 (b)	64,000	21,000
Inventories	712	561	5.2 (a)	-	-
Non-current assets classified as held for sale	-	8,985	6.1	-	8,985
Other assets	22,756	7,003	5.2 (b)	13,684	3,255
<b>Total Current Assets</b>	<b>199,981</b>	<b>233,583</b>		<b>157,037</b>	<b>195,682</b>
<b>Non-Current Assets</b>					
Other financial assets	63,488	32,965	5.1 (b)	63,488	32,965
Investment in subsidiaries, associates and trust	7,750	7,750	6.3	26,356	26,356
Property, infrastructure, plant and equipment	4,276,223	4,069,350	6.2	4,156,598	3,968,505
Right of use assets	23,643	-	5.8	5,493	-
Investment property	210,922	205,476	6.4	210,922	205,476
Intangible assets	62,176	62,428	5.2 (c)	41,886	36,884
Net assets of City of Melbourne's Defined Benefits	13,675	11,333	9.3	-	-
<b>Total Non-Current Assets</b>	<b>4,657,877</b>	<b>4,389,302</b>		<b>4,504,743</b>	<b>4,270,186</b>
<b>Total Assets</b>	<b>4,857,858</b>	<b>4,622,885</b>		<b>4,661,780</b>	<b>4,465,868</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	103,459	86,253	5.3 (a)(c)	70,185	63,780
Trust funds and deposits	13,592	8,247	5.3 (b)	13,354	7,994
Provisions	48,943	47,167	5.5	36,217	34,991
Interest bearing liabilities	-	150	5.4	-	-
Lease liability	5,020	-	5.8	1,412	-
<b>Total Current Liabilities</b>	<b>171,014</b>	<b>141,817</b>		<b>121,168</b>	<b>106,765</b>
<b>Non-Current Liabilities</b>					
Trust funds and deposits	3,077	2,559	5.3 (b)	1,388	865
Provisions	5,168	5,010	5.5	3,909	3,807
Interest bearing liabilities	-	28,482	5.4	-	28,482
Lease liability	17,994	-	5.8	4,237	-
<b>Total Non-Current Liabilities</b>	<b>26,239</b>	<b>36,051</b>		<b>9,534</b>	<b>33,154</b>
<b>Total Liabilities</b>	<b>197,253</b>	<b>177,868</b>		<b>130,702</b>	<b>139,919</b>
<b>Net Assets</b>	<b>4,660,605</b>	<b>4,445,017</b>		<b>4,531,078</b>	<b>4,325,949</b>
<b>Equity</b>					
Accumulated surplus	2,248,729	2,168,727		2,169,907	2,089,520
Reserves	2,411,876	2,276,290	9.1	2,361,171	2,236,429
<b>Total Equity</b>	<b>4,660,605</b>	<b>4,445,017</b>		<b>4,531,078</b>	<b>4,325,949</b>

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## Statement of Changes in Equity

## For the Year Ended 30 June 2020

Consolidated		Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
	Note	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Balance at beginning of the financial year</b>		<b>4,445,017</b>	<b>4,635,772</b>	<b>2,168,727</b>	<b>2,097,055</b>	<b>2,194,737</b>	<b>2,428,274</b>	<b>81,553</b>	<b>110,443</b>
Surplus for the year		69,768	52,055	69,768	52,055	-	-	-	-
Net asset revaluation increment/(decrement)	9.1	142,978	(233,537)	-	-	142,978	(233,537)	-	-
Investment in associates	9.1	-	-	-	-	-	-	-	-
Transfers to other reserves	9.1	-	-	(51,273)	(25,012)	-	-	51,273	25,012
Transfers from other reserves	9.1	-	-	58,665	53,902	-	-	(58,665)	(53,902)
Actuarial gain - City of Melbourne's Defined Benefits Superannuation Fund	9.3	2,842	471	2,842	471	-	-	-	-
Prior year adjustment (AASB 9 transition)		-	(9,744)	-	(9,744)	-	-	-	-
<b>Balance at the end of the financial year</b>		<b>4,660,605</b>	<b>4,445,017</b>	<b>2,248,728</b>	<b>2,168,727</b>	<b>2,337,715</b>	<b>2,194,737</b>	<b>74,161</b>	<b>81,553</b>

Council		Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves	
	Note	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Balance at beginning of the financial year</b>		<b>4,325,949</b>	<b>4,519,001</b>	<b>2,089,520</b>	<b>2,020,145</b>	<b>2,154,876</b>	<b>2,388,413</b>	<b>81,553</b>	<b>110,443</b>
Surplus for the year		72,995	50,229	72,995	50,229	-	-	-	-
Net asset revaluation increment/(decrement)	9.1	132,134	(233,537)	-	-	132,134	(233,537)	-	-
Investment in associates	9.1	-	-	-	-	-	-	-	-
Transfers to other reserves	9.1	-	-	(51,273)	(25,012)	-	-	51,273	25,012
Transfers from other reserves	9.3	-	-	58,665	53,902	-	-	(58,665)	(53,902)
Prior year adjustment (AASB 9 transition)		-	(9,744)	-	(9,744)	-	-	-	-
<b>Balance at the end of the financial year</b>		<b>4,531,078</b>	<b>4,325,949</b>	<b>2,169,907</b>	<b>2,089,520</b>	<b>2,287,010</b>	<b>2,154,876</b>	<b>74,161</b>	<b>81,553</b>

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## Statement of Cash Flows

## For the Year Ended 30 June 2020

	Consolidated			Council	
	2020	2019		2020	2019
	\$'000	\$'000	Note	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>					
Rates and charges	292,333	283,317		292,564	283,566
Statutory fees and fine	64,333	46,958		64,333	46,668
User fees	69,622	84,841		69,198	77,493
Grants - operating	20,428	29,478		20,428	29,478
Grants - capital	27,278	14,054		27,278	14,054
Contributions - monetary	33,688	26,806		33,678	26,796
Interest received	2,357	4,268		2,290	4,155
Dividends received	63	73		2,063	3,273
Other receipts	240,807	229,795		17,142	19,263
Net GST refund	12,264	8,553		24,298	20,794
Trust funds and deposits taken/(repaid)	3,562	1,737		3,582	1,727
Employee costs	(260,735)	(252,375)		(168,470)	(163,382)
Materials and services	(320,442)	(322,605)		(226,805)	(231,495)
Short-term, low value and variable lease payments	(943)	-		(680)	-
Other payments	(29,550)	(23,641)		(29,789)	(19,495)
<b>Net cash provided by operating activities</b>	<b>155,064</b>	<b>131,259</b>	<b>9.2</b>	<b>131,109</b>	<b>112,895</b>
<b>Cash Flows from Investing Activities</b>					
Proceeds from sale of property, infrastructure, plant and equipment	25,182	1,798	3.6	23,943	468
Payments for property, infrastructure, plant and equipment	(146,228)	(137,222)		(127,780)	(121,461)
Proceeds/(payments) from/for sale of Investments	(72,002)	60,378		(73,000)	67,000
Proceeds from divestment (Sustainable Melbourne Fund)	-	5,624		-	5,624
Loans and advances made	-	-		-	(2,500)
Proceeds from loan	-	9,686		-	10,000
<b>Net cash used in investing activities</b>	<b>(193,048)</b>	<b>(59,736)</b>		<b>(176,837)</b>	<b>(40,869)</b>
<b>Cash Flows from Financing Activities</b>					
Borrowing costs	(542)	(1,031)		(339)	(961)
Proceeds from borrowings	(150)	-		-	-
Repayment of borrowings	(28,482)	(1,591)		(28,482)	(1,518)
Interest paid - lease liability	(583)	-		(187)	-
Repayment of lease liability	(7,008)	-		(2,194)	-
<b>Net cash used in financing activities</b>	<b>(36,765)</b>	<b>(2,622)</b>		<b>(31,202)</b>	<b>(2,479)</b>
Net increase/(decrease) in cash and cash equivalents	(74,749)	68,901		(76,930)	69,547
Cash and cash equivalents at beginning of the financial year	128,767	59,866		119,529	49,982
<b>Cash and cash equivalents at the end of the financial year</b>	<b>54,018</b>	<b>128,767</b>		<b>42,599</b>	<b>119,529</b>
<b>Financing arrangements</b>			<b>5.6</b>		
<b>Restrictions on cash assets</b>			<b>5.1</b>		

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## Statement of Capital Works

For the Year Ended 30 June 2020

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Property</b>				
Land	6	43	6	43
<b>Total Land</b>	<b>6</b>	<b>43</b>	<b>6</b>	<b>43</b>
<b>Buildings</b>				
Buildings	9,472	7,889	9,189	7,652
Heritage buildings	3,704	5,278	3,704	5,278
Building improvements	29,252	10,013	28,738	9,572
<b>Total Buildings</b>	<b>42,428</b>	<b>23,180</b>	<b>41,631</b>	<b>22,502</b>
<b>Total Property</b>	<b>42,434</b>	<b>23,223</b>	<b>41,637</b>	<b>22,545</b>
<b>Plant &amp; Equipment</b>				
Plant, machinery and equipment	25,154	16,239	3,411	4,078
Fixtures, fittings and furniture	1,602	546	1,587	515
Computers and telecommunications	15,064	17,315	14,722	15,149
Library books	1,500	1,350	1,500	1,350
<b>Total Plant &amp; Equipment</b>	<b>43,320</b>	<b>35,450</b>	<b>21,220</b>	<b>21,092</b>
<b>Infrastructure</b>				
Roads	8,758	8,431	8,758	8,431
Bridges	554	974	554	974
Footpaths and cycleways	10,135	7,269	10,135	7,269
Drainage	6,340	5,139	6,340	5,139
Recreational, leisure and community facilities	1,527	964	1,527	964
Parks, open space and streetscapes	17,825	43,558	17,825	43,558
Other infrastructures	15,523	12,162	15,523	12,162
<b>Total Infrastructure</b>	<b>60,662</b>	<b>78,497</b>	<b>60,662</b>	<b>78,497</b>
<b>Total Capital Works Expenditure</b>	<b>146,416</b>	<b>137,170</b>	<b>123,519</b>	<b>122,134</b>
<b>Represented by:</b>				
New asset expenditure	60,185	43,335	38,116	43,335
Asset renewal expenditure	52,090	47,418	52,090	47,418
Asset expansion expenditure	13,567	23,077	13,567	23,077
Asset upgrade expenditure	20,574	23,340	19,746	8,304
<b>Total Capital Works Expenditure</b>	<b>146,416</b>	<b>137,170</b>	<b>123,519</b>	<b>122,134</b>

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

#### 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 8.4 related to determination of fair value);
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2);
- the determination of employee provisions (refer to Note 5.5);
- the measurement of goodwill (refer to Note 5.2 (c) );
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3);
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- the analysis of Council results by program (refer to Note 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 (except where transitional requirements of AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

**COVID-19 Disclosure**

The impact of the COVID-19 crisis on the City of Melbourne operations and 2019-20 financial report:

On 30 January 2020, COVID 19 was declared as a global pandemic by the World Health Organisation (WHO). Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted the City of Melbourne operations in the following areas for the financial year ended 30 June 2020:

- In response to the government directive amidst the COVID-19 outbreak on 16 March 2020, all City of Melbourne leisure centres, libraries, community, arts and cultural centres were closed immediately. These closures along with changes to parking conditions in the CBD resulted in a decrease in total council user fee revenue by \$7.8 million, while associated employee expenses remained just below budget as directly affected staff were redeployed to assist other areas of council, while all other staff were instructed to work from home.
- On 26 March Council released its Rates Financial Hardship and General Hardship policies to provide options to reduce or defer fees or charges and provide rent relief for those rate paying residents and small to medium businesses that lost jobs, or saw income reduced. This resulted in payment deferrals being granted for residential rates and decreases in commercial rent revenue of \$1.5 million.
- Also on 26 March Council initiated its Quick Response Business, Aboriginal and Arts Grants programs to support small to medium business and individual artists and art organisations during the COVID-19 shutdowns. The program has paid \$8.0 million in grants assistance to 30 June, and will continue into 2020-21.
- Council has received grants funding from the State Government of Victoria of \$5.4 million under the "Work for Victoria" scheme which includes \$4.9 million to clean the central business district and support the cleaning of surrounding councils during the shutdown, and \$1.1 million for "Rapid Greening" projects, (of this, \$0.6 million transferred to income in advance). A further \$1.0 million was received to provide food vouchers for international students to purchase food at the Queen Victoria Market. The "Work for Victoria" program will continue into 2020-21 financial year and all funding to date has incurred equivalent expenditure.
- The total financial impact of COVID-19 on the Group is \$28.2 million, including cost to Council of \$25.0 million. Council has experienced an increase in Accounts Receivable at 30 June 2020 due to slow down in payment of permits, fees, charges and other areas. In response all entities in the Group have closely reviewed bad and doubtful debt provisions at balance date to ensure that impairments have been identified and recognised.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 PERFORMANCE AGAINST BUDGET

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

The budget figures detailed below are those adopted by Council on 30 June 2019. 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
	2020 \$'000	2020 \$'000	2020 \$'000	%	
<b>Income</b>					
Rates and charges	299,881	301,765	1,884	1%	1
Statutory fees and fines					
Parking fines	41,234	38,196	(3,038)	(7%)	2
Other statutory fees and fines	14,771	13,694	(1,077)	(7%)	3
User fees					
Parking fees	55,990	46,638	(9,352)	(17%)	4
Other user fees	22,863	24,513	1,650	7%	5
Grants - operating	11,070	19,484	8,414	76%	6
Grants - capital	35,435	24,963	(10,472)	(30%)	7
Contributions - monetary	22,302	39,805	17,503	78%	8
Net gain on disposal of property, infrastructure, plant and equipment	988	23,604	22,616	2289%	9
Fair value adjustments for investment properties	-	5,378	5,378	100%	10
Other income	18,478	18,659	181	1%	
<b>Total Income</b>	<b>523,012</b>	<b>556,699</b>	<b>33,687</b>	<b>6%</b>	
<b>Expenses</b>					
Employee costs	170,653	169,799	854	1%	
Materials and services	184,425	196,745	(12,320)	(7%)	11
Depreciation	57,895	61,048	(3,153)	(5%)	12
Amortisation - intangible assets	10,828	9,726	1,102	10%	12
Amortisation - right of use assets	-	2,350	(2,350)	0%	13
Bad and doubtful debts	8,644	14,464	(5,820)	(67%)	14
Borrowing costs	808	339	469	58%	
Finance costs - leases	-	187	(187)	0%	13
Other expenses	6,870	6,596	274	4%	
Grants and contributions	13,429	22,450	(9,021)	(67%)	15
<b>Total Expenses</b>	<b>453,552</b>	<b>483,704</b>	<b>(30,152)</b>	<b>(7%)</b>	
<b>Surplus for the year</b>	<b>69,460</b>	<b>72,995</b>	<b>3,535</b>	<b>5%</b>	

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## Explanation of material variations

Ref.	Item	Explanation
1	<i>Rates and charges</i>	Due to higher supplementary rates revenue
2	<i>Parking fines</i>	Less infringement notices issued as a result of COVID-19 impact (particularly in March/April with red sign enforcement only)
3	<i>Other statutory fees and fines</i>	Lower construction and parking permits revenue as a result COVID-19 impact
4	<i>Parking fees</i>	Less parking fees revenue as a result of loss of parking spaces and COVID-19 impact
5	<i>Other user fees</i>	Higher building service revenue is partially offset by lower fees that include registration and permits, recreation and childcare as a result of COVID-19 impact
6	<i>Grants - operating</i>	Due to additional funding received for COVID-19 to provide additional cleaning and "city greening" grants from Working for Victoria Fund (\$5.4 million), International food fund vouchers (\$1.0 million), and cost recovery grants for West Gate Tunnel and Metro Rail projects (\$0.7 million)
7	<i>Grants - capital</i>	Funding received for the Protective Security Enhancement Project was lower in year 2019-20 (based on milestones)
8	<i>Contributions - monetary</i>	Largely due to Public Open Space contributions received
9	<i>Net gain on disposal of property, infrastructure, plant and equipment</i>	Includes compensation received from the sale of City Square and lane ways
10	<i>Fair value adjustments for investment properties</i>	This reflects a general market increment of property (land and buildings) valuations.
11	<i>Materials and services</i>	Due mainly to additional cleaning services provided in relation to COVID-19 impact and costs associated with Southbank Boulevard upgrading project
12	<i>Depreciation</i>	The unfavourable variance is driven by the timing of capitalisation of projects (more WIP capitalised in year 2019-20 than budget)
13	<i>Leasing Costs</i>	New reporting categories (unbudgeted) as per the adoption of new accounting standard (Budget in leasing costs in other expense)
14	<i>Bad and doubtful debts</i>	Due to higher than expected parking infringement provision costs as a result of less collectability given COVID-19 impacts
15	<i>Grants and contributions</i>	Increase due to COVID-19 Economic Assistance Grants Package support

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## 1.2 Capital works

Council	Budget	Actual	Variance		Ref
	2020 \$'000	2020 \$'000	2020 \$'000	%	
<b>Property</b>					
Land	-	6	(6)	100%	
<b>Total Land</b>	<b>-</b>	<b>6</b>	<b>(6)</b>	<b>100%</b>	
<b>Buildings</b>					
Buildings	7,427	9,189	(1,762)	(24%)	1
Heritage buildings	7,052	3,704	3,348	47%	2
Building improvements	30,349	28,738	1,611	5%	3
<b>Total Buildings</b>	<b>44,828</b>	<b>41,631</b>	<b>3,197</b>	<b>7%</b>	
<b>Total Property</b>	<b>44,828</b>	<b>41,637</b>	<b>3,191</b>	<b>8%</b>	
<b>Plant &amp; Equipment</b>					
Plant & equipment	4,327	3,411	916	21%	
Fixtures, fittings & furniture	1,507	1,587	(80)	(5%)	
Computers and telecommunications	17,383	14,722	2,661	15%	4
Library books	1,400	1,500	(100)	(7%)	
<b>Total Plant &amp; Equipment</b>	<b>24,617</b>	<b>21,220</b>	<b>3,397</b>	<b>14%</b>	
<b>Infrastructure</b>					
Roads	9,389	8,758	631	7%	
Bridges	555	554	1	0%	
Footpaths and cycleways	14,549	10,135	4,414	30%	5
Drainage	6,962	6,340	622	9%	
Recreational, leisure and community facilities	3,290	1,527	1,763	54%	6
Parks, open space and streetscapes	55,655	17,825	37,830	68%	7
Other Structures	32,665	15,523	17,142	52%	8
<b>Total Infrastructure</b>	<b>123,065</b>	<b>60,662</b>	<b>62,403</b>	<b>51%</b>	
<b>Total Capital Works Expenditure</b>	<b>192,510</b>	<b>123,519</b>	<b>68,991</b>	<b>36%</b>	
<b>Represented by:</b>					
New asset expenditure	79,896	38,116	41,780	52%	
Asset renewal expenditure	50,011	52,090	(2,079)	(4%)	
Asset expansion expenditure	34,849	13,567	21,282	61%	
Asset upgrade expenditure	27,754	19,746	8,008	29%	
<b>Total Capital Works Expenditure</b>	<b>192,510</b>	<b>123,519</b>	<b>68,991</b>	<b>36%</b>	

Out of the \$69.0 million variance in total capital works expenditure, \$23.2 million will be carried forward to 2020-21 (2019: \$26.6 million was carried forward to 2019-20) (refer to Note 5.1 (b) other financial assets). Budgeted funds not spent or carried forward to next financial year relate to delays due to COVID-19, planned deferrals and project postponements. Required project funding will be included in future budgets.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## i. Explanation of material variations

	Item	Explanation
1	<i>Buildings</i>	Works brought forward at City Baths due to site closure allowing contractors on site without disruption to operations (\$1.7 million).
2	<i>Heritage Buildings</i>	Town Hall Buildings Restoration and Refurbishment works paused indefinitely until the effects of COVID-19 are understood (\$1.4 million). Bourke Street Precinct Redevelopment works paused due to the office accommodation Expression of Interests (EOI) (\$1.2 million); direction of the project will be determined after the outcome of the EOI process. Melbourne City DNA Fitout and Service Delivery delayed due to COVID-19 (\$0.5 million); construction is now due to be completed during the 2020-21 financial year.
3	<i>Building improvements</i>	Queen Victoria Market Precinct Renewal over budget due to an unbudgeted payment of the Munro Site Open Space Levy (\$6.4 million); this was partially offset by delays due to recommendation of the Committee of Trustees last year to defer the shed restoration works (\$5.0 million). Lady Huntingfield Child Care Centre behind due to construction delays (\$1.7 million); project is now due to be completed September 2020. Munro Community Hub has been put on hold due to COVID-19 (\$1.8 million).
4	<i>Computers and telecommunications</i>	Information technology works delayed due to scope clarification (\$2.0 million); it is anticipated these projects will be completed during the 2020-21 financial year.
5	<i>Footpaths and cycleways</i>	Exhibition Street Bike Lane surplus due to scope clarification and seeking approvals from Department of Transport (\$2.4 million); 2020-21 budget is available to complete the project next financial year. Major Streetscapes surplus as a result of works paused due to COVID-19 (\$2.2 million).
6	<i>Recreational, leisure &amp; community facilities</i>	Community Sporting Pavilion Design Works delayed due to community consultation with the Parkville community groups (\$0.6 million); funds have been carried forward to complete the design development of Brens and Ryder pavilions to tender stage (\$0.3 million). Princes Hill Tennis Club Courts Renewal carried forward to 2020-21 due to scope change per community feedback (\$0.3 million).
7	<i>Parks, open space &amp; streetscapes</i>	Southbank Boulevard surplus funds due to previous delays experienced on Package One carried forward from 2018-19 (\$6.8 million) in addition to assets constructed and handed over to third parties (\$7.1 million) Southbank Promenade Stage One placed on hold to minimise disruption in the area due to a number of major construction projects underway and/or planned (\$4.9 million). Market Street Open Space delayed due to access to site (\$3.2 million); Lincoln Square Landscape Concept Plan (\$2.0 million) and JJ Holland Park Playground (\$1.5 million) currently on hold; North Bank Open Space and Public Realm Projects (\$1.6 million) delayed due to external authority approvals carried forward to 2020-21.
8	<i>Other Structures</i>	Delay in design and installation of Vehicle Security Barriers across Southbank Boulevard, Southbank Promenade and Federation Square mainly due to external authority approvals and latent conditions (\$15.6 million); this program is externally funded from the Department of Justice and Community Safety and will be delivered by March 2021.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 2 ANALYSIS OF COUNCIL RESULTS BY PROGRAM

Council delivers its functions and activities through the following groups.

- Executive Services
- Finance & Corporate
- Capital Projects & Infrastructure
- City Design
- Strategy Planning & Climate Change
- Community & City Services
- City Economy and Activation
- Governance & Organisation Development

For more information on our groups and their functions, refer to annual report Our Functions.

## Summary of revenues, expenses, assets and capital expenses by program

2020	Income	Expenses	Surplus/ (Deficit)	Grants Income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
Executive Services	20,431	22,474	(2,043)	83	-
Finance & Corporate	328,054	79,331	248,723	3,518	3,070,528
Capital Projects & Infrastructure	72,331	159,037	(86,706)	29,608	1,539,790
City Design	824	4,226	(3,402)	817	-
Strategy Planning & Climate Change	56,355	22,126	34,229	332	390
Community & City Services	67,303	92,310	(25,007)	7,025	259
City Economy and Activation	10,865	85,561	(74,696)	3,064	50,813
Governance & Organisation Development	536	18,639	(18,103)	-	-
<b>Total</b>	<b>556,699</b>	<b>483,704</b>	<b>72,995</b>	<b>44,447</b>	<b>4,661,780</b>

2019	Income	Expenses	Surplus/ (Deficit)	Grants Income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
Executive Services	8,127	11,124	(2,997)	13,770	-
Finance & Corporate	311,047	84,762	226,285	3,877	2,962,916
Capital Projects & Infrastructure	64,299	149,540	(85,241)	8,934	1,452,190
City Design	636	5,109	(4,473)	573	-
Strategy Planning & Climate Change	45,509	23,953	21,556	4,664	428
Community & City Services	66,828	88,589	(21,761)	5,588	116
City Economy and Activation	12,756	78,880	(66,124)	3,302	50,218
Governance & Organisation Development	858	17,874	(17,016)	-	-
<b>Total</b>	<b>510,060</b>	<b>459,831</b>	<b>50,229</b>	<b>40,708</b>	<b>4,465,868</b>

Note: The City of Melbourne completed a restructure of its operations during the 2019-20 financial year. Comparative data for the 2018-19 financial year has been adjusted to align with the new structure.

## NOTE 3 FUNDING FOR THE DELIVERY OF OUR SERVICES

## 3.1. 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 2019-20 was \$6.9 billion (2018-19 \$6.6 billion).

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Residential	121,006	110,277	121,237	110,526
Non-residential	176,396	171,765	176,396	171,765
Culture & recreational	451	440	451	440
Supplementary rates and rate adjustments	3,093	3,449	3,093	3,449
Interest on Rates & Charges	588	653	588	653
	<b>301,534</b>	<b>286,584</b>	<b>301,765</b>	<b>286,833</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020 and the valuation will be first applied in the rating year commencing 1 July 2020.

Annual rates and charges are recognised as revenue when Council issues annual rates notices. Supplementary rates are recognised when a valuation is returned and supplementary rates notices are issued.

## 3.2. Statutory fees and fines

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Infringements and costs				
Parking fines	38,196	38,532	38,196	38,532
<b>Total parking fines</b>	<b>38,196</b>	<b>38,532</b>	<b>38,196</b>	<b>38,532</b>
Infringements and costs				
General fines	1,988	2,667	1,988	2,667
Town planning fees	6,062	5,557	6,062	5,557
Land Information Certificates	217	207	217	207
Permits	1,901	2,143	1,901	2,143
Food and Health Act registration	3,526	3,548	3,526	3,548
<b>Total other statutory fees and fines</b>	<b>13,694</b>	<b>14,122</b>	<b>13,694</b>	<b>14,122</b>
<b>Total statutory fees and fines</b>	<b>51,890</b>	<b>52,654</b>	<b>51,890</b>	<b>52,654</b>

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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## 3.3. User fees

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Parking	50,397	58,731	46,638	54,474
<b>Total parking fees</b>	<b>50,397</b>	<b>58,731</b>	<b>46,638</b>	<b>54,474</b>
Aged and health services	309	322	309	322
Leisure centre and recreation	3,141	4,187	3,143	4,191
Child care/children's programs	1,479	2,031	1,479	2,031
Registration and other permits	922	2,115	922	2,115
Building services	14,260	13,134	14,260	13,134
Waste management services	618	568	618	568
Berthing	470	635	470	635
Other fees and charges	3,312	3,335	3,312	3,335
<b>Total other user fees</b>	<b>24,511</b>	<b>26,327</b>	<b>24,513</b>	<b>26,331</b>
<b>Total user fees</b>	<b>74,908</b>	<b>85,058</b>	<b>71,151</b>	<b>80,805</b>

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

## 3.4. Funding from other levels of government

Grants were received in respect of the following:

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Summary of Grants</b>				
Commonwealth funded grants	7,321	7,480	7,321	7,480
State funded grants	37,126	33,228	37,126	33,228
<b>Total grants received</b>	<b>44,447</b>	<b>40,708</b>	<b>44,447</b>	<b>40,708</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

**(a) Operating grants**

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Recurrent - Commonwealth Government</b>				
General home care	2,457	2,158	2,457	2,158
Financial Assistance Grant	3,368	3,778	3,368	3,778
Other	23	38	23	38
<b>Recurrent - State Government</b>				
Aged care	757	1,224	757	1,224
Libraries	1,008	983	1,008	983
Maternal & Child Health	972	889	972	889
Pre School Services	284	323	284	323
Support Services for Families	795	638	795	638
Disability Services Grant	73	145	73	145
Arts Programs	470	854	470	854
Events	150	20	150	20
Other	697	612	697	612
<b>Total Recurrent Operating Grants</b>	<b>11,054</b>	<b>11,662</b>	<b>11,054</b>	<b>11,662</b>
<b>Non-recurrent - Commonwealth Government</b>				
Other	109	355	109	355
<b>Non-recurrent - State Government</b>				
Roads & Streets	348	462	348	462
Resilience	285	309	285	309
Arts Programs	83	995	83	995
Other*	7,605	14,044	7,605	14,044
<b>Total Non-recurrent Operating Grants</b>	<b>8,430</b>	<b>16,165</b>	<b>8,430</b>	<b>16,165</b>
<b>Total Operating Grants</b>	<b>19,484</b>	<b>27,827</b>	<b>19,484</b>	<b>27,827</b>

\* Other non-recurrent operating grants relate to COVID-19 impact (\$6.4 million) in 2019-20 and compensation funding to Metro Tunnel project in 2018-19.

Council provided the Queen Victoria Market Pty Ltd with a \$1.9 million Quick Response Grant to provide all market stall holders 100% rent relief for the period April to June 2020 as part of the COVID-19 Trader's Support Package. The grant was eliminated on consolidation.

**(b) Capital grants**

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Recurrent - Commonwealth Government</b>				
Roads to recovery	469	324	469	324
Road & Streets	744	728	744	728
<b>Recurrent - State Government</b>				
Parking Levy	7,000	7,000	7,000	7,000
<b>Total Recurrent Capital Grants</b>	<b>8,213</b>	<b>8,052</b>	<b>8,213</b>	<b>8,052</b>
<b>Non-recurrent - Commonwealth Government</b>				
Other	151	99	151	99
<b>Non-recurrent - State Government</b>				
Public Security	14,583	2,700	14,583	2,700
Park & Gardens	496	2,030	496	2,030
Children's Centre construction	1,520	-	1,520	-
	16,599	4,730	16,599	4,730
<b>Total Non-recurrent Capital Grants</b>	<b>16,750</b>	<b>4,829</b>	<b>16,750</b>	<b>4,829</b>
<b>Total Capital Grants</b>	<b>24,963</b>	<b>12,881</b>	<b>24,963</b>	<b>12,881</b>



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Operating</b>				
Balance at start of year	2,296	1,930	2,296	1,930
Received during the financial year and remained unspent at balance date	963	988	963	988
Received in prior years and spent during the financial year	(2,237)	(622)	(2,237)	(622)
Balance at year end	<b>1,022</b>	<b>2,296</b>	<b>1,022</b>	<b>2,296</b>
<b>Capital</b>				
Balance at start of year	2,654	150	2,654	150
Received during the financial year and remained unspent at balance date	545	2,504	545	2,504
Received in prior years and spent during the financial year	(1,441)	-	(1,441)	-
Balance at year end	<b>1,758</b>	<b>2,654</b>	<b>1,758</b>	<b>2,654</b>

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

## 3.5 Contributions

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Public Open Space	34,510	19,012	34,510	19,012
Child Care Benefit	2,194	2,420	2,194	2,420
Sponsorships	1,000	978	990	968
Non-Government Capital	1,688	3,245	1,688	3,245
Other Contributions	423	663	423	663
<b>Total Contributions - Monetary</b>	<b>39,815</b>	<b>26,318</b>	<b>39,805</b>	<b>26,308</b>
Land	-	2,851	-	2,851
Infrastructure	-	446	-	446
<b>Total Contributions - Non Monetary</b>	<b>-</b>	<b>3,297</b>	<b>-</b>	<b>3,297</b>

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed assets. Public Open Space has received additional external funding in 2019-20 including Spencer Street, Munro Site redevelopment and Southbank Boulevard projects.

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Land &amp; Buildings</b>				
Proceeds of sales*	24,010	467	24,010	467
Written down value of assets disposed	(406)	(273)	(406)	(273)
Gain on sale	23,604	194	23,604	194
<b>Plant and Equipment</b>				
Proceeds of sales	1,172	1,331	-	-
Written down value of assets disposed	(1,191)	(1,703)	-	(371)
Gain/(Loss) on sale	(19)	(372)	-	(371)
Proceeds of sale	25,182	1,798	24,010	467
Written down value of assets disposed	(1,597)	(1,976)	(406)	(644)
<b>Total net gain on disposal of property, infrastructure, plant and equipment*</b>	<b>23,585</b>	<b>(178)</b>	<b>23,604</b>	<b>(177)</b>

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

\* Proceeds of sales includes \$14.9 million received as final settlement in the compulsory acquisition of the City Square for the development of the Metro Tunnel.

## 3.7. Other income

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Interest	2,357	4,268	2,290	4,155
Dividends	63	73	2,063	3,273
Investment property/market rentals*	20,026	23,337	5,701	6,404
Intercompany revenue	-	-	2,506	3,034
Sales & recoveries**	196,446	184,278	5,732	8,441
Project income	367	296	367	296
<b>Total Other Income</b>	<b>219,259</b>	<b>212,252</b>	<b>18,659</b>	<b>25,603</b>

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 \$14.3 million for 2019-20 (2018-19: \$16.9 million).

\*\* Consolidated income includes Citywide Services revenue for rendering of contractual services of \$188.7 million for 2019-20 (2018-19: \$172.9 million).

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 4 THE COST OF DELIVERING SERVICES

## 4.1. Employee costs

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Wages and salaries	212,183	207,213	136,067	132,546
WorkCover	3,997	3,134	1,924	1,673
Superannuation contributions	21,446	20,877	14,912	14,497
Fringe benefit tax	571	545	414	467
Annual leave and long service leave	21,839	20,594	16,482	15,167
	<b>260,036</b>	<b>252,363</b>	<b>169,799</b>	<b>164,350</b>

Wages and salaries include \$1.5 million in redundancy costs for Council following a corporate restructure in November 2019 and \$0.4 million redundancy costs related to termination of loss making contracts from Citywide NSW operations.

## Superannuation contributions

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Defined benefit fund</b>				
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	174	171	174	171
Melbourne City Council Superannuation sub-plan (Vision Super)	1,007	1,111	809	927
	<b>1,181</b>	<b>1,282</b>	<b>983</b>	<b>1,098</b>
<b>Accumulation funds</b>				
Employer contributions to Vision Super	10,756	10,535	7,903	8,231
Employer contributions - other funds	9,509	9,060	6,026	5,168
	<b>20,265</b>	<b>19,595</b>	<b>13,929</b>	<b>13,399</b>
<b>Total Superannuation contributions</b>	<b>21,446</b>	<b>20,877</b>	<b>14,912</b>	<b>14,497</b>
Employer contributions payable at reporting date	<b>628</b>	<b>755</b>	-	-

Refer to Note 9.3 for further information relating to Council's superannuation obligations.

## 4.2. Materials and services

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Contract payments				
Capital Projects and Infrastructure	82,024	78,742	82,024	78,742
City Economy and Activation	18,481	18,964	18,481	18,964
Finance and Corporate	16,315	13,261	16,315	13,261
Community and City Services	17,484	11,738	17,484	11,738
Other	21,065	10,040	3,719	5,643
Building maintenance	459	837	430	555
General maintenance	34,164	34,540	20,468	19,523
Utilities	11,596	13,111	8,204	9,202
Administration/Supplies	63,195	60,328	9,912	10,322
Information technology	8,671	8,336	5,966	5,938
Insurance	2,855	4,264	1,333	1,918
Consultants	15,610	19,566	12,409	14,196
	<b>291,919</b>	<b>273,727</b>	<b>196,745</b>	<b>190,002</b>

Contract payments – Other include \$0.5 million related to the termination of loss making contracts for Citywide NSW.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## 4.3. Depreciation

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Property	9,239	9,069	8,383	8,159
Plant and equipment	19,251	20,421	7,549	8,108
Infrastructure	45,116	41,679	45,116	41,679
<b>Total depreciation</b>	<b>73,606</b>	<b>71,169</b>	<b>61,048</b>	<b>57,946</b>

Refer to Note 6.2 for a more detailed breakdown of depreciation charges and accounting policy.

## 4.4. Amortisation/Impairment – Intangible assets

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Software	9,975	14,613	9,726	14,608
Goodwill	4,543	75	-	-
<b>Total amortisation/Impairment - intangible assets</b>	<b>14,518</b>	<b>14,688</b>	<b>9,726</b>	<b>14,608</b>

Refer to Note 5.2(c) for a more detailed breakdown of amortisation charges.

## 4.5. Amortisation – Right of Use assets

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Property	4,449	-	1,995	-
Vehicles	1,930	-	355	-
<b>Total amortisation - Right of Use assets</b>	<b>6,379</b>	<b>-</b>	<b>2,350</b>	<b>-</b>

Refer to Note 5.8 for a more detailed breakdown of Right of Use assets amortisation charges and accounting policy.

## 4.6 Bad and doubtful debts

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Parking fine debtors	13,879	12,573	13,879	12,573
Trade debtors	624	(89)	585	(88)
<b>Total bad and doubtful debts</b>	<b>14,503</b>	<b>12,484</b>	<b>14,464</b>	<b>12,485</b>

Movement in doubtful debts - parking infringements	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	67,754	15,458	67,754	15,458
Prior year adjustment (AASB 9 transition)*	-	42,753	-	42,753
New provisions recognised during the year	13,879	12,573	13,879	12,573
Amounts already provided for and written off as uncollectible	(377)	(1,396)	(377)	(1,396)
Amounts provided for but recovered during the year	44	(1,634)	44	(1,634)
<b>Balance at the end of the year</b>	<b>81,300</b>	<b>67,754</b>	<b>81,300</b>	<b>67,754</b>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward-looking information in determining the level of impairment.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

\* 2019 relates to AASB 9: Financial Instruments standard application for credit loss, which resulted in one-off adjustment to parking infringements debtors, provision for doubtful debt and parking fine debtors.

**4.7. Borrowing costs**

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Interest - borrowings	542	1,031	339	961
	<b>542</b>	<b>1,031</b>	<b>339</b>	<b>961</b>

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.

**4.8. Finance costs - Leases**

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Interest - lease liabilities	583	-	187	-
	<b>583</b>	<b>-</b>	<b>187</b>	<b>-</b>

Refer to Note 5.8 for a more detailed breakdown of lease finance costs and accounting policy.

**4.9. Other expenses**

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Auditors remuneration - VAGO- audit of financial statements	235	235	150	150
Audit services - external acquittal and assessment	156	45	131	25
Audit services - internal	441	340	208	207
Fire brigade levy	130	213	130	213
Taxes & Levies	4,453	1,711	3,322	433
Operating lease rental*	-	5,006	-	2,181
Other costs	2,997	2,048	2,655	1,891
	<b>8,412</b>	<b>9,598</b>	<b>6,596</b>	<b>5,100</b>

\* Operating lease rental included in Note 4.5 Amortisation – Right of Use assets, 4.8 Finance costs – Leases and 5.8 Leases in 2019-20.

**4.10. Grants and Contributions**

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Arts grant	6,582	4,866	6,582	4,866
Tourism and events	2,855	2,825	2,855	2,825
Economic development	7,578	2,189	7,578	3,728
Community and city services	2,071	1,806	3,971	1,806
Other	1,464	1,921	1,464	1,154
	<b>20,550</b>	<b>13,607</b>	<b>22,450</b>	<b>14,379</b>

Council has paid \$8.0 million COVID-19 funding from March 2020, including \$5.2 million Quick Response Business grants, \$2.5 million Arts Grants and \$0.7 million other special grants.

## NOTE 5 OUR FINANCIAL POSITION

## 5.1. 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 three months or less, net of outstanding bank overdrafts.

## (b) Other financial assets

Other financial assets are valued at fair value (refer to Note 8.4) 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>(a) Cash and Cash Equivalents</b>				
Cash on hand	42	50	32	23
Cash at bank	45,976	61,717	34,567	52,506
Term deposits	8,000	67,000	8,000	67,000
<b>Total Cash and cash equivalents</b>	<b>54,018</b>	<b>128,767</b>	<b>42,599</b>	<b>119,529</b>
<b>(b) Other financial assets</b>				
Term deposits - current	65,750	23,748	64,000	21,000
Term deposits - non current*	63,488	32,965	63,488	32,965
<b>Total other financial assets</b>	<b>129,238</b>	<b>56,713</b>	<b>127,488</b>	<b>53,965</b>
<b>Total financial assets</b>	<b>183,256</b>	<b>185,480</b>	<b>170,087</b>	<b>173,494</b>

\* Term deposit – non current is comprised of term deposits with maturity over 12 months (\$30.0 million in 2019-20; \$0 in 2018-19) and the Acquisition Trust funds created in relation to compulsory sale of City Square assets by Rail Projects (\$33.5 million in 2019-20; \$33.0 million in 2018-19). The Acquisition Trust funds received have been placed in a trust account until the City Square land is handed back to City of Melbourne.

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

	Consolidated			Council	
	2020 \$'000	2019 \$'000	Note	2020 \$'000	2019 \$'000
Trust funds and deposits	16,669	10,806	5.3	14,742	8,859
Acquisition Trust*	33,488	32,965		33,488	32,965
Reserve funds (Public Open Space)	63,625	37,606	9.1	63,625	37,606
<b>Total restricted funds</b>	<b>113,782</b>	<b>81,377</b>		<b>111,855</b>	<b>79,430</b>
<b>Unrestricted funds</b>	<b>69,474</b>	<b>104,103</b>		<b>58,232</b>	<b>94,064</b>
<b>Total Council funds</b>	<b>183,256</b>	<b>185,480</b>		<b>170,087</b>	<b>173,494</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

**Intended allocations**

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash held to fund carried forward capital works	23,624	33,463	23,189	26,566
<b>Total funds subject to intended allocations</b>	<b>23,624</b>	<b>33,463</b>	<b>23,189</b>	<b>26,566</b>

**(c) Trade and other receivables**

Current	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Statutory receivables</b>				
Rate debtors	15,045	5,844	15,045	5,844
Infringement debtors	88,321	78,440	88,321	78,440
Provision for doubtful debts - Infringements	(81,300)	(67,754)	(81,300)	(67,754)
<b>Non statutory receivables</b>				
Trade debtors*	32,394	46,721	8,284	21,365
Provision for doubtful debts - Trade debtors	(1,342)	(993)	(856)	(270)
Net GST receivable	3,627	2,261	7,260	5,288
<b>Total current trade and other receivables</b>	<b>56,745</b>	<b>64,519</b>	<b>36,754</b>	<b>42,913</b>

\*Consolidated trade debtors includes Citywide trade receivables of \$21.1 million (2019: \$20.9 million).

Short term receivables are recognised at the 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.

**(d) Ageing of receivables (trade debtors)**

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current (not yet due)	28,775	41,568	6,577	19,891
Past due by up to 30 days	1,397	3,445	312	1,004
Past due between 31 and 180 days	1,542	1,253	1,038	318
Past due between 181 and 365 days	467	226	329	148
Past due by more than 1 year	213	229	28	4
<b>Total trade and other receivables</b>	<b>32,394</b>	<b>46,721</b>	<b>8,284</b>	<b>21,365</b>

**(e) Ageing of individually impaired receivables**

At balance date, other debtors representing financial assets with a nominal value of \$1.3 million (2019 \$1.0 million) were impaired. The amount of the provision raised against these debtors was \$0.3 million (2019: \$0.1 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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Current (not yet due)	310	144	200	-
Past due by up to 30 days	98	70	-	-
Past due between 31 and 180 days	238	445	223	78
Past due between 181 and 365 days	542	275	332	133
Past due by more than 1 year	154	59	101	59
<b>Total</b>	<b>1,342</b>	<b>993</b>	<b>856</b>	<b>270</b>

## 5.2. Non-financial assets

### (a) Inventories

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Inventory held for distribution	712	561	-	-
<b>Total inventories</b>	<b>712</b>	<b>561</b>	<b>-</b>	<b>-</b>

Inventory includes stores and raw materials. These are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at reporting date using the weighted average cost method. The cost of purchase comprises the purchase price including taxes (other than those subsequently recoverable by the entity from the taxing authorities) transport, handling and other costs directly attributable to the acquisition of raw materials. Volume discounts and rebates are included in determining the cost of purchase. Net realisable value represents the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### (b) Other assets

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Prepayments	4,375	3,044	2,889	1,455
Accrued income	18,381	3,959	10,795	1,800
<b>Total other assets</b>	<b>22,756</b>	<b>7,003</b>	<b>13,684</b>	<b>3,255</b>



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## (c) Intangible assets

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Software	43,075	38,883	41,886	36,884
Goodwill	19,101	23,545	-	-
	<b>62,176</b>	<b>62,428</b>	<b>41,886</b>	<b>36,884</b>

Consolidated	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>				
Balance at 30 June 2019	77,174	28,342	1,500	<b>107,016</b>
Additions	16,194	98	-	<b>16,292</b>
WIP	(2,214)	-	-	<b>(2,214)</b>
Balance at 30 June 2020	<b>91,154</b>	<b>28,440</b>	<b>1,500</b>	<b>121,094</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 30 June 2019	(38,291)	(4,796)	(1,500)	<b>(44,587)</b>
Amortisation expense	(9,788)	-	-	<b>(9,788)</b>
Impairment expense	-	(4,543)	-	<b>(4,543)</b>
Balance at 30 June 2020	<b>(48,079)</b>	<b>(9,339)</b>	<b>(1,500)</b>	<b>(58,918)</b>
Net book value at 30 June 2019	38,883	23,546	-	<b>62,429</b>
Net book value at 30 June 2020	43,075	19,101	-	<b>62,176</b>

Council	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>				
Balance at 30 June 2019	74,927	-	-	<b>74,927</b>
Additions	16,942	-	-	<b>16,942</b>
WIP	(2,214)	-	-	<b>(2,214)</b>
Balance at 30 June 2020	<b>89,655</b>	<b>-</b>	<b>-</b>	<b>89,655</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 30 June 2019	(38,043)	-	-	<b>(38,043)</b>
Amortisation expense	(9,726)	-	-	<b>(9,726)</b>
Balance at 30 June 2020	<b>(47,769)</b>	<b>-</b>	<b>-</b>	<b>(47,769)</b>
Net book value at 30 June 2019	36,884	-	-	<b>36,884</b>
Net book value at 30 June 2020	41,886	-	-	<b>41,886</b>

\*Goodwill amortisation includes a write-down for impairment loss on goodwill for Citywide NSW of \$4.5 million. This was the result of poor market conditions throughout the year in NSW which was further impacted by COVID-19.

All intangible assets (except goodwill) 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 ended 30 June 2020.

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:

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$'000	\$'000
Victoria Operations	9,588	9,490
NSW/ACT Operations	3,325	7,868
Technigro	6,188	6,188
	<b>19,101</b>	<b>23,546</b>

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 Victoria and Technigro CGU's was determined to be in excess of the carrying value and therefore no impairment was recognised. The NSW/ACT CGU continued to deteriorate leading to the recognition of an impairment loss. This was the result of poor market conditions in NSW throughout the year however further impacted by COVID-19 through service level reductions.

#### Key assumptions used in the discounted cash flow projections

Future cash flows have been based on the 2020-21 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2020	2019
Discount Rate	9.00%	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 2020-21 budget. The terminal growth rate in EBITDA is estimated by management using past experience and expectations for the future.

### 5.3. Payables

#### (a) Trade and other payables

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Trade payables	36,019	22,129	19,789	8,094
Accrued operating expenses	48,823	45,729	30,850	32,763
Accrued capital work expenses	9,406	10,554	12,855	18,273
	<b>94,248</b>	<b>78,412</b>	<b>63,494</b>	<b>59,130</b>

#### (b) Trust funds and deposits

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Refundable deposits	7,312	4,945	7,124	4,757
Fire services levy	5,854	2,726	5,854	2,726
Retention amount	91	113	91	113
Other refundable deposits	335	463	285	398
	<b>13,592</b>	<b>8,247</b>	<b>13,354</b>	<b>7,994</b>
<b>Non Current</b>				
Refundable deposits	3,077	2,559	1,388	865
	<b>3,077</b>	<b>2,559</b>	<b>1,388</b>	<b>865</b>
<b>Total trust funds and deposits</b>	<b>16,669</b>	<b>10,806</b>	<b>14,742</b>	<b>8,859</b>

#### 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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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.

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.

**(c) Unearned income**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Grants received in advance - operating	965	-	965	-
Grants received in advance - capital	545	-	545	-
Other	7,701	7,841	5,181	4,650
	<b>9,211</b>	<b>7,841</b>	<b>6,691</b>	<b>4,650</b>

Refer to note 3.4.(c) for details of unspent grants.

**5.4. Interest-bearing liabilities**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Security deposits	-	150	-	-
<b>Non-current</b>				
Borrowing - secured*	-	28,482	-	28,482
<b>Total</b>	-	<b>28,632</b>	-	<b>28,482</b>
<b>Maturity profile for borrowing is:</b>				
Not later than one year	-	150	-	-
Later than one year and not later than five years	-	28,482	-	28,482

\* The Clean Energy Finance Corporation loan of \$28.5 million was fully paid in October 2019.

**5.5. Provisions**

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

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Current provisions</b>				
Employee provisions	45,988	44,471	34,403	33,144
Other provisions	2,955	2,696	1,814	1,847
	<b>48,943</b>	<b>47,167</b>	<b>36,217</b>	<b>34,991</b>
<b>Non-current provisions</b>				
Employee provisions	5,168	5,010	3,909	3,807
	<b>5,168</b>	<b>5,010</b>	<b>3,909</b>	<b>3,807</b>
<b>Total provisions</b>	<b>54,111</b>	<b>52,177</b>	<b>40,126</b>	<b>38,798</b>

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Below is a summary of provisions by categories:

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Employee provisions</b>				
Balance at the beginning of year	49,481	49,478	36,951	35,948
Additional provisions	21,839	20,594	16,482	15,167
Amounts used	(20,164)	(20,591)	(15,121)	(14,164)
Balance at the end of year	<b>51,156</b>	<b>49,481</b>	<b>38,312</b>	<b>36,951</b>
<b>Insurance claims</b>				
Balance at the beginning of year	1,847	1,158	1,847	1,158
Additional provisions	433	1,046	433	1,046
Amounts used	(466)	(357)	(466)	(357)
Balance at the end of year	<b>1,814</b>	<b>1,847</b>	<b>1,814</b>	<b>1,847</b>
<b>Other provisions</b>				
Balance at the beginning of year	849	540	-	-
Additional provisions	1,137	847	-	-
Amounts used	(845)	(538)	-	-
Balance at the end of year	<b>1,141</b>	<b>849</b>	-	-
<b>Total provisions</b>	<b>54,111</b>	<b>52,177</b>	<b>40,126</b>	<b>38,798</b>

**(a) Employee provisions**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Current provisions expected to be wholly settled within 12 months</b>				
Annual leave	16,986	15,487	11,248	10,860
Long service leave	2,727	2,681	1,812	1,749
	<b>19,713</b>	<b>18,168</b>	<b>13,060</b>	<b>12,609</b>
<b>Current provisions expected to be wholly settled after 12 months</b>				
Annual leave	65	71	-	-
Long service leave	26,210	26,232	21,343	20,535
	<b>26,275</b>	<b>26,303</b>	<b>21,343</b>	<b>20,535</b>
<b>Total current provisions</b>	<b>45,988</b>	<b>44,471</b>	<b>34,403</b>	<b>33,144</b>
<b>Non-Current</b>				
Long service leave	5,168	5,010	3,909	3,807
<b>Total non-current provisions</b>	<b>5,168</b>	<b>5,010</b>	<b>3,909</b>	<b>3,807</b>
<b>Aggregate carrying amount of employee provisions</b>				
Current	45,988	44,471	34,403	33,144
Non-current	5,168	5,010	3,909	3,807
<b>Total aggregate carrying amount of employee provisions</b>	<b>51,156</b>	<b>49,481</b>	<b>38,312</b>	<b>36,951</b>

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

*Long service leave*

Liability for long service leave (LSL) is recognised in the provision for employee benefits. 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	
	2020	2019	2020	2019
Discount rate	0.2%-0.9%	1.0%-1.5%	0.2%-0.9%	1.0%-1.3%
Inflation rate	2.0%-4.3%	2.0%-4.3%	2.0%-4.3%	2.0%-4.3%

**(b) Insurance claims and other provisions**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Insurance claims	1,814	1,847	1,814	1,847
Other provisions	1,141	849	-	-
	<b>2,955</b>	<b>2,696</b>	<b>1,814</b>	<b>1,847</b>

**5.6. Financing arrangements**

The Council has the following funding arrangements in place as at 30 June 2020.

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Bank overdraft facility	2,500	2,500	-	-
Credit card facilities	580	580	300	300
Bank loan facility*	111,200	102,100	75,000	75,000
Other financing facilities**	14,000	28,482	-	28,482
<b>Total facilities</b>	<b>128,280</b>	<b>133,662</b>	<b>75,300</b>	<b>103,782</b>
Used facilities	(13,603)	(28,539)	(2)	(28,493)
Unused facilities	114,677	105,123	75,298	75,289

\* Citywide's \$36.2 million bank loan facility (extended to July 2022) and Council's \$75 million floating rate loan facility with ANZ Bank. Details refer to Note 8.3 (d).

\*\* Loan from Clean Energy Finance Corporation paid out in October 2019

**5.7. 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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Council 2020	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
<b>Operating</b>					
Waste	19,590	19,466	58,398	14,773	112,227
Roads, Streets & Related Infrastructure	42,753	43			42,796
Energy & Utilities*	3,963	3,783	11,349	3,783	22,878
Parks & Gardens	15,511	-	-	-	15,511
Cleaning - Outdoor	12,500	237	-	-	12,737
Parking	8,026	2,630	-	-	10,656
Facilities & Maintenance	9,230	597	-	-	9,827
Community Services	5,966	-	-	-	5,966
Information Technology	2,568	1,010	965	-	4,543
Integrated Security Services, Infrastructure & Maintenance	4,337	-	-	-	4,337
Events	3,872	96	96	-	4,064
Cleaning - Indoor	2,523	-	-	-	2,523
Media & Advertising	2,464	19	3	-	2,486
Other categories	7,536	787	371	-	8,694
<b>Total</b>	<b>140,839</b>	<b>28,668</b>	<b>71,182</b>	<b>18,556</b>	<b>259,245</b>
<b>Capital</b>					
Building & Equipment	11,765	16,281	1,000	-	29,046
Parks & Gardens	411	-	-	-	411
<b>Total</b>	<b>12,176</b>	<b>16,281</b>	<b>1,000</b>	<b>-</b>	<b>29,457</b>

Updated with reclassification Council 2019	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
<b>Operating</b>					
Waste	15,702	2,544	-	-	18,246
Roads, Streets & Related Infrastructure	43,938	41,647	112	-	85,697
Property*	3,707	2,621	9	-	6,337
Parks & Gardens	19,521	14,689	-	-	34,210
Cleaning - Outdoor	13,882	10,292	-	-	24,174
Parking	7,796	5,025	1,215	-	14,036
Facilities & Maintenance	11,376	8,753	373	-	20,502
Community Services	6,320	967	3	-	7,290
Information Technology	2,046	1,450	2,542	-	6,038
Integrated Security Services, Infrastructure & Maintenance	4,588	2,592	-	-	7,180
Events	4,932	3,138	-	-	8,070
Cleaning - Indoor	3,287	2,476	-	-	5,763
Media & Advertising	3,056	1,026	-	-	4,082
Other categories	6,701	2,716	752	-	10,169
<b>Total</b>	<b>146,852</b>	<b>99,936</b>	<b>5,006</b>	<b>-</b>	<b>251,794</b>
<b>Capital</b>					
Building & Equipment	13,225	-	-	-	13,225
Parks & Gardens	-	-	-	-	-
<b>Total</b>	<b>13,225</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,225</b>

\* Some categories of 2019 commitments have been reclassified.

## 5.8. Leases

### Policy applicable before 1 July 2019

As lessees, the Group classifies leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

### Policy applicable after 1 July 2019

The Group has applied AASB 16 *Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The Group applied the approach consistently to all leases in which it is a lessee.

On transition to AASB 16 *Leases*, the Group elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The Group has applied this practical expedient to all of its contracts and therefore applied AASB 16 *Leases* only to contracts that were previously identified as leases.

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As lessees, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, the Group uses appropriate incremental borrowing rate as the discount rate (3% for 2019-20).

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Council currently has eight low value property leases (peppercorn) which are used in providing community services for parents, children and visitors to the city. Council has elected to apply the temporary option available under AASB 16 *Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

### Right of Use Assets

	2020	
	Consolidated \$'000	Council \$'000
<b>Property</b>		
Balance at 1 July 2019	-	-
Additions	24,381	7,065
Amortisation charges	(4,633)	(1,962)
<b>Balance at 30 June 2020</b>	<b>19,748</b>	<b>5,103</b>
<b>Fleet Vehicles</b>		
Balance at 1 July 2019	-	-
Additions	5,650	745
Amortisation charges	(1,755)	(355)
<b>Balance at 30 June 2020</b>	<b>3,895</b>	<b>390</b>
<b>Total Balance at 30 June 2020</b>	<b>23,643</b>	<b>5,493</b>

### Lease Liabilities

Maturity analysis – contractual undiscounted cash flows

	2020	
	Consolidated \$'000	Council \$'000
Less than one year	4,566	1,552
One year to five years	8,577	2,813
More than five years	3,427	1,867
<b>Total undiscounted lease liabilities as at 30 June 2020</b>	<b>16,570</b>	<b>6,232</b>



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Lease liability included in the Balance Sheet at 30 June 2020

	2020	
	Consolidated \$'000	Council \$'000
<b>Current</b>		
Property lease	1,291	1,135
Fleet lease	3,729	277
	<b>5,020</b>	<b>1,412</b>
<b>Non-current</b>		
Property lease	14,356	4,116
Fleet lease	3,638	121
	<b>17,994</b>	<b>4,237</b>
<b>Total Lease Liabilities</b>	<b>23,014</b>	<b>5,649</b>

### Short-term and low value leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*Expenses relating to:*

	2020	
	Consolidated \$'000	Council \$'000
Short-term leases	263	-
Leases of low value assets	680	680
<b>Total</b>	<b>943</b>	<b>680</b>

### *Non-cancellable lease commitments - Short-term and low-value leases*

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

	2020	
	Consolidated \$'000	Council \$'000
Within one year	-	680
Later than one year but not later than five years	-	1,907
<b>Total</b>	<b>-</b>	<b>2,587</b>

### Leases classified as operating leases under AASB 117 Leases

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all applicable leases.

The Group used the following practical expedients when applying AASB 16 *Leases* to leases previously classified as operating leases under AASB 117 *Leases*.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The Group is not required to make any adjustments on transition to AASB 16 *Leases* for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with AASB 16 *Leases* from the date of initial application.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## NOTE 6 ASSETS WE MANAGE

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## 6.1 Assets held for sale

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Carrying value as at 30 June	-	8,985	-	8,985
<b>Total non current assets classified as held for sale</b>	<b>-</b>	<b>8,985</b>	<b>-</b>	<b>8,985</b>

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

## 6.2 Property, infrastructure, plant and equipment

## a. Summary of Property, Infrastructure, Plant and Equipment

Consolidated	Fair Value 30 June 2019	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	Fair Value 30 June 2020
Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,379,256	33,741	-	109,799	(9,308)	(128)	-	2,513,360
Infrastructure	1,492,645	96,033	-	33,179	(45,023)	(295)	-	1,576,539
Plant & Equipment	72,599	27,169	-	-	(19,275)	(1,174)	-	79,319
Work in progress	124,850	137,944	-	-	-	-	(155,789)	107,005
<b>Total</b>	<b>4,069,350</b>	<b>294,887</b>	<b>-</b>	<b>142,978</b>	<b>(73,606)</b>	<b>(1,597)</b>	<b>(155,789)</b>	<b>4,276,223</b>

Council	Fair Value 30 June 2019	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	Fair Value 30 June 2020
Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,326,638	32,970	-	98,955	(8,386)	(111)	-	2,450,066
Infrastructure	1,492,645	96,033	-	33,179	(45,023)	(295)	-	1,576,539
Plant & Equipment	26,060	8,385	-	-	(7,639)	-	-	26,806
Work in progress	123,162	108,741	-	-	-	-	(128,716)	103,187
<b>Total</b>	<b>3,968,505</b>	<b>246,129</b>	<b>-</b>	<b>132,134</b>	<b>(61,048)</b>	<b>(406)</b>	<b>(128,716)</b>	<b>4,156,598</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

## b. Summary of Work in Progress

<b>Consolidated</b>	Balance 30 June 2019	Additions	Write offs	Transfers	Balance 30 June 2020
Category	\$'000	\$'000	\$'000	\$'000	\$'000
Property	23,280	81,717	-	(49,096)	55,901
Infrastructure	79,153	49,943	-	(96,056)	33,040
Plant & Equipment	22,417	6,284	-	(10,637)	18,064
<b>Total</b>	<b>124,850</b>	<b>137,944</b>	<b>-</b>	<b>(155,789)</b>	<b>107,005</b>

<b>Council</b>	Balance 30 June 2019	Additions	Write offs	Transfers	Balance 30 June 2020
Category	\$'000	\$'000	\$'000	\$'000	\$'000
Property	22,893	56,993	-	(23,985)	55,901
Infrastructure	79,153	49,943	-	(96,056)	33,040
Plant & Equipment	21,116	1,805	-	(8,675)	14,246
<b>Total</b>	<b>123,162</b>	<b>108,741</b>	<b>-</b>	<b>(128,716)</b>	<b>103,187</b>

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## 6.2. 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 2019	1,863,689	140,898	2,004,587	188,768	113,260	67,343	11,786	381,157	23,280	2,409,024
Accumulated depreciation 30 June 2019	-	-	-	-	-	-	(6,488)	(6,488)	-	(6,488)
<b>Fair Value 30 June 2019</b>	1,863,689	140,898	2,004,587	188,768	113,260	67,343	5,298	374,669	23,280	2,402,536
<b>Movements in Fair Value</b>										
Additions	13,755	-	13,755	2,759	14,145	2,335	747	19,986	81,717	115,458
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	78,166	32,325	110,491	4,294	(5,405)	419	-	(692)	-	109,799
Disposals	-	-	-	-	(160)	-	(4)	(164)	-	(164)
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(49,096)	(49,096)
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	91,921	32,325	124,246	7,053	8,580	2,754	743	19,130	32,621	175,997
<b>Movements in Accumulated Depreciation</b>										
Depreciation and amortisation	-	-	-	(3,285)	(3,495)	(1,656)	(872)	(9,308)	-	(9,308)
Accumulated depreciation on disposals	-	-	-	-	32	-	4	36	-	36
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	(3,285)	(3,463)	(1,656)	(868)	(9,272)	-	(9,272)
Fair value 30 June 2020	1,955,610	173,223	2,128,833	195,821	121,840	70,097	12,529	400,287	55,901	2,585,021
Accumulated depreciation 30 June 2020	-	-	-	(3,285)	(3,463)	(1,656)	(7,356)	(15,760)	-	(15,760)
<b>Fair Value/Written Down Value 30 June 2020</b>	1,955,610	173,223	2,128,833	192,536	118,377	68,441	5,173	384,527	55,901	2,569,261

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## 6.2. 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 2019	1,817,592	140,919	<b>1,958,511</b>	188,768	110,860	67,342	3,037	<b>370,007</b>	22,893	<b>2,351,411</b>
Accumulated depreciation 30 June 2019	-	-	-	-	-	-	(1,881)	<b>(1,881)</b>	-	<b>(1,881)</b>
<b>Fair Value 30 June 2019</b>	<b>1,817,592</b>	<b>140,919</b>	<b>1,958,511</b>	<b>188,768</b>	<b>110,860</b>	<b>67,342</b>	<b>1,156</b>	<b>368,126</b>	<b>22,893</b>	<b>2,349,530</b>
<b>Movements in Fair Value</b>										
Additions	13,755	-	<b>13,755</b>	2,759	13,952	2,335	169	<b>19,215</b>	56,993	<b>89,963</b>
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	78,166	21,481	<b>99,647</b>	4,294	(5,405)	419	-	<b>(692)</b>	-	<b>98,955</b>
Disposals	-	-	-	-	(111)	-	-	<b>(111)</b>	-	<b>(111)</b>
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(23,985)	<b>(23,985)</b>
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>91,921</b>	<b>21,481</b>	<b>113,402</b>	<b>7,053</b>	<b>8,436</b>	<b>2,754</b>	<b>169</b>	<b>18,412</b>	<b>33,008</b>	<b>164,822</b>
<b>Movements in Accumulated Depreciation</b>										
Depreciation and amortisation	-	-	-	(3,285)	(3,240)	(1,656)	(205)	<b>(8,386)</b>	-	<b>(8,386)</b>
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,285)</b>	<b>(3,240)</b>	<b>(1,656)</b>	<b>(205)</b>	<b>(8,386)</b>	<b>-</b>	<b>(8,386)</b>
Fair value 30 June 2020	1,909,513	162,400	<b>2,071,913</b>	195,821	119,296	70,096	3,206	<b>388,419</b>	55,901	<b>2,516,233</b>
Accumulated depreciation 30 June 2020	-	-	-	(3,285)	(3,240)	(1,656)	(2,086)	<b>(10,267)</b>	-	<b>(10,267)</b>
<b>Fair Value/Written Down Value 30 June 2020</b>	<b>1,909,513</b>	<b>162,400</b>	<b>2,071,913</b>	<b>192,536</b>	<b>116,056</b>	<b>68,440</b>	<b>1,120</b>	<b>378,152</b>	<b>55,901</b>	<b>2,505,966</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## 6.2. 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 2019	758,104	108,942	149,920	150,467	9,054	47,922	222,958	56,801	79,153	1,583,321
Accumulated depreciation 30 June 2019	-	-	-	-	(2,386)	-	-	(9,137)	-	(11,523)
<b>Fair Value 30 June 2019</b>	<b>758,104</b>	<b>108,942</b>	<b>149,920</b>	<b>150,467</b>	<b>6,668</b>	<b>47,922</b>	<b>222,958</b>	<b>47,664</b>	<b>79,153</b>	<b>1,571,798</b>
<b>Movements in Fair Value</b>										
Additions	26,868	842	13,273	10,859	3,751	5,614	33,257	1,569	49,943	145,976
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	38,536	3,381	10,229	(2,345)	(4,637)	(3,762)	(8,223)	-	-	33,179
Disposals	(295)	-	-	-	-	-	-	-	-	(295)
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(96,056)	(96,056)
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>65,109</b>	<b>4,223</b>	<b>23,502</b>	<b>8,514</b>	<b>(886)</b>	<b>1,852</b>	<b>25,034</b>	<b>1,569</b>	<b>(46,113)</b>	<b>82,804</b>
<b>Movements in Accumulated Depreciation</b>										
Depreciation and amortisation	(18,420)	(1,673)	(7,429)	(2,024)	(639)	-	(14,199)	(639)	-	(45,023)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(18,420)</b>	<b>(1,673)</b>	<b>(7,429)</b>	<b>(2,024)</b>	<b>(639)</b>	<b>-</b>	<b>(14,199)</b>	<b>(639)</b>	<b>-</b>	<b>(45,023)</b>
Fair value 30 June 2020	823,213	113,165	173,422	158,981	8,168	49,774	247,992	58,370	33,040	1,666,125
Accumulated depreciation 30 June 2020	(18,420)	(1,673)	(7,429)	(2,024)	(3,025)	-	(14,199)	(9,776)	-	(56,546)
<b>Fair Value/Written Down Value 30 June 2020</b>	<b>804,793</b>	<b>111,492</b>	<b>165,993</b>	<b>156,957</b>	<b>5,143</b>	<b>49,774</b>	<b>233,793</b>	<b>48,594</b>	<b>33,040</b>	<b>1,609,579</b>



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## 6.2. 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 2019	758,104	108,942	149,920	150,467	9,054	47,922	222,958	56,801	79,153	1,583,321
Accumulated depreciation 30 June 2019	-	-	-	-	(2,386)	-	-	(9,137)	-	(11,523)
<b>Fair Value 30 June 2019</b>	<b>758,104</b>	<b>108,942</b>	<b>149,920</b>	<b>150,467</b>	<b>6,668</b>	<b>47,922</b>	<b>222,958</b>	<b>47,664</b>	<b>79,153</b>	<b>1,571,798</b>
<b>Movements in Fair Value</b>										
Additions	26,868	842	13,273	10,859	3,751	5,614	33,257	1,569	49,943	145,976
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	38,536	3,381	10,229	(2,345)	(4,637)	(3,762)	(8,223)	-	-	33,179
Disposals	(295)	-	-	-	-	-	-	-	-	(295)
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(96,056)	(96,056)
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>65,109</b>	<b>4,223</b>	<b>23,502</b>	<b>8,514</b>	<b>(886)</b>	<b>1,852</b>	<b>25,034</b>	<b>1,569</b>	<b>(46,113)</b>	<b>82,804</b>
<b>Movements in Accumulated Depreciation</b>										
Depreciation and amortisation	(18,420)	(1,673)	(7,429)	(2,024)	(639)	-	(14,199)	(639)	-	(45,023)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(18,420)</b>	<b>(1,673)</b>	<b>(7,429)</b>	<b>(2,024)</b>	<b>(639)</b>	<b>-</b>	<b>(14,199)</b>	<b>(639)</b>	<b>-</b>	<b>(45,023)</b>
Fair value 30 June 2020	823,213	113,165	173,422	158,981	8,168	49,774	247,992	58,370	33,040	1,666,125
Accumulated depreciation 30 June 2020	(18,420)	(1,673)	(7,429)	(2,024)	(3,025)	-	(14,199)	(9,776)	-	(56,546)
<b>Fair Value/Written Down Value 30 June 2020</b>	<b>804,793</b>	<b>111,492</b>	<b>165,993</b>	<b>156,957</b>	<b>5,143</b>	<b>49,774</b>	<b>233,793</b>	<b>48,594</b>	<b>33,040</b>	<b>1,609,579</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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

## e. Details of Plant &amp; 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 2019	153,179	10,149	50,118	15,432	22,417	251,295
Accumulated depreciation 30 June 2019	(96,317)	(7,560)	(40,442)	(11,960)	-	(156,279)
<b>Fair Value 30 June 2019</b>	56,862	2,589	9,676	3,472	22,417	95,016
<b>Movements in Fair Value</b>						
Additions	24,199	90	1,342	1,538	6,284	33,453
Contributions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Disposals	(10,079)	-	-	-	-	(10,079)
Write-offs	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	(10,637)	(10,637)
Non-current assets classified as held for sale	-	-	-	-	-	-
<b>Total</b>	14,120	90	1,342	1,538	(4,353)	12,737
<b>Movements in Accumulated Depreciation</b>						
Depreciation and amortisation	(14,126)	(396)	(3,387)	(1,366)	-	(19,275)
Accumulated depreciation on disposals	8,905	-	-	-	-	8,905
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
<b>Total</b>	(5,221)	(396)	(3,387)	(1,366)	-	(10,370)
Fair value 30 June 2020	167,299	10,239	51,460	16,970	18,064	264,032
Accumulated depreciation 30 June 2020	(101,538)	(7,956)	(43,829)	(13,326)	-	(166,649)
<b>Fair Value/Written Down Value 30 June 2020</b>	<b>65,761</b>	<b>2,283</b>	<b>7,631</b>	<b>3,644</b>	<b>18,064</b>	<b>97,383</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## 6.2. 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 2019	39,038	7,903	40,437	15,432	21,116	123,926
Accumulated depreciation 30 June 2019	(26,810)	(5,812)	(32,168)	(11,960)	-	(76,750)
<b>Fair Value 30 June 2019</b>	<b>12,228</b>	<b>2,091</b>	<b>8,269</b>	<b>3,472</b>	<b>21,116</b>	<b>47,176</b>
<b>Movements in Fair Value</b>						
Additions	5,517	88	1,242	1,538	1,805	10,190
Contributions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	(8,675)	(8,675)
Non-current assets classified as held for sale	-	-	-	-	-	-
<b>Total</b>	<b>5,517</b>	<b>88</b>	<b>1,242</b>	<b>1,538</b>	<b>(6,870)</b>	<b>1,515</b>
<b>Movements in Accumulated Depreciation</b>						
Depreciation and amortisation	(2,978)	(301)	(2,994)	(1,366)	-	(7,639)
Accumulated depreciation on disposals	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
<b>Total</b>	<b>(2,978)</b>	<b>(301)</b>	<b>(2,994)</b>	<b>(1,366)</b>	<b>-</b>	<b>(7,639)</b>
Fair value 30 June 2020	44,555	7,991	41,679	16,970	14,246	125,441
Accumulated depreciation 30 June 2020	(29,788)	(6,113)	(35,162)	(13,326)	-	(84,389)
<b>Fair Value/Written Down Value 30 June 2020</b>	<b>14,767</b>	<b>1,878</b>	<b>6,517</b>	<b>3,644</b>	<b>14,246</b>	<b>41,052</b>

**6.2. 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 8.4) 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 property, infrastructure, plant and equipment assets of \$2,000 which means that these assets with a fair value of \$2,000 (2019: \$2,000) or greater are recognised in these financial statements. Council has adopted a threshold limit for right-of-use leased assets of \$10,000. Refer to note 5.8 leases.

*Land under roads*

Council recognises land under roads it controls at deemed cost.

*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 10-17 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.

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

	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	25-130
Footpaths and cycleways	7-60
Drainage	90-120
Recreational, leisure and community facilities	12-50
Parks, open space and streetscapes	0-20
Off street car parks	4-15
Statues, sculptures and artworks	0-100
Intangible assets	1-5
Right-of-use leased assets	earlier of the end of useful life or lease term

## h. Description of significant unobservable inputs into level 3 valuations

Council	2020 \$'000	2019 \$'000
<p><b>Specialised land and land under roads</b> 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>	1,909,513	1,817,592
<p><b>Specialised buildings</b> 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>	116,056	110,860
<p><b>Infrastructure assets</b> 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 assets are determined on the basis of the current condition and design lives of the assets and vary from 0 to 130 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>	1,527,945	1,444,981

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

### i. Valuation of land and buildings

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 8.4) 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 unserved) 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 (D0V) is 30/6/2020.

COVID Pandemic has resulted in a significant increase in uncertainty surrounding valuations. The length of the state of emergency and physical lockdown and the fluctuations in new COVID-19 cases provides no certainty regarding the likely period of business and economic disruption or indications of timing and pace of recovery. Valuations will be undertaken consistent with policy upon the conclusion of the State of Emergency and lifting of the National Code of Conduct.

Details of Council's land and buildings and other relevant information about the fair value hierarchy as at 30 June 2020 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	DoV
Non-specialised land	-	148,191	14,209	162,400	30/06/2020
Specialised land	-	13,064	1,896,449	1,909,513	30/06/2020
<b>Total land</b>	-	<b>161,255</b>	<b>1,910,658</b>	<b>2,071,913</b>	
Heritage Buildings	-	-	192,536	192,536	30/06/2020
Buildings	-	71,018	113,482	184,500	30/06/2020
<b>Total buildings</b>	-	<b>71,018</b>	<b>306,018</b>	<b>377,036</b>	

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 8.4) 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 June 2020.

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Dov
Roads	-	-	804,780	804,780	30/06/2020
Bridges	-	-	111,492	111,492	30/06/2020
Footpaths and cycleways	-	-	165,993	165,993	30/06/2020
Drainage	-	-	156,957	156,957	30/06/2020
Recreational, leisure and community facilities	-	-	5,143	5,143	30/06/2020
Parks, open space and streetscapes	-	-	49,774	49,774	30/06/2020
Promenades and wharves	-	-	65,170	65,170	30/06/2020
Other infrastructure	-	-	168,636	168,636	30/06/2020
<b>Total Infrastructure</b>	-	-	<b>1,527,945</b>	<b>1,527,945</b>	

No transfers between levels occurred during the year.

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**k. Reconciliation of Specialised Land**

Council	2020	2019
	\$'000	\$'000
Land under roads	17,200	17,200
Parks and reserves	1,892,313	1,800,392
<b>Total specialised land</b>	<b>1,909,513</b>	<b>1,817,592</b>

**6.3 Investment in Subsidiaries, Associates and Trusts**

Non-Current	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>a) Subsidiaries</b>				
CityWide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Enterprise Melbourne*	-	-	-	-
	-	-	18,606	18,606
<b>b) Associates</b>				
Regent Management Company Pty Ltd	7,500	7,500	7,500	7,500
MAPS Group Ltd (Procurement Australia)	250	250	250	250
	7,750	7,750	7,750	7,750
	<b>7,750</b>	<b>7,750</b>	<b>26,356</b>	<b>26,356</b>

\* Investment in Enterprise Melbourne Pty Ltd is \$10.

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2020 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
- 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**

	2020	2019
	\$'000	\$'000
<b>Summarised statement of comprehensive income</b>		
Total income	249,675	235,232
Total expenses	249,450	230,485
Surplus/(deficit) for the year	<u>225</u>	<u>4,747</u>
Other comprehensive income	6,153	-
<b>Total comprehensive result</b>	<b><u>6,378</u></b>	<b><u>4,747</u></b>
<b>Summarised balance sheet</b>		
Current assets	51,244	49,460
Non-current assets	159,736	128,424
Total assets	<u>210,980</u>	<u>177,884</u>
Current liabilities	63,382	51,408
Non-current liabilities	30,253	13,509
Total liabilities	<u>93,635</u>	<u>64,917</u>
<b>Net assets</b>	<b><u>117,345</u></b>	<b><u>112,967</u></b>
<b>Summarised statement of cash flows</b>		
Net cash provided/(used in) operating activities	32,858	18,986
Net cash provided/(used in) investing activities	(23,392)	(15,171)
Net cash provided/(used in) financing activities	(7,728)	(2,550)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b><u>1,738</u></b>	<b><u>1,265</u></b>



**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**

	2020	2019
	\$'000	\$'000
<b>Summarised statement of comprehensive income</b>		
Total income	22,754	25,029
Total expenses	22,250	24,723
Surplus/(deficit) for the year	504	306
Other comprehensive income	-	-
<b>Total comprehensive result</b>	<b>504</b>	<b>306</b>
<b>Summarised balance sheet</b>		
Current assets	5,545	4,789
Non-current assets	2,863	2,945
Total assets	8,408	7,734
Current liabilities	3,299	3,144
Non-current liabilities	1,930	1,894
Total liabilities	5,229	5,038
<b>Net assets</b>	<b>3,179</b>	<b>2,696</b>
<b>Summarised statement of cash flows</b>		
Net cash provided/(used in) operating activities	667	1,629
Net cash provided/(used in) investing activities	283	(1,350)
Net cash provided/(used in) financing activities	(161)	-
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>789</b>	<b>279</b>

The financial results of Queen Victoria Market for the year were positively impacted by the receipt of a grant of \$1.9 million under Council's Quick Response Grants package to enable the market to provide trader rent relief and lease modifications to stall holders.

**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**

	2020	2019
	\$'000	\$'000
<b>Summarised statement of comprehensive income</b>		
Total income	-	2
Total expenses	331	479
Surplus/(deficit) for the year	(331)	(477)
Other comprehensive income	-	-
<b>Total comprehensive result</b>	<b>(331)</b>	<b>(477)</b>
<b>Summarised balance sheet</b>		
Current assets	89	82
Non-current assets	-	-
Total assets	89	82
Current liabilities	45	44
Non-current liabilities	-	-
Total liabilities	45	44
<b>Net assets</b>	<b>44</b>	<b>38</b>
<b>Summarised statement of cash flows</b>		
Net cash provided/(used in) operating activities	(330)	(477)
Net cash provided/(used in) investing activities	-	-
Net cash provided/(used in) financing activities	336	482
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>6</b>	<b>5</b>

Enterprise Melbourne Pty Ltd transactions are included in Council's accounts.

**b) Associates**

Council's investments in associates are accounted for using the cost method of accounting as Council does not have significant influence or control over the associates.

**Regent Management Company (50% owned by Council)**

- Council and the State Government of Victoria hold an equal 50% share in this entity. Council has 50% voting rights. Both parties collectively control the entity but neither party can direct activities without co-operation of the other. Therefore a significant interest is held but not a controlling interest.
- Regent Management Pty Ltd reported an operating profit of \$258,048 (unaudited) for the year ended 30 June 2020 (2019: operating profit of \$364,455). The result includes grant funding from the Victorian State Government of \$12.8 million, and a contribution of \$3.0 million from Mariner Group towards its capital works program on the Regent Theatre.
- 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 (trading as Procurement Australia) 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 Group Ltd reported an operating profit for the year ended 30 September 2019 of \$1,781,079 compared to a profit of \$3,161,540 for the previous year. The Company paid a dividend for the 2019 financial year of 25 cents per share. Dividend payment of \$62,500 was received in December 2019. Net assets are \$9.9 million as at 30 September 2019.

**6.4 Investment property**

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Land</b>				
Balance at beginning of financial year	167,083	169,430	167,083	169,430
Fair value adjustments	2,361	(2,347)	2,361	(2,347)
Balance at end of financial year	<b>169,444</b>	<b>167,083</b>	<b>169,444</b>	<b>167,083</b>
<b>Buildings</b>				
Balance at beginning of financial year	38,393	42,017	38,393	42,017
Additions	67	-	67	-
Fair value adjustments	3,018	(3,624)	3,018	(3,624)
Balance at end of financial year	<b>41,478</b>	<b>38,393</b>	<b>41,478</b>	<b>38,393</b>
<b>Total investment properties</b>	<b>210,922</b>	<b>205,476</b>	<b>210,922</b>	<b>205,476</b>

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.

**Valuation of investment property**

Valuation of investment property was undertaken in June 2020. 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 8.4), based on the current market value for the property.

COVID-19 Pandemic has resulted in a significant increase in uncertainty surrounding valuations. The length of the state of emergency and physical lockdown and the fluctuations in new COVID-19 cases provides no certainty regarding the likely period of business and economic disruption or indications of timing and pace of recovery. Valuations will be undertaken consistent with policy upon the conclusion of the State of Emergency and lifting of the National Code of Conduct.

## NOTE 7 PEOPLE AND RELATIONSHIPS

## 7.1 Council and key management remuneration

## (a) Related Parties

*Parent entity:* Melbourne City Council is the parent entity.

*Subsidiaries and Associates:* Interests in subsidiaries and associates are detailed in Note 6.3.

## (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**

Lord Mayor Sally Capp  
Deputy Lord Mayor Arron Wood  
Cathy Oke  
Jackie Watts  
Kevin Louey  
Rohan Leppert  
Susan Riley  
Beverley Pinder-Mortimer  
Nicolas Frances Gilley  
Philip Le Liu  
Nicolas Reece

**Position**

Chief Executive Officer  
General Manager Finance and Corporate (Chief Financial Officer)  
General Manager Governance and Organisational Development  
General Manager Strategy, Planning and Climate Change  
General Manager Community and City Services  
General Manager City Economy and Activation  
General Manager Capital Projects and Infrastructure  
General Manager City Design  
Director Office of the CEO

**Name**

Justin Hanney  
Michael Tenace  
Keith Williamson  
Alison Leighton  
Linda Weatherson  
Katrina Mckenzie  
Chris Lamont  
Rob Adams  
Letitia Hatton

**Position – 1 July 2019 to 10 November 2019**

Director City Operations\*  
Director City Design and Projects\*  
Director City Strategy and Place\*  
Director City Communities\*  
Director City Economy and Activation\*  
Director Customer and Business Transformation\*  
Chief Financial Officer\*  
Manager Governance and Legal\*  
Manager Strategy and Partnerships\*  
Chief of Staff\*  
Chief Legal Counsel\*

Linda Weatherson  
Rob Adams  
Claire Ferres Miles  
Eamonn Fennessy  
Katrina Mckenzie  
Brendan Flynn  
Michael Tenace  
Keith Williamson  
Letitia Hatton  
Giulia Baggio  
Kim Wood

\*Council transitioned to a revised organisational structure from 11 November 2019.

<b>Councillors</b>	11
<b>Chief Executive Officer and other Key Management Personnel</b>	14
<b>Total Key Management Personnel</b>	<b>25</b>

**(c) Remuneration of Key Management Personnel**

Total remuneration of key management personnel was as follows:

	2020 \$'000	2019 \$'000
Short-term benefits	3,977	4,469
Post-employment benefits	461	495
Long-term benefits	99	94
Termination benefits	174	272
<b>Total</b>	<b>4,711</b>	<b>5,330</b>

The numbers of key management personnel whose total remuneration from Council fall within the following bands:

	2020	2019
\$40,000 - \$49,999	-	2
\$50,000 - \$59,999	9	8
\$60,000 - \$69,999	-	2
\$100,000 - \$109,999	2	-
\$110,000 - \$119,999	-	1
\$120,000 - \$129,999	-	1
\$140,000 - \$149,999	-	1
\$150,000 - \$159,999	-	3
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	1	1
\$190,000 - \$199,999	1	-
\$210,000 - \$219,999	2	2
\$220,000 - \$229,999	-	2
\$230,000 - \$239,999	2	1
\$260,000 - \$269,999	-	1
\$280,000 - \$289,999	-	1
\$290,000 - \$299,999	1	-
\$310,000 - \$319,999	1	-
\$330,000 - \$339,999	1	-
\$360,000 - \$369,999	2	1
\$370,000 - \$379,999	-	1
\$390,000 - \$399,999	-	1
\$400,000 - \$409,999	1	1
\$410,000 - \$419,999	-	1
\$490,000 - \$499,999	1	-
	<b>25</b>	<b>31</b>
	<b>\$'000</b>	<b>\$'000</b>
Total remuneration for the financial year included above	<b>4,711</b>	<b>5,330</b>

**(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 \$151,000 (2019:\$148,000); or
- b) For subsidiaries, are the Managing Director, Chief Executive Officers and executives, or whose total annual remuneration exceeds \$151,000 (2019:\$148,000).

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

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Income Range	Consolidated		Council	
	2020	2019	2020	2019
\$148,000 - \$149,999	-	15	-	11
\$150,000 - \$159,999	18	55	14	46
\$160,000 - \$169,999	32	52	26	43
\$170,000 - \$179,999	60	14	55	11
\$180,000 - \$189,999	15	10	9	6
\$190,000 - \$199,999	14	9	9	6
\$200,000 - \$209,999	8	9	4	4
\$210,000 - \$219,999	6	5	4	4
\$220,000 - \$229,999	9	4	7	3
\$230,000 - \$239,999	6	4	5	3
\$240,000 - \$249,999	2	2	1	1
\$250,000 - \$259,999	4	2	1	2
\$260,000 - \$269,999	3	2	2	1
\$270,000 - \$279,999	2	2	1	1
\$280,000 - \$289,999	1	1	-	-
\$300,000 - \$309,999	2	1	1	-
\$310,000 - \$319,999	2	1	1	1
\$320,000 - \$329,999	1	-	-	-
\$330,000 - \$339,999	-	1	-	-
\$340,000 - \$349,999	1	1	1	-
\$360,000 - \$369,999	-	1	-	-
\$370,000 - \$379,999	-	1	-	-
\$380,000 - \$389,999	1	-	-	-
\$390,000 - \$399,999	-	1	-	-
\$400,000 - \$409,999	1	-	-	-
\$440,000 - \$449,999	1	-	1	-
\$600,000 - \$699,999	-	1	-	-
\$700,000 - \$799,999	1	-	-	-
	<b>189</b>	<b>194</b>	<b>142</b>	<b>143</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total remuneration for the reporting year for Senior Officers included above, amounted to	<b>37,472</b>	<b>34,260</b>	<b>26,521</b>	<b>24,677</b>

The remuneration threshold for Senior Officers is reviewed each year by the Minister for Local Government. 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

## 7.2 Related party disclosure

### (a) Transactions with related Parties

During the year Council entered into related party transactions totalling \$2000 (2019: \$3000). The nature of the transactions is related with funding for community club and delivery services for supplier.

### (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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

**(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 and Enterprise Melbourne Pty Ltd during the financial year are shown below.

All subsidiaries are incorporated and are residents in Australia.

\$'000	Citywide Service Solutions Pty Ltd		Queen Victoria Market Pty Ltd		Enterprise Melbourne Pty Ltd	
	2020	2019	2020	2019	2020	2019
Revenue from subsidiaries	464	458	302	335	-	-
Expenditure to subsidiaries	57,714	61,035	202	51	-	-
Funding to subsidiaries	-	-	1,900	700	331	479
Income Tax and Payroll Tax Equivalent payments from subsidiaries	2,022	2,599	20	(26)	-	-
Dividend payments from subsidiaries	2,000	3,200	-	-	-	-
Owing to subsidiaries	9,393	13,058	11	13	-	-
Owing by subsidiaries	-	42	-	-	-	-

## NOTE 8 MANAGING UNCERTAINTIES

**8.1 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*****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 Victoria Market stalls and standard enclosure rentals.

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

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not later than one year	14,747	15,797	2,205	3,092
Later than one year and not later than five years	13,529	27,119	5,776	6,634
Later than five years	29,328	29,580	25,401	25,499
	<b>57,604</b>	<b>72,496</b>	<b>33,382</b>	<b>35,225</b>

**(b) Contingent liabilities*****Superannuation***

As shown in Note 9.3, 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 9.3.

***Future superannuation contributions***

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020.

***Queen Victoria Market***

A Council letter of support has resolved to financially support the Queen Victoria Market to enable it to meet its financial commitments as and when they fall due during the funding period commencing 1 June 2020 and ending 30 June 2021. The agreement provides support by way of a convertible loan of up to \$9.3 million during 2020-21.

***Building Cladding***

As at balance date, there are no formalised estimates that exist in relation to rectification works or other matters in relation to building cladding that may have an adverse impact on Council.

***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.

***Liability Mutual Insurance***

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision



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set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

## 8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts that will flow from the application of these standards in future reporting periods.

*AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)*

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

*AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)*

Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

*AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)*

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

## 8.3 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,

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes 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 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 8.1 (b).

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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
- 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 5.4.

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 a \$75 million floating rate loan facility with ANZ Bank which expires on 30 June 2021. The interest rate on the ANZ Bank facility is the Bank Bill Interest Rate plus a margin of 0.60% (for relevant interest period less than 3 months) and 0.49% (for relevant interest period equal or greater than 3 months). A line fee of 0.12% is also applicable to the facility. The facility is 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 of \$2.5 million and bank loan facility of \$36.2 million are secured facilities with a 1st ranking fixed and floating charge over the net assets of Citywide Service Solutions Pty Ltd. There were \$0 bank loans drawn at 30 June 2020. Subject to the continuance of satisfactory covenants achievement, the bank facilities may be drawn at any time. The bank facilities may be terminated by the bank if Citywide Service Solutions Pty Ltd defaults under the loan agreement. The facilities expire on 27 July 2022.

**(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 + 0.5% and -0.5% in market interest rates (AUD) from year-end rates of 0.24% (2019:1.24%).

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.

## 8.4 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 6 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.

## 8.5 Events occurring after balance date

Greater Melbourne commenced a second Stage 3 lockdown for a six week period at midnight on Wednesday 8th July and Stage 4 restrictions to the Melbourne Metropolitan regions, which meant the immediate closure of all recreation and indoor sports centres, community centres, libraries, entertainment and cultural centres, and cafes and restaurants (except for those offering takeaway or food deliveries). This was increased to Stage 4 restrictions on Wednesday 5<sup>th</sup> August for greater Melbourne, and Stage 3 for the rest of the State of Victoria.

The City of Melbourne 2020-21 Annual Plan and Budget has allowed for the ongoing impact of COVID-19, however the Stage 3 and Stage 4 lockdowns will have additional impact on revenue and expense for the Council and its subsidiaries in the 2020-21 financial year.

Revenue from user fees and charges are directly affected by the lockdown as numbers of visitors to the city remain low. Programs to support health workers, restaurant and café owners have commenced to provide free parking within the city zones, while the City has provided food and support services for those affected by the strict lockdowns in the North Melbourne and Kensington public housing towers. Reduced traffic within the city has contributed to further reductions in parking fines, food and health act registrations, permits, leisure centre and recreation fees, child care and children's programs, permits and registrations. The City of Melbourne announced \$10 million in new state funded grants programs which will provide \$8 million in small business transformation grants and \$2 million for specialist support services.

The COVID-19 restrictions is expected to have a significant impact on the principal activities of Queen Victoria Market Pty Ltd (QVM) business during 2020-21. The City of Melbourne as QVM's shareholder has agreed to a funding agreement that provides support by way of a convertible loan of up to \$9.3 million during 2020-21. This agreement includes the issuance of preference shares in the 2020-21 financial year and is expected to be executed by the end of August 2020, pending state Government approval.

Citywide Services Solutions Pty Ltd announced the execution of a Business Purchase Agreement ("BPA") in respect of the acquisition of the assets of Gordon McKay Pty Ltd, including its Tasmanian subsidiary Frontline Electrical Pty Ltd on 22 July 2020. The BPA provides for a number of significant conditions precedent prior to moving to initial settlement and transfer of ownership (anticipated in late September 2020).

In September 2017 Citywide was served with a statutory notice to produce documents to ColInvest. These documents related to the duties performed by certain classes of workers and their remuneration between 1 April 2017 and 30 June 2017. Citywide disputed the validity of this notice on a variety of grounds, one of which was that it is not an employer who is subject to the ColInvest scheme. This matter is now before the courts.

As at the time of signing the City of Melbourne financial statements, Citywide Service Solutions Pty Ltd financial statements remain unsigned, and may therefore require that certain disclosures in their accounts change if circumstances change.

## NOTE 9 OTHER MATTERS

## 9.1 Reserves

	Consolidated		Council	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Asset revaluation - property and infrastructure	2,337,715	2,194,737	2,287,010	2,154,876
<b>Other Reserves</b>				
<b>Restricted</b>				
Public Open Space reserve	63,625	37,606	63,625	37,606
<b>Non-Restricted</b>				
Developer Contribution Plan reserve	1,022	-	1,022	-
Investments revaluation reserve	4,725	4,725	4,725	4,725
Tree compensation reserve	4,789	4,049	4,789	4,049
Queen Victoria Market renewal project reserve*	-	35,173	-	35,173
	<b>2,411,876</b>	<b>2,276,290</b>	<b>2,361,171</b>	<b>2,236,429</b>

\*Cessation of the QVM Precinct Renewal Reserve as per Council Resolution on 25 March 2020.

## (a) Asset revaluation reserve

Consolidated	Balance at beginning of 2019		Balance at end of 2019		Balance at end of 2020
	\$'000	Increment (Decrement) \$'000	\$'000	Increment (Decrement) \$'000	
<b>Property</b>					
Land	1,661,974	(263,418)	<b>1,398,556</b>	110,490	<b>1,509,046</b>
Buildings	128,847	(4,035)	<b>124,812</b>	(691)	<b>124,121</b>
<b>Infrastructure</b>					
Roads & Laneways	405,418	16,001	<b>421,419</b>	38,536	<b>459,955</b>
Bridges	18,265	1,785	<b>20,050</b>	3,381	<b>23,431</b>
Footpaths and cycleways	94,458	14,668	<b>109,126</b>	10,229	<b>119,355</b>
Drainage	31,158	2,859	<b>34,017</b>	(2,345)	<b>31,672</b>
Parks, open space and streetscapes	3,241	3,445	<b>6,686</b>	(3,762)	<b>2,924</b>
Other infrastructure	79,508	(4,841)	<b>74,667</b>	(12,860)	<b>61,807</b>
Artworks	5,404	-	<b>5,404</b>	-	<b>5,404</b>
	<b>2,428,273</b>	<b>(233,536)</b>	<b>2,194,737</b>	<b>142,978</b>	<b>2,337,715</b>
<b>Council</b>					
<b>Property</b>					
Land	1,622,114	(263,418)	<b>1,358,696</b>	99,646	<b>1,458,342</b>
Buildings	128,847	(4,036)	<b>124,811</b>	(691)	<b>124,120</b>
<b>Infrastructure</b>					
Roads & Laneways	405,418	16,001	<b>421,419</b>	38,536	<b>459,955</b>
Bridges	18,265	1,785	<b>20,050</b>	3,381	<b>23,431</b>
Footpaths and cycleways	94,458	14,668	<b>109,126</b>	10,229	<b>119,355</b>
Drainage	31,158	2,859	<b>34,017</b>	(2,345)	<b>31,672</b>
Recreational, leisure and community facilities	3,241	3,445	<b>6,686</b>	(3,762)	<b>2,924</b>
Other infrastructure	79,508	(4,841)	<b>74,667</b>	(12,860)	<b>61,807</b>
Artworks	5,404	-	<b>5,404</b>	-	<b>5,404</b>
	<b>2,388,413</b>	<b>(233,537)</b>	<b>2,154,876</b>	<b>132,134</b>	<b>2,287,010</b>

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

Revaluation of land held by Citywide Service Solutions Pty Ltd incurred an increased value of \$10.8m. After deferred tax the net result to the Citywide Income Statement is \$7.5 million.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

## (b) Other reserves - Summary

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	81,553	110,443	81,553	110,443
Transfers from accumulated surplus	51,273	25,012	51,273	25,012
Transfers to accumulated surplus	(58,665)	(53,902)	(58,665)	(53,902)
Balance at the end of the financial year	<b>74,161</b>	<b>81,553</b>	<b>74,161</b>	<b>81,553</b>

**Other reserves – Reserve for Public Open Space**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	37,606	44,489	37,606	44,489
Transfers from accumulated surplus	34,511	19,012	34,511	19,012
Transfers to accumulated surplus	(8,492)	(25,895)	(8,492)	(25,895)
Balance at the end of the financial year	<b>63,625</b>	<b>37,606</b>	<b>63,625</b>	<b>37,606</b>

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 – Reserve for Developer Contribution Plan**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	-	-	-	-
Transfers from accumulated surplus	1,022	-	1,022	-
Transfers to accumulated surplus	-	-	-	-
Balance at the end of the financial year	<b>1,022</b>	<b>-</b>	<b>1,022</b>	<b>-</b>

**Other reserves – Investments Revaluation Reserve - Regent Management Pty Ltd**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	4,725	4,725	4,725	4,725
Transfers from investment-non current asset	-	-	-	-
Transfers to investment-non current asset	-	-	-	-
Balance at the end of the financial year	<b>4,725</b>	<b>4,725</b>	<b>4,725</b>	<b>4,725</b>

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

**Other reserves – Tree Compensation reserve**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	4,049	3,470	4,049	3,470
Transfers from accumulated surplus	740	579	740	579
Transfers to accumulated surplus	-	-	-	-
Balance at the end of the financial year	<b>4,789</b>	<b>4,049</b>	<b>4,789</b>	<b>4,049</b>

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

**Other reserves – Queen Victoria Market Renewal Project reserve**

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	35,173	57,759	35,173	57,759
Transfers from accumulated surplus	15,000	5,421	15,000	5,421
Transfers to accumulated surplus	(50,173)	(28,007)	(50,173)	(28,007)
Balance at the end of the financial year	-	<b>35,173</b>	-	<b>35,173</b>

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

	Consolidated		Council	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<b>Surplus for the year</b>	69,768	52,055	72,995	50,229
Depreciation/amortisation	94,503	85,857	73,124	72,554
Profit/(Loss) on disposal of property, plant and equipment	(23,585)	178	(23,604)	177
Fair value adjustments for investment property	(5,378)	5,971	(5,378)	5,971
Contributions - Non-monetary assets	-	(3,297)	-	(3,297)
Prior year adjustment (AASB 9 transition)	-	(9,744)	-	(9,744)
Work in progress write off (Southbank Boulevard)	5,558	-	5,558	-
Other	185	397	(409)	316
<b>Changes in assets and liabilities in relation to operating activities:</b>				
(Increase)/Decrease in trade and other receivables	9,552	(7,114)	7,937	(9,079)
(Increase)/Decrease in prepayment	(1,331)	(266)	(1,434)	(34)
(Increase)/Decrease in accrued income	(14,422)	393	(8,995)	(544)
(Decrease)/Increase in trade and other payables	17,206	4,429	6,405	2,927
(Increase) in Inventories	(151)	188	-	-
(Decrease)/Increase in provisions	259	998	(33)	689
(Decrease)/Increase in employee benefits	(667)	(512)	1,361	1,003
(Decrease)/Increase in trust funds and deposits	3,567	1,726	3,582	1,727
<b>Net cash provided by/(used in) operating activities</b>	<b>155,064</b>	<b>131,259</b>	<b>131,109</b>	<b>112,895</b>

**9.3 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.

**Accumulation**

The Fund's accumulation categories 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 2020, 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. Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018-19).

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020. As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI)



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of the Defined Benefit category of which Council is a contributing employer was 107.0%. The financial assumptions used to calculate the VBIs were:

- Net investment returns 6.0% pa
- Salary inflation 3.5% pa
- Price inflation (CPI) 2.0% pa.

Vision Super has advised that the VBI as at 30 June 2020 was 104.6%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 interim 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.

### **The 2019 interim actuarial investigation surplus amounts**

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and a full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

- A VBI surplus of \$151.3 million for 2018 (\$69.8 million 2017)
- A total service liability surplus of \$233.4 million for 2018 (\$193.5 million 2017)
- A discounted accrued benefits surplus of \$256.7 million for 2018 (\$228.8 million 2017)

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 2019. 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 as at 30 June 2019. 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 30 June 2019.

Council was notified of the 30 June 2019 VBI during August 2019.

### **2020 triennial actuarial investigation**

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020.

### **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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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.

A triennial actuarial review is currently underway for CMSSP as at 30 June 2020 and is expected to be completed in November 2020. The last triennial actuarial investigation was as at 30 June 2017. As at 30 June 2017, the CMSSP's VBI was 123.5%. At 30 June 2019, the Fund Actuary determined the VBI to be 134.8%.

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.

It is anticipated that the VBI as at 30 June 2020 will also be 100% and that it is unlikely that the Fund actuary will recommend a change to the Defined Benefit category's funding arrangements from prior years.

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

### **Employer contributions**

#### Regular contributions

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2017, Council makes employer contributions to the CMSSP at rates determined by the Fund's Trustee. For the year ended 30 June 2020, 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 100% (2019:100%).

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.

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

#### Retrenchment increments

During 2019-20, Council was not required to make payments to the CMSSP in respect of retrenchment increments (nil in 2018-19). Council's liability to the CMSSP as at 30 June 2020 for retrenchment increments, accrued interest and tax is \$0 (2019: \$0).

#### **2017 actuarial investigation surplus amounts**

A triennial actuarial review is currently underway for CMSSP as at 30 June 2020 and is expected to be completed in November 2020. 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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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.

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

#### **2019 and 2018 Interim actuarial investigations**

An interim actuarial investigation of the CMSSP's liability for accrued benefits was carried out at 30 June 2019 and 30 June 2018. The interim VBI 30 June 2019 was 134.8% (2018: 124.0%). The financial assumptions for the purposes of the 2019 and 2018 investigations were:

- Net investment return 2.0% pa (2.0% pa 2017-18)
- Salary inflation 3.5% pa (3.5% pa 2017-18)
- Price inflation 2.0% pa (2.0% pa 2017-18)

#### **The 2020 Interim actuarial investigations**

The next triennial actuarial investigation of the CMSSP's liability for accrued benefits is based on the CMSSP's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed in November 2020. The financial assumptions for the purposes of this investigation are expected to be:

- Net investment return 1.1 pa
- Salary inflation 2.2% pa for the first two years and 2.75% thereafter
- Price inflation 2.0 pa

The VBI at 30 June 2020 was 136.9% (2019: 134.8%).

#### **AASB 119 Disclosures for CMSSP in the Financial Statements**

Melbourne City Council Superannuation Sub Plan	2020 000's	2019 000's
Asset/(Liability) recognised in Balance Sheet	13,675	11,333
Total amount recognised in Comprehensive Income Statement	2,842	471

## NOTE 10 CHANGE IN ACCOUNTING POLICY

Council has adopted AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impacts of these adoptions are detailed below.

### a) **AASB 15 Revenue from Contracts with Customers - Impact of Adoption**

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted AASB 15 Revenue from Contracts with Customers using the modified (cumulative catch up) method. Revenue for 2019 as reported under AASB 118 Revenue is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

### b) **AASB 16 Leases**

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures.

### c) **AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted AASB 1058 Income of Not-for-Profit Entities using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised as Council satisfies the performance obligations under the contract.

### d) **Transaction impacts**

There was no revenue adjustment from the impact of AASB 15 and AASB 1058 to the retained earnings at 1 July 2019.

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of AASB 16 Leases.

# Melbourne City Council

## Performance Statement

For the year ended 30 June 2020

## Performance Statement

For the year ended 30 June 2020

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### Description of municipality

The Melbourne municipality is the heart of greater Melbourne and covers the central city and 14 inner city suburbs. Just under 170,000 people call the municipality home and a further 778,000 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 has 4.9 square kilometres of parks and reserves.

The COVID-19 pandemic has had a significant impact on public health and wellbeing, the local economy, and our ways of operating as a local government. In particular, a number of services and operations had to temporarily close or be put on hold. This included libraries, swimming pools and leisure centres, club sport, festivals and public events. Council has had to be agile and rethink how we do business to ensure we support our residents and businesses during this time. This has impacted our revenue streams and budget and will continue to have an impact in the future.

Where COVID-19 pandemic has had an impact on our performance on particular indicators, appropriate specific commentary has been provided. More broadly the impact of COVID on the organisation, the community and the programs and services we deliver has been summarised in the Challenges and opportunities section of the Annual Report and is referenced throughout the Annual Report.

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## Sustainable Capacity Indicators

For the year ended 30 June 2020

<i>Indicator/measure</i>	<b>Results</b>				<b>Material Variations</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
<b>Population</b>					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$3037	\$2728	\$2706	\$2703	No material variation
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$14,007	\$12,084	\$11,826	\$11,883	No material variation
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	565	663	700	737	No material variation
<b>Own-source revenue</b>					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$3433	\$2654	\$2586	\$2640	No material variation
<b>Recurrent grants</b>					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$148	\$119	\$116	\$108	No material variation
<b>Disadvantage</b>					
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	8	7	7	7	No material variation



**Workforce turnover**

Resignations and terminations  
compared to average staff

12.2%      11.4%      11.3%      9.3%

The workforce turnover this year is lower than in previous years due to a reduction in permanent staff resignations and terminations, especially in the final quarter of the year. This may be a result of factors including the COVID-19 pandemic and recent structural changes in the organisation.

[Number of permanent staff  
resignations and terminations /  
Average number of permanent staff  
for the financial year] x100

**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 2020

Service/indicator/measure	Results				Material Variations
	2017	2018	2019	2020	
<b>Aquatic facilities</b>					
<b>Utilisation</b>					
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	4.1	3.8	4.1	2.9	In 2019-20 total visitation to aquatic centres was 525,913. The first 8 months of the year visitation was consistent with 2018-19 visitation. The COVID-19 pandemic has had a significant impact on visitation due to facility closures and restrictions on service between March and June 2020.
<b>Animal management</b>					
<b>Health and safety</b>					
<i>Animal management prosecutions</i>  [Number of successful animal management prosecutions / Total number of animal management prosecutions] x100	New in 2020	New in 2020	New in 2020	75%	The three successful prosecutions relate to serious dog attacks. The remaining prosecution relates to charges that were filed with the Court however were withdrawn following negotiation and a settlement agreement. Due to the COVID-19 pandemic, there are significant delays in the Magistrate's Court therefore matters will be reported on in future reporting.
<b>Food safety</b>					
<b>Health and safety</b>					
<i>Critical and major non-compliance outcome 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	99%	100%	100%	100%	The City of Melbourne received 221 critical and major non-compliance outcome notifications within the reporting period and have completed follow up on all 221.
<b>Governance</b>					
<b>Satisfaction</b>					
<i>Satisfaction with council decisions</i>	66	63	65	65	The level of community satisfaction with how the Council has performed in making decisions in the interest of the community in 2019 is equal to last

<i>Service/indicator/measure</i>	<b>Results</b>				<b>Material Variations</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					year. It is six points higher than other councils across metropolitan Melbourne and twelve points higher than the state wide average for councils who participate in the same community satisfaction survey.
<b>Libraries</b>					
<b>Participation</b>					
<i>Active library borrowers in the municipality</i> [The sum of the number of active library borrowers in the last 3 years / The sum of the population in the last 3 years] x100	34%	30%	28%	27%	The measure has been redefined to include the last three years of active library members as a percentage of the municipal population. Previously this measured active library members as a percentage of the municipal population for one year. The measure now establishes a new baseline to compare with other municipal libraries.
<b>Maternal and child health</b>					
<b>Participation</b>					
<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	82%	80%	76%	82%	The number reflects the movement of families in and out of Melbourne after the birth of a child. Many families who birth in Melbourne return to their country of origin for a period of time in the first 12 months to benefit from support from family and culture.
<b>Participation</b>					
<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	88%	83%	70%	79%	This figure reflects the fact that ATSI families access both the City of Melbourne MCH service and the Victorian Aboriginal Health Service (VAHS) interchangeably. Both services use different reporting platforms.
<b>Roads</b>					
<b>Satisfaction</b>					
<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has	73	70	73	67	The level of community satisfaction with how the Council has performed on the condition of sealed local roads in 2020 is six points lower than last year. It is equal to other councils across metropolitan Melbourne and 13 points higher than the state wide average for councils who participate in the same community satisfaction survey.

<i>Service/indicator/measure</i>	<b>Results</b>				<b>Material Variations</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
performed on the condition of sealed local roads]					
<b>Statutory Planning</b>					
<b>Decision making</b>					
<i>Council planning decisions upheld at VCAT</i>	69%	68%	53%	81%	The number of VCAT outcomes that uphold council's decision has increased this year, from 53 per cent to 81 per cent. In addition Council reached mediated outcomes for 42 per cent of all VCAT cases this year, which is not reflected in these results. Many VCAT hearings have been delayed due to the restrictions currently in place. This is evident in the significantly lower total number of VCAT outcomes in the second half of the reporting period (4 from a total of 21).
[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					
<b>Waste Collection</b>					
<b>Waste diversion</b>					
<i>Kerbside collection waste diverted from landfill</i>	27%	27%	26%	21%	Results show a decrease in the percentage of waste diverted from landfill compared to the 2018/2019 financial year. The closure of Council's contracted recycling processing facility from July to September 2019 impacted the overall diversion rate.
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

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## 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*.

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## Financial Performance Indicators

For the year ended 30 June 2020

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations
	2017	2018	2019	2020	2021	2022	2023	2024	
<b>Efficiency</b>									
<b><i>Expenditure level</i></b>									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3870	\$3862	\$3832	\$3933	\$3566	\$3432	\$3524	\$3623	No material variation
<b><i>Revenue level</i></b>									
<i>Average rate per property assessment</i> [Total rate revenue / Number of property assessments]	New in 2020	New in 2020	New in 2020	\$2445	\$2376	\$2352	\$2411	\$2447	No material variation
<b>Liquidity</b>									
<b><i>Working capital</i></b>									
<i>Current assets compared to current liabilities</i>  [Current assets / Current liabilities] x100	229.82%	173.77%	183.28%	129.60%	115.59%	97.89%	98.11%	98.28%	Decrease due to long term deposit with original maturity over 12 months invested in 2020 FY.
<b><i>Unrestricted cash</i></b>									
<i>Unrestricted cash compared to current liabilities</i>	24.59%	-0.62%	68.44%	22.99%	66.35%	55.82%	52.70%	51.05%	Decrease due to higher long term deposit invested in 2020. Release of cash from long-term investment deposits to ensure resources are available to fund planned projects.

Dimension/indicator/measure	Results				Forecasts				Material Variations
	2017	2018	2019	2020	2021	2022	2023	2024	
[Unrestricted cash / Current liabilities] x100									
<b>Obligations</b>									
<b>Loans and borrowings</b>									
<i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	11.44%	11.05%	9.93%	0.00%	13.90%	40.54%	56.13%	56.61%	Decrease due to loan repaid in 2019-20. Borrowings are expected to increase over the forecast period to fund capital projects. There will be no percentage increase for rates in 2020-21, with an increase of 2% in each of the remaining forecast years
<i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	0.36%	0.37%	0.86%	9.55%	0.16%	0.38%	0.54%	1.05%	Increase due to cash outflow of loan repayment in 2019-20
<b>Indebtedness</b>									
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	7.19%	7.96%	7.54%	2.02%	13.22%	31.72%	41.23%	40.49%	Decrease due to loan repaid in 2019-20 that reduced non-current liabilities balance. Borrowings are expected to increase over the forecast period to fund capital projects. There will be no percentage increase for rates in 2020-21, with an increase





Dimension/indicator/measure	Results				Forecasts				Material Variations
	2017	2018	2019	2020	2021	2022	2023	2024	
<b>Rates concentration</b>									
<i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	53.14%	59.95%	57.15%	59.90%	74.64%	69.54%	66.79%	65.22%	No material variation
<b>Rates effort</b>									
<i>Rates compared to property values</i> [Rate revenue / Capital improved value of rateable properties in the municipality ] x100	0.25%	0.25%	0.24%	0.24%	0.23%	0.23%	0.23%	0.23%	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

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

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<b>Retired measures</b> <i>Service/indicator/measure</i>	<b>Results</b>				
	<b>2017</b>	<b>2018</b>	<b>2019</b>		
<b>Animal Management</b>					
<b>Health and Safety</b>					
<i>Animal Management Prosecutions</i>	6	10	4	Retired in 2020	This measure was replaced by AM7 from 1 July 2019
[Number of successful animal management prosecutions]					
<b>Efficiency</b>					
<b>Revenue Level</b>					
<i>Average Residential rate per residential property assessment</i>	\$1062	\$1109	\$1186	Retired in 2020	This measure was replaced by E4 from 1 July 2019
[Residential rate revenue / Number of residential property assessments]					
<b>Obligations</b>					
<b>Asset renewal</b>					
<i>Asset renewal compared to depreciation</i>	74.65%	86.18%	65.36%	Retired in 2020	This measure was replaced by O5 from 1 July 2019
[Asset renewal expense / Asset depreciation] x100					

## Other Information

For the year ended 30 June 2020

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### 1. Basis of preparation

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

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

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

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 7 July 2020 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.

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## 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.

Michael Tenace (FCPA)  
**General Manager Finance and Corporate (Chief Financial Officer)**  
**Melbourne**  
**Dated:** 8.9.2020

In our opinion, the accompanying Performance Statement of the Melbourne City Council for the year ended 30 June 2020 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**  
**Melbourne**  
**Dated:** 8.9.2020

Arron Wood  
**Deputy Lord Mayor**  
**Melbourne**  
**Dated:** 8.9.2020

Justin Hanney  
**Chief Executive Officer**  
**Melbourne**  
**Dated:** 8.9.2020

## CERTIFICATION OF THE FINANCIAL STATEMENTS



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

Michael Tenace (FCPA)  
**General Manager Finance and Corporate (Chief Financial Officer)**  
**Melbourne**  
**Dated:** 8.9.2020

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 2020 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**  
**Dated:** 8.9.2020

Arron Wood  
**Deputy Lord Mayor**  
**Melbourne**  
**Dated:** 8.9.2020

Justin Hanney  
**Chief Executive Officer**  
**Melbourne**  
**Dated:** 8.9.2020



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27/08/2020

TO THE MELBOURNE CITY COUNCIL

**Representations by the Chief Executive Officer and Chief Financial Officer in relation to the financial report and performance statement of Melbourne City Council for the year ended 30 June 2020**

This representation letter is provided in connection with the consolidated annual financial report and performance statement of Melbourne City Council for the year ended 30 June 2020. These representations are provided to assist Council in the consideration of the reports and to confirm that all appropriate processes have been undertaken to ensure that the reports are accurate, complete and meet all mandatory compliance requirements in all material respects in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989* and whether the performance statement presents fairly in accordance with the requirements of the Local Government Act 1989. Similar representations have also been made to Victorian Auditor General's Office (VAGO) in connection with the external audit of Council's consolidated annual financial report and performance statement.

We confirm that, to the best of our knowledge and belief, the representations we make below are based on information available to us, having made such enquiries as we considered necessary to appropriately inform ourselves on these matters.

**Preparation of the financial report**

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 06 May 2019, for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the requirements of *Local Government Act 1989*.

1. We have prepared the financial report as a not-for-profit entity for the purpose of reporting under Australian Accounting Standards.
2. All transactions have been recorded in the accounting records and are reflected in the financial report.<sup>1</sup>
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. There are no uncorrected misstatements, to the financial report as a whole.

**Access to information**

5. We have provided you with:

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<sup>1</sup> ASA 580 *Written Representations*, paragraph 11(b)

- 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 you have requested from us for the purpose of the audit
- c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence<sup>2</sup>

### Controlled entities

6. We have undertaken a control assessment using the criteria outlined in AASB 10 *Consolidated Financial Statements*.
7. The consolidated financial statements include the value of all assets, liabilities, equity, revenue and expenditure of Melbourne City Council and its controlled entities:
  - Citywide Service Solutions Pty Ltd
  - Queen Victoria Market 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*.

### Joint arrangements

8. We hold the following investments which may fall under AASB 11 Joint arrangements:
  - MAP's Group Pty Ltd; and
  - Regent Management Company Pty Ltd.

We believe any change in accounting treatment due to change in AASB 9 *Financial Instruments* and AASB 10 *Consolidated Financial Statements*, will not have a material impact on the financial statements.

### Fraud disclosure

9. We are not aware of any actual or suspected fraud affecting Melbourne City 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.<sup>3</sup>
10. We have disclosed to you (to the extent we are legally able to in accordance with the requirements of the *Independent Broad-based Anti-Corruption Commission Act 2011*) all information in relation to any allegations of fraud, or suspected fraud, affecting Melbourne City Council's financial report communicated by employees, former employees, analysts, regulators or others<sup>4</sup>.

### Internal control

11. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud and/or error<sup>5</sup>. We have established and maintained an adequate internal control structure to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. We have disclosed to you details of all deficiencies in internal control of which we are aware.

### Legal

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

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

<sup>4</sup> ASA 240.39(d)

<sup>5</sup> ASA 240.39(b)

12. There are no known or suspected instances of non-compliance with laws or regulations whose effects should be considered when preparing the financial report.
13. There is no known actual or possible litigation and claims whose effects should be considered when preparing the financial report.
14. 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, with the exception of assets under finance lease, been pledged as collateral.
15. 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.
16. Melbourne City Council has been properly managed in accordance with the requirements of the *Local Government Act 1989*.
17. 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**

18. 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, disclosed<sup>6</sup>.

#### **Financial statement disclosures**

19. 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.
20. 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

#### **Income and Revenue**

21. We have determined whether contracts and arrangements are within the scope of AASB 1004 Contributions, AASB 15 Revenue and AASB 1058 Income of Not-for-Profit Entities; applying the relevant measurement and recognition requirements for each transaction.

#### **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.
23. We have considered the requirements of AASB 13 *Fair Value Measurement* relating to the fair value of property, plant and equipment. These assets have been valued on the basis that the highest and best use of the asset is obtained from its current use, taking into consideration what is physically possible, legally permissible and financially feasible. Our fair value assessment did not identify any internal or external events that would trigger a reassessment of the assets' highest and best use. Further, we confirm that the assumptions used by us in the categorisation of observable and unobservable inputs within the fair value valuation hierarchy are reasonable and have been fully disclosed in accordance with the accounting standards and other applicable financial reporting requirements.

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



24. Management acknowledges the caveats/disclaimers on significant estimation uncertainty in the independent valuation reports provided for land. Management have determined that an appropriate to risk adjustment has been made to the carrying value of these assets for the significant uncertainty. The significant estimation uncertainty has been appropriately disclosed at 30 June 2020.
25. We have applied AASB 16 *Leases*. We have assessed whether our contracts are or contain a lease. For our leases we have recognised on the balance sheet a separate right of use asset (ROU) with an associated lease liability. We have applied the initial and subsequent measurement ROU asset and lease liability.
26. 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.
27. Asset useful lives have been reviewed and we are satisfied that they reflect the assets' expected period of use.
28. 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**

29. We have determined who are the key management personnel of Melbourne City Council in accordance with AASB 124 *Related Party Disclosures* and we are satisfied that our assessment is complete and appropriate.
30. We are satisfied that the compensation paid to key management personnel has been properly reported in note 7.1 to the financial statements in accordance with AASB 124 *Related Party Disclosures* and includes all required components of compensation.
31. We have identified and appropriately disclosed all significant transactions with government-related entities in accordance with AASB 124 *Related Party Disclosures*.
32. 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.
33. 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 disclosures**

34. We have disclosed the number individuals who held a senior executive position for Melbourne City Council at any time during the year, including their total remuneration package as per the requirements of *Local Government Act 1989*.
35. We have disclosed the total remuneration package of all senior officers as per the requirements of Department of Environment Land Water and Planning *Better Practice Guide*. This includes all short-term, post-employment, other long-term benefits and any termination benefits.
36. We have disclosed the names of the relevant Councillors at any time during the year.

#### **Future plans**

37. 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.

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

**Going concern**

39. 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**

40. No events, other than already disclosed, have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

**Preparation of the performance statement**

41. 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.
42. All relevant matters have been recorded in the Council's records and are reflected in the performance statement<sup>7</sup>.
43. 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 aware<sup>8</sup>.

**Publication of the financial report**

44. With respect to publication of the financial report and performance statement in hard copy, we will ensure that:
- a. the financial report and performance statement accurately reflects the audited financial report and performance statement and
  - b. the independent auditor's report has been reproduced accurately and in full.
45. The electronic presentation of the financial report and performance statement is our responsibility. Our responsibility includes ensuring that the electronic version of the financial report, the performance statement and the independent auditor's report presented on the website are the same as the final signed version of the financial report, the performance statement and independent auditor's report.
46. The Annual Report may include additional financial and/or non-financial information other than the financial report, the performance statement and the independent auditor's report (referred to as 'other information'). With respect to other information that is included in the Council's Annual Report, we have informed you of all the sections/separate documents that we expect to issue that may comprise other information. With regard to any other information that we have not provided to you prior to the date of the auditor's report, that we intend to prepare and issue such other information and will provide it to you to enable you to complete your required procedures.

**Other matters<sup>9</sup> - COVID 19 or other significant state emergencies**

47. We have provided you with all information related to the impact of COVID 19 pandemic on operating results, financial conditions and cash flows. This includes details of all government financial assistance received, information on rent holidays or concessions granted to lessees or received as a lessee. We have advised you of information on all procedures and controls arising as a result of the

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

<sup>8</sup> ASAE 3000.A137

<sup>9</sup> ASA 580.A10

pandemic. We have notified you of all new programs that have been or will be implemented or that will permanently cease as a result of the pandemic. We have assessed significant ongoing COVID-19 impacts and have provided you with our most current mitigation plans and forecasts. We have considered the impact of COVID -19 and confirm the going concern basis is appropriate. All impacts from COVID-19 are properly reflected in the financial report.


**Conclusion**

The examination carried out by VAGO was made in accordance with the *Audit Act 1994* and Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an audit opinion on the financial report and performance statement of the Council taken as a whole, and tests of the financial records and other auditing procedures were limited to those which were considered necessary for that purpose.

Yours sincerely



Justin Hanney  
Chief Executive Officer  
27 August 2020



Michael Tenace  
Chief Financial Officer  
27 August 2020