

Management report to Council

Agenda item 3.1

2020-21 Draft Consolidated Financial Statements and Performance Statement

Council

Presenter: Michael Tenace, Chief Financial Officer

14 September 2021

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 2021 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 2021. The draft Consolidated Statements are presented in Attachment 2 and have been prepared in accordance with Australian Accounting Standards and reporting requirements have been audited by the Victorian Auditor-General's Office (VAGO).
3. The Performance Statement and accompanying notes are presented in Attachment 3. The Performance Statement provides a summary of performance against key indicators.
4. The Financial Statements and Performance Statement comply with the mandatory requirements under the *Local Government (Planning and Reporting) Regulations 2014* and Performance Reporting Framework.
5. In accordance with best practice guidelines issued by the Australian Stock Exchange, the Chief Executive Officer and Principal Accounting Officer have made a declaration on the Financial Statements presented to Council (refer Attachment 4). The statement gives Council greater assurance of the integrity in financial reporting.

Key issues - Audit and Risk Committee (AR Committee)

6. The 2020–21 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 3 September 2021.
7. The 2019–21 Performance Statement has also been considered by the AR Committee.
8. Following review, the AR Committee has recommended the approval of the 2020–21 Consolidated Financial Statements and Performance Statement.
9. The 2020–21 audit by VAGO has resulted in an unqualified audit opinion.

Recommendation from management

10. That Council:
 - 10.1. Approves in principle the 2020–21 Consolidated Financial Statements and Performance Statement.
 - 10.2. Nominates and authorises the Lord Mayor, Sally Capp and the Councillor members of the Audit and Risk Committee, Crs Philip Le Liu and Jamal Hakim, to certify and approve the Consolidated Financial Statements and Performance Statement in their final form after any changes recommended, or agreed with the Auditor General, have been made on behalf of Council
 - 10.3. Acknowledges the declaration made by the Chief Executive Officer and Principal Accounting Officer (Chief Financial Officer) which is provided in accordance with good governance principles and gives the Council greater surety of the information contained in the statements.

Attachments:

1. Supporting Attachment (Page 2 of 104)
2. Annual Financial Report (Page 3 of 104)
3. Annual Performance Statement (Page 74 of 104)
4. Annual Certifications of Annual Financial Report and Performance Statements (Page 90 of 104)

Supporting Attachment

Legal

1. Section 329(7) of the *Local Government Act 2020* provides that the Act continues to apply in respect to:
 - 1.1. the preparation of the annual report for the financial year ending 30 June 2021
 - 1.2. strategic planning for the financial year ending 30 June 2021.

Finance

2. The financial details are contained in the draft Annual Consolidated Financial Statements for Council 2020–21 (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 material or general conflict of interest in relation to the matter of the report. Michael Tenace, 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 3 September 2021.

Environmental sustainability

7. Environmental sustainability issues and opportunities are not considered relevant as this is only seeking approval of the annual financial statements and performance statement.

Melbourne City Council

Annual Financial Report

2020-21

Version 9

3 September 2021

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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)
Chief Financial Officer
Melbourne
Dated: 14.9.2021

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 2021 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: 14.9.2021

Jamal Hakim
Councillor
Melbourne
Dated: 14.9.2021

Philip Le Liu
Councillor
Melbourne
Dated: 14.9.2021

Justin Hanney
Chief Executive Officer
Melbourne
Dated: 14.9.2021

Victorian Auditor-General's Office Audit Report

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FINANCIAL STATEMENTS

Comprehensive Income Statement

For the Year Ended 30 June 2021

	Consolidated			Council	
	2021	2020	Note	2021	2020
	\$'000	\$'000		\$'000	\$'000
Income					
Rates and charges	315,896	301,534	3.1	316,147	301,765
Statutory fees and fines					
Parking fines	24,501	38,196	3.2	24,501	38,196
Other statutory fees and fines	11,743	13,694	3.2	11,747	13,694
User fees					
Parking fees	34,640	50,397	3.3	32,009	46,638
Other user fees	15,645	24,511	3.3	15,645	24,513
Grants - operating	62,595	19,484	3.4	62,595	19,484
Grants - capital	32,626	24,963	3.4	32,626	24,963
Contributions - monetary	31,700	39,815	3.5	31,700	39,805
Contributions - non monetary	490	-	3.5	490	-
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(467)	23,585	3.6	(1,114)	23,604
Fair value adjustments for investment properties	3,939	5,378	6.3	3,939	5,378
Other income	231,810	219,259	3.7	16,721	18,659
Total Income	765,118	760,816		547,006	556,699
Expenses					
Employee costs	290,481	260,036	4.1	167,152	169,799
Materials and services	301,922	291,919	4.2	216,067	196,745
Depreciation	76,769	73,606	4.3	63,393	61,048
Amortisation/Impairment - intangible assets	12,727	14,518	4.4	11,824	9,726
Amortisation - right of use assets	6,644	6,379	4.5	2,326	2,350
Bad and doubtful debts	7,274	14,503	4.6	7,262	14,464
Borrowing costs	289	542	4.7	82	339
Finance costs - leases	569	583	4.8	173	187
Other expenses	8,195	8,412	4.9	6,723	6,596
Grants and contributions	32,417	20,550	4.10	41,817	22,450
Impairment loss on asset revaluation	4,298	-	4.11	4,298	-
Total Expenses	741,585	691,048		521,117	483,704
Surplus For The Year	23,533	69,768		25,889	72,995
Other Comprehensive Income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation (decrement)/increment	12,941	142,978	9.1(a)	12,941	132,134
Gain on defined benefits plans	2,129	2,842	9.3	-	-
Total Other Comprehensive Income	15,070	145,820		12,941	132,134
Total Comprehensive Result	38,603	215,588		38,830	205,129

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

Balance Sheet

As at 30 June 2021

	Consolidated			Council	
	2021 \$'000	2020 \$'000	Note	2021 \$'000	2020 \$'000
Assets					
Current Assets					
Cash and cash equivalents	158,721	54,018	5.1 (a)	143,870	42,599
Trade and other receivables	74,187	56,745	5.1 (c)	39,594	36,754
Other financial assets	31,750	65,750	5.1 (b)	30,000	64,000
Inventories	1,610	712	5.2 (a)	-	-
Other assets	8,044	22,756	5.2 (b)	7,861	13,684
Total Current Assets	274,312	199,981		221,325	157,037
Non-Current Assets					
Other financial assets	33,626	63,488	5.1 (b)	33,626	63,488
Investment in subsidiaries, associates and trust	7,750	7,750	6.2	26,356	26,356
Property, infrastructure, plant and equipment	4,361,377	4,276,223	6.1	4,242,465	4,156,598
Right of use assets	27,606	23,643	5.8	5,655	5,493
Investment property	188,518	210,922	6.3	188,518	210,922
Intangible assets	70,546	62,176	5.2 (c)	36,798	41,886
Net assets of City of Melbourne's Defined Benefits	15,276	13,675	9.3	-	-
Total Non-Current Assets	4,704,699	4,657,877		4,533,418	4,504,743
Total Assets	4,979,011	4,857,858		4,754,743	4,661,780
Liabilities					
Current Liabilities					
Trade and other payables	157,278	103,459	5.3 (a)(c)	122,444	70,185
Trust funds and deposits	15,062	13,592	5.3 (b)	13,676	13,354
Provisions	53,253	48,943	5.5	37,313	36,217
Interest-bearing liabilities	12,000	-	5.4	-	-
Lease liability	6,173	5,020	5.8	1,962	1,412
Total Current Liabilities	243,766	171,014		175,395	121,168
Non-Current Liabilities					
Trade and other payables	1,435	-	5.3 (a)	-	-
Trust funds and deposits	2,377	3,077	5.3 (b)	1,526	1,388
Provisions	4,978	5,168	5.5	3,992	3,909
Interest-bearing liabilities	6,200	-	5.4	-	-
Lease liability	21,047	17,994	5.8	3,922	4,237
Total Non-Current Liabilities	36,037	26,239		9,440	9,534
Total Liabilities	279,803	197,253		184,835	130,702
Net Assets	4,699,208	4,660,605		4,569,908	4,531,078
Equity					
Accumulated surplus	2,258,962	2,248,729		2,180,367	2,169,907
Reserves	2,440,246	2,411,876	9.1	2,389,541	2,361,171
Total Equity	4,699,208	4,660,605		4,569,908	4,531,078

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

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Statement of Changes in Equity

For the Year Ended 30 June 2021

Consolidated		Total Equity		Accumulated Surplus		Revaluation Reserve		Other Reserves	
		2021	2020	2021	2020	2021	2020	2021	2020
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		4,660,605	4,445,017	2,248,730	2,168,729	2,337,715	2,194,737	74,161	81,553
Surplus for the year		23,533	69,768	23,533	69,768	-	-	-	-
Net asset revaluation increment/(decrement)	9.1	12,941	142,978	-	-	12,941	142,978	-	-
Investment in associates	9.1	-	-	-	-	-	-	-	-
Transfers to other reserves	9.1	-	-	(27,787)	(51,273)	-	-	27,787	51,273
Transfers from other reserves	9.1	-	-	12,358	58,665	-	-	(12,358)	(58,665)
Actuarial gain - City of Melbourne's Defined Benefits Superannuation Fund	9.3	2,129	2,842	2,129	2,842	-	-	-	-
Prior year adjustment (AASB 9 transition)		-	-	-	-	-	-	-	-
Balance at the end of the financial year		4,699,208	4,660,605	2,258,962	2,248,730	2,350,656	2,337,715	89,590	74,161

Council		Total Equity		Accumulated Surplus		Revaluation Reserve		Other Reserves	
		2021	2020	2021	2020	2021	2020	2021	2020
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		4,531,078	4,325,949	2,169,907	2,089,520	2,287,010	2,154,876	74,161	81,553
Surplus for the year		25,889	72,995	25,889	72,995	-	-	-	-
Net asset revaluation increment/(decrement)	9.1	12,941	132,134	-	-	12,941	132,134	-	-
Investment in associates	9.1	-	-	-	-	-	-	-	-
Transfers to other reserves	9.1	-	-	(27,787)	(51,273)	-	-	27,787	51,273
Transfers from other reserves	9.3	-	-	12,358	58,665	-	-	(12,358)	(58,665)
Balance at the end of the financial year		4,569,908	4,531,078	2,180,367	2,169,907	2,299,951	2,287,010	89,590	74,161

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 2021

Statement of Cash Flows

For the Year Ended 30 June 2021

	Consolidated			Council	
	2021	2020		2021	2020
	\$'000	\$'000	Note	\$'000	\$'000
Cash Flows from Operating Activities					
Rates and charges	312,168	292,333		312,419	292,564
Statutory fees and fines	37,327	64,333		37,331	64,333
User fees	54,590	69,622		61,644	69,198
Grants - operating	96,653	20,428		96,653	20,428
Grants - capital	40,909	27,278		40,909	27,278
Contributions - monetary	31,922	33,688		31,922	33,678
Interest received	806	2,357		804	2,290
Dividends received	18	63		18	2,063
Other receipts	256,215	240,807		15,113	17,142
Net GST refund	6,498	12,264		20,796	24,298
Trust funds and deposits taken/(repaid)	632	3,562		(1,149)	3,582
Employee costs	(281,743)	(260,735)		(160,331)	(168,470)
Materials and services	(336,373)	(320,442)		(242,903)	(226,805)
Short-term, low value and variable lease payments	(963)	(943)		(867)	(680)
Grants and contributions	(36,538)	(20,550)		(45,983)	(22,450)
Other payments	(8,824)	(9,001)		(7,310)	(7,339)
Net cash provided by/(used in) operating activities	173,297	155,064	9.2	159,066	131,109
Cash Flows from Investing Activities					
Proceeds from sale of property, infrastructure, plant and equipment	27,136	25,182	3.6	26,282	23,943
Payments for property, infrastructure, plant and equipment	(155,436)	(146,228)		(145,569)	(127,780)
Proceeds/(payments) from/for sale of Investments	64,000	(72,002)		64,000	(73,000)
Payment to new business vendors as part of acquisition	(15,235)	-		-	-
Net cash provided by/(used in) investing activities	(79,535)	(193,048)		(55,287)	(176,837)
Cash Flows from Financing Activities					
Finance costs	(289)	(542)		(82)	(339)
Proceeds from borrowings	25,417	(150)		7,217	-
Repayment of borrowings	(7,217)	(28,482)		(7,217)	(28,482)
Interest paid - lease liability	(569)	(583)		(173)	(187)
Repayment of lease liability	(6,401)	(7,008)		(2,253)	(2,194)
Net cash provided by/(used in) financing activities	10,941	(36,765)		(2,508)	(31,202)
Net increase/(decrease) in cash and cash equivalents	104,703	(74,749)		101,271	(76,930)
Cash and cash equivalents at beginning of the financial year	54,018	128,767		42,599	119,529
Cash and cash equivalents at the end of the financial year	158,721	54,018		143,870	42,599
Financing arrangements			5.6		
Restrictions on cash assets			5.1		

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 2021

Statement of Capital Works

For the Year Ended 30 June 2021

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Property				
Land	-	6	-	6
Total Land	-	6	-	6
Buildings				
Buildings	3,875	9,472	3,670	9,189
Heritage buildings	8,296	3,704	8,296	3,704
Building improvements	46,933	29,252	46,356	28,738
Total Buildings	59,104	42,428	58,322	41,631
Total Property	59,104	42,434	58,322	41,637
Plant & Equipment				
Plant, machinery and equipment	13,395	25,154	4,140	3,411
Fixtures, fittings and furniture	1,016	1,602	1,016	1,587
Computers and telecommunications	17,270	15,064	17,110	14,722
Library books	1,043	1,500	1,043	1,500
Total Plant & Equipment	32,724	43,320	23,309	21,220
Infrastructure				
Roads	9,229	8,758	9,229	8,758
Bridges	1,547	554	1,547	554
Footpaths and cycleways	18,392	10,135	18,392	10,135
Drainage	5,028	6,340	5,028	6,340
Recreational, leisure and community facilities	593	1,527	593	1,527
Waste management	327	-	327	-
Parks, open space and streetscapes	21,931	17,825	21,931	17,825
Other infrastructures	12,377	15,523	12,377	15,523
Total Infrastructure	69,424	60,662	69,424	60,662
Total Capital Works Expenditure	161,252	146,416	151,055	123,519
Represented by:				
New asset expenditure	52,999	60,185	43,661	38,116
Asset renewal expenditure	48,214	52,090	48,214	52,090
Asset expansion expenditure	10,801	13,567	10,801	13,567
Asset upgrade expenditure	49,238	20,574	48,379	19,746
Total Capital Works Expenditure	161,252	146,416	151,055	123,519

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.

Reporting Entity

The reporting entity comprises Melbourne City Council and its wholly owned subsidiaries Citywide Service Solutions Pty Limited (Citywide), Queen Victoria Market (QVM) and Enterprise Melbourne Pty Ltd. The results of the operations of these entities are included in the consolidated results of the Group. Refer to Note 6.2 for details of the subsidiary entities and Council's consolidation principles.

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 6.1);
- 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).

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

- the measurement of fair values of net assets and goodwill on Citywide acquisitions (Note 6.2 and Note 5.2 (c)).
- the determination of a financial liability due to a “Termination for Convenience” clause within the Melbourne City Recovery Fund (MCRF) grant.

Application of Accounting Policies

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

Impact of COVID-19

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared by the Victorian State Government on 2 August 2020. The impacts of the pandemic have continued through the 2020 calendar year, as businesses opened and then closed through state lockdowns, and into the 2021 calendar year with further lockdowns in February, May and June. Victoria is now into its 6th lockdown since the state of emergency was declared, which will further impact on the 2021-22 financial year. Council has noted the following impacts on its financial operations, and the financial operations of the Group (group information refer to note 6.2):

- Council and the Group’s annual budgets were adjusted to reflect conditions that were expected to continue into the 2020-21 financial year as a result of COVID-19. Council own source revenue performed better than budget in 2020-21 due to higher volumes of traffic through the city than was originally expected. However, to show the full effect of COVID-19 on Council financial statements for the year, a comparison against the last pre-COVID budget (2019-20) is more relevant. The lower activity in the building and child care sectors, the closure of recreation and sports facilities and libraries during lockdown periods saw a further reduction in statutory fees and fines and user fees. Fees and charges reductions when measured against the 2019-20 full budget totalled \$51.0 million. In addition, Council provided assistance in the form of waivers and extensions in commercial rent and permits to the value of \$2.1 million, giving a total effect on revenue of approximately \$53.0 million for the year.
- Queen Victoria Market revenue was negatively impacted through the provision of further rent assistance to food, market stall and hospitality traders. When comparing the 2020-21 financial year to the last pre-COVID budget (2019-20), QVM revenue was reduced by \$7.2 million. The postponement of events added a further \$1.2 million in lost revenue. Citywide Service Solutions Pty Ltd were also impacted by a reduction in revenue from prior year of \$4.5 million in relation to LGA Capital Works programs, the Asphalt Joint Venture, and Commercial Waste contracts. The subsidiaries total revenue reductions were approximately \$13.0 million when compared to 2019-20 pre-COVID budgets.
- The Group incurred additional expense during the 2020-21 financial year directly related to COVID-19, for cleaning, city revitalisation, and various business support programs that were fully or partially funded by the Victorian State Government. Programs included in Councils 2020-21 result were: Work for Victoria (\$10.2 million); Melbourne City Recovery Fund (\$25.0 million); City Dining Scheme (\$8.3 million); Laneway Revitalisation (\$5.0 million); Small Business Transformation (\$1.2 million); and Food Vouchers (\$1.4 million). Based on the pre-COVID budget (2019-20), Council spent approximately \$30 million in additional Materials and Services, and Grants and Contributions that could be attributed to COVID-19. Citywide Service Solutions Pty Ltd result included the additional cleaning that was funded by Council, while QVM were able to reduce costs based on 2019-20 budgets.
- COVID-19 has also had a significant impact on the Group’s balance sheet, and specifically its cash position as rates collections have been slow, with rates debtors outstanding increasing by \$12.9 million since 2019. Total debtors outstanding across the Group has increased by \$17.4 million in the twelve months to 30 June 2021, with Council increasing by \$3.2 million. All entities in the Group have closely reviewed bad and doubtful debts provisions at balance date to ensure that impairments have been identified and recognized. Group cash and cash equivalents improved by \$111.1 million over the year (Council \$101.3 million) and this has been assisted by State Government grants of \$137.0 million in 2021, following the \$47.7 million received in 2020 to support city programs as listed above and for prior year.
- The total financial impact of COVID-19 on the group result during 2020-21 has therefore been estimated at \$96 million, including an estimated impact on the City of \$83 million.

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 Act 1989 and 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 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
	2021 \$'000	2021 \$'000	2021 \$'000	%	
Income					
Rates and charges	309,251	316,147	6,896	2%	1
Statutory fees and fines					
Parking fines	17,510	24,501	6,991	40%	2
Other statutory fees and fines	13,556	11,747	(1,809)	(13%)	3
User fees					
Parking fees	28,578	32,009	3,431	12%	4
Other user fees	6,186	15,645	9,459	153%	5
Grants - operating	14,948	62,595	47,647	319%	6
Grants - capital	23,954	32,626	8,672	36%	7
Contributions - monetary	24,593	31,700	7,107	29%	8
Contributions - non monetary	-	490	490	100%	9
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	1,100	(1,114)	(2,214)	(201%)	10
Fair value adjustments for investment properties	-	3,939	3,939	100%	11
Other income	13,181	16,721	3,540	27%	12
Total Income	452,857	547,006	94,149	21%	
Expenses					
Employee costs	172,928	167,152	5,776	3%	13
Materials and services	178,067	216,067	(38,000)	(21%)	14
Depreciation	59,959	63,393	(3,434)	(6%)	15
Amortisation - intangible assets	13,357	11,824	1,533	11%	16
Amortisation - right of use assets	1,729	2,326	(597)	(35%)	
Bad and doubtful debts	5,909	7,262	(1,353)	(23%)	17
Borrowing costs	500	82	418	84%	18
Finance costs - leases	82	173	(91)	(111%)	
Other expenses	6,860	6,723	137	2%	
Grants and contributions	24,172	41,817	(17,645)	(73%)	19
Impairment loss on asset revaluation	-	4,298	(4,298)	100%	20
Total Expenses	463,564	521,117	(57,554)	(12%)	
Surplus/(Deficit) for the year	(10,707)	25,889	36,595	-342%	

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Explanation of material variations

Ref.	Item	Explanation
1	<i>Rates and charges</i>	Rates and charges are above budget due to higher than expected supplementary rates revenue from assessments on major new developments (\$4.7million), and less general adjustments and exemptions given by the Valuer-General Victoria (\$2.1 million).
2	<i>Parking fines</i>	An above budget result as there was higher than expected volumes of infringements processed during the year due to a general increase in vehicle traffic to the city which was at 85% of Pre COVID-19 volumes.
3	<i>Other statutory fees and fines</i>	The decrease in fees and fines against budget is due to lower fines partly related to local litter laws as a result of lower foot traffic in the city, and lower than budgeted election fines.
4	<i>Parking fees</i>	Parking fees were higher than budget due to an increase in general vehicle traffic to the CBD, and higher than expected tow away fees from vehicles parked in incorrect zones.
5	<i>Other user fees</i>	The higher than budget result for the year is attributable to the following items: <ul style="list-style-type: none"> • An increase in rates hardship deferrals (replacing waivers) due to COVID-19, that is partially offset by: • lower than budget building fees as a result of low building activities impacted by COVID-19 • lower than budget fees and income from facilities that were closed or restricted during COVID-19 (including recreation centres, Town Hall, libraries, community centres), and • lower than budget carnival income from the 2020-21 Moomba event with less attractions available given the COVID-19 restrictions.
6	<i>Grants - operating</i>	Operating grants were higher than budget for the year as programs such as the Melbourne City Recovery Fund (\$24.5m), Working for Victoria (\$9.3m), CBD Dining (\$7.4m), Laneway Revitalisation (\$5.7m), and CBD Business Support – food voucher program (\$1.4m) were announced during the year and were not included in the 2020-21 budget.
7	<i>Grants - capital</i>	Capital grants finished higher than budget due to funds being received late in 2021 that were expected in 2022 financial year for CBD Security works and Swanston Street Security works.
8	<i>Contributions - monetary</i>	Contributions – monetary finished higher than budget as we received Public Open Space Contributions which were \$5.7 million higher than expected. Child care benefits received were also \$1.2m higher than budget due to additional government subsidies.
9	<i>Contributions - non monetary</i>	Contributions – non monetary relates to a gifted asset on City Road Dog Park, and the development of 185 Rosslyn Street which were unbudgeted.
10	<i>Net gain/(loss) on disposal of property, infrastructure, plant and equipment</i>	Net loss on disposal relates to losses recognized on the disposal of old computer equipment which was upgraded to facilitate more flexible working from home arrangements under COVID-19.
11	<i>Fair value adjustments for investment properties</i>	The result of a valuation increase of investment buildings of \$3.8 million on valuation.
12	<i>Other income</i>	Other income is above budget as a result of rent relief offered to Commercial renters to the value \$1.1 million due to COVID-19, and a \$4.2 million dividend declared by Citywide.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

13	<i>Employee costs</i>	Employee costs are below budget for the year due to vacant positions across all branches, and external staff secondments to the State Government, mainly from the On Street Compliance and Health branches. This was partially offset by agency staff costs.
14	<i>Materials and services</i>	Material and services costs were above budget due to a combination of: <ul style="list-style-type: none"> • additional COVID-19 related contract costs including Work for Victoria cleaning (\$11.4m) and general facility cleaning (\$2.6m) within the CBD and surrounds, • higher than budget maintenance and contract and marketing costs associated with Melbourne City Recovery Fund (\$9.8m), • higher than budget costs associated with the Lane Revitalisation project (\$4.7m) • additional contract costs associated with towaway fees and contract management and marketing costs (\$4.3m) • higher than budget towing contract costs, offset by additional revenue (\$1.3m) • unbudgeted Small Business Recovery project valued at \$1.2 million • higher than budget legal costs relating to legal advice for projects (\$1.0m)
15	<i>Depreciation</i>	Depreciation is above budget due to priority capital projects being completed ahead of expectation.
16	<i>Amortisation - intangible assets</i>	Amortisation is below budget due to delays in some Technology and Digital Innovation (TDI) projects as a result of COVID-19 lockdowns.
17	<i>Bad and doubtful debts</i>	The increase in Bad and Doubtful Debts is directly a result of an increase in the Parking Infringement Notices (PIN) provision.
18	<i>Borrowing costs</i>	Lower than budget due to a lower than expected level of borrowing required during the year due to the timing of capital projects
19	<i>Grants and contributions</i>	Higher than budget due to grants programs that were not included in the 2020-21 budget – Melbourne City Recovery Fund (\$8.7m), CBD Dining program (\$8.0m), CBD Business Support – food vouchers (\$1.4m), and QVM support grant of \$9.4 million.
20	<i>Impairment loss on asset revaluation</i>	The impairment loss is a result of the reduction in the valuation of trees due to an increase in the number of suppliers in the market, an over-supply of tree stock available, leading to reduced replacement costs.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

1.2 Capital works

Council	Budget	Actual	Variance		Ref
	2021 \$'000	2021 \$'000	2021 \$'000	%	
Buildings					
Buildings	8,721	3,670	5,051	58%	1
Heritage buildings	12,707	8,296	4,411	35%	2
Building improvements	48,857	46,356	2,501	5%	3
Total Buildings	70,285	58,322	11,963	17%	
Total Property	70,285	58,322	11,963	17%	
Plant & Equipment					
Plant & equipment	2,842	4,140	(1,298)	(46%)	4
Fixtures, fittings & furniture	666	1,016	(350)	(53%)	
Computers and telecommunications	18,373	17,110	1,263	7%	5
Library books	1,000	1,043	(43)	(4%)	
Total Plant & Equipment	22,881	23,309	(428)	(2%)	
Infrastructure					
Roads	8,120	9,229	(1,109)	(14%)	6
Bridges	250	1,547	(1,297)	(519%)	7
Footpaths and cycleways	24,715	18,392	6,323	26%	8
Drainage	5,030	5,028	2	0%	
Recreational, leisure and community facilities	3,841	593	3,248	85%	9
Waste management	2,400	327	2,073	86%	10
Parks, open space and streetscapes	38,803	21,931	16,872	43%	11
Other Structures	9,912	12,377	(2,465)	(25%)	12
Total Infrastructure	93,071	69,424	23,647	25%	
Total Capital Works Expenditure	186,237	151,055	35,182	19%	
Represented by:					
New asset expenditure	59,182	43,661	15,521	26%	
Asset renewal expenditure	53,705	48,214	5,491	10%	
Asset expansion expenditure	18,187	10,801	7,386	41%	
Asset upgrade expenditure	55,163	48,379	6,784	12%	
Total Capital Works Expenditure	186,237	151,055	35,182	19%	

From the \$35.2 million variance to budget in total capital works expenditure for 2020-21, \$28.2 million will be carried forward to 2021-22 (2020: \$23.2 million was carried forward to 2020-2021) (refer to Note 5.1 (b) other financial assets). The balance of \$7.0 million of the budgeted funds not spent or carried forward to next financial year relate mainly to the following projects:

- Southbank Boulevard Upgrading,
- Community Sports Pavilion Upgrade,
- Swanston Street HVM Works, and
- Cycle Infrastructure.

These under budget spends were a result of delays due to COVID-19, planned deferrals, and project postponements. Required funding for these projects will be included in future budgets.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Explanation of material variations

	Item	Explanation
1	<i>Buildings</i>	<p>Council House Two Chillers Renewal Works – the consultants and contractors employed were delayed due to COVID-19 building access restrictions. Furthermore carrying out works while staff are in the office requires extensive consultation and relocation; options are currently being assessed to re-scope the project (\$2.5 million under spent).</p> <p>Property Services Renewal Works – this resulted in surplus funds due to COVID-19 impacting works and the awarding of tenders (\$1.4 million under spent); 2021-22 budget is available to complete the outstanding works in the next financial year.</p> <p>Kensington Community Recreation Precinct Redevelopment - resulted in surplus funds as the allocated budget was more than required for preliminary design (\$0.6 million under spent); construction is due to commence in 2021-22 with the project expected to be completed in 2023-24.</p>
2	<i>Heritage Buildings</i>	<p>Town Hall Buildings Restoration and Refurbishment Works - resulted in surplus funds due to COVID-19 which delayed the site survey, scoping and planning on levels three and four (\$1.4 million under spent).</p> <p>Property Services City Baths Renewal Works – the start of the works was delayed due to COVID-19. Furthermore, the complexity of carrying out construction works in the live environment above the pool, as well as identification of additional scope for turret and facade refurbishment led to further delays (\$1.0 million under spent); funds have been carried forward with works expected to be completed by November 2021.</p> <p>Office Accommodation project - this was placed on hold at the start of COVID-19 (\$1.0 million not spent); the scope of the project was then varied as City of Melbourne's office accommodation requirements were reconsidered in line with Government recommendations; funds have been carried forward.</p> <p>Town Hall Renewal and Priority Roof Works – the start of works was delayed due to COVID-19 with delivery delayed further due to inclement weather (\$0.9 million under spent); additional scope and funding were added in April 2021; funds have been carried forward with works expected to be completed by June 2022.</p>
3	<i>Building Improvements</i>	<p>Queen Victoria Market Precinct Renewal – this was delayed due to COVID-19, contractor restrictions, and external authority approvals (\$1.8 million under spent); this has affected the shed restoration, the Munro site utilities work, and the Southern site divestment works, which are expected to be completed in the first quarter of 2021-22.</p>
4	<i>Plant and Equipment</i>	<p>Council incurred unbudgeted expenditure on Parking Technology Services (\$1.1 million); the funds were primarily used to purchase sensors and initial vendor transition costs.</p>
5	<i>Computers & Telecommunications</i>	<p>Technology and Digital Innovation works were delayed due to COVID-19 which affected vendors' supply chains, and availability of product due to shortages in the market (\$1.1 million under spent); it is anticipated these projects will be completed during the 2021-22 financial year.</p>
6	<i>Roads</i>	<p>Additional works were carried out above budgeted scope as a result of grant funding from the Commonwealth Government to deliver road and footpath renewal works under the Local Roads and Community Infrastructure Program (\$2.3 million).</p>
7	<i>Bridges</i>	<p>Works were carried out in addition to budgeted scope as a result of grant funding from the Department of Transport to install protection screen on the La Trobe Street Bridge (\$1.3 million); funds have been carried forward to complete the project.</p>

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

8	<i>Footpaths and Cycleways</i>	<p>Exhibition Street Bike Lane project was originally planned as a rapid implementation, however an opportunity to uplift the streetscape was identified. The streetscape was then delayed due to an increase in scope and design (\$3.4 million under spent); it is anticipated the project will be completed during the 2021-22 financial year.</p> <p>The Cycle Infrastructure program has delivered the construction of 23 kilometres of fast track bike lanes ahead of schedule; however the following streets have been delayed due to scope clarification: Alexander Avenue, Whiteman Street, Princess Bridge, Spring Street, Bourke Street and Flinders Street (\$2.5 million under spent); funds have been carried forward to complete the works.</p>
9	<i>Recreational, Leisure & Community Facilities</i>	<p>Western Pavilion Upgrade Works - the tender was delayed due to COVID-19 (\$2.4 million under spent); funds have been carried forward to complete the construction by February 2022.</p>
10	<i>Waste Management</i>	<p>Waste and Resource Recovery Hub Expansion Program – this was delayed due to COVID-19 and negotiations with CitiPower (\$2.1 million under spent); funds have been carried forward to complete the delivery of Hubs in quarter one and two of the 2021-22 financial year.</p>
11	<i>Parks, Open Space & Streetscapes</i>	<p>The Southbank Boulevard project was delayed due to the late award of the tender and access to site (\$6.9 million under spent); outstanding works will be completed early 2022.</p> <p>Parks Renewal Program works relating to JJ Holland Park Synthetic was postponed to give priority to the city reactivation initiatives (\$1.9 million under spent).</p> <p>New Climate Adaptation Urban Landscapes relating to the Bedford Street Pocket Park was delayed due to COVID-19 (\$1.4 million under spent); this is expected to be completed the end of quarter three 2022.</p> <p>The North Melbourne, West Melbourne and Docklands Transport and Amenity Program is a co funded project with the Department of Transport (DoT) in a matched funding arrangement. The projects have not been completed due to a lack of DoT resources and delays in obtaining approval from the West Gate Tunnel Project (\$1.1 million under spent). This will be absorbed in next financial year's budget.</p> <p>North Bank Open Space and Public Realm Projects were delayed due to delays on demolition and design approval from Metro Trains, and contractor resource availability (\$1.0 million under spent); funds have been carried forward to complete construction by September 2021.</p>
12	<i>Other Structures</i>	<p>Works were carried out which are in addition to budgeted scope, and were as a result of grant funding from the Department of Justice and Community Safety to design and install Vehicle Security Barriers across key locations in the Melbourne Central Business District (\$1.5 million above budget).</p> <p>Further grant funding was received from the Department of Justice and Community Safety to design and install Vehicle Security Barriers, including bollards and other barriers, at Federation Square in addition to the rectification of the underlying Swanston Street bridge structure, to the extent needed to undertake and complete the works (\$0.8 million above budget).</p> <p>The City of Melbourne has partnered with the Working for Victoria Fund on a program of works that will enhance the social qualities and economic possibilities of 40 of Melbourne's world renowned CBD laneways (\$0.5 million).</p>

NOTE 2 ANALYSIS OF COUNCIL RESULTS BY PROGRAM

Council delivers its functions and activities through the following groups:

- Executive Services
- Finance and Corporate
- Infrastructure and Design
- Strategy, Planning and Climate Change
- Community and City Services
- City Economy and Activation
- Governance and Organisational 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

2021	Income	Expenses	Surplus/ (Deficit)	Grants	Total assets
	\$'000	\$'000	\$'000	\$'000	
Executive Services	9,220	46,079	(36,859)	5,087	-
Finance and Corporate	332,804	91,316	241,488	4,162	3,156,873
Infrastructure and Design	72,969	92,427	(19,458)	46,501	1,371,493
Strategy, Planning and Climate Change	54,479	106,243	(51,764)	7,892	177,166
Community and City Services	46,063	72,284	(26,221)	3,705	195
City Economy and Activation	30,983	94,298	(63,315)	27,874	49,016
Governance and Organisation Development	488	18,470	(17,982)	-	-
Total	547,006	521,117	25,889	95,221	4,754,743

2020	Income	Expenses	Surplus/ (Deficit)	Grants	Total assets
	\$'000	\$'000	\$'000	\$'000	
Executive Services	20,431	22,474	(2,043)	83	-
Finance and Corporate	328,054	79,331	248,723	3,518	3,070,528
Infrastructure and Design	73,155	163,263	(90,108)	30,425	1,539,790
Strategy, Planning and Climate Change	56,355	22,126	34,229	332	390
Community and 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 and Organisation Development	536	18,639	(18,103)	-	-
Total	556,699	483,704	72,995	44,447	4,661,780

Infrastructure and Design was created by the merging of Capital Projects & Infrastructure and City Design during 2020-21. A further movement saw Waste Management come out of Infrastructure and Design and go to Strategy, Planning and Climate Change, which resulted in the increase in that groups expenses, and the reduction in Infrastructure and Design expenses in 2020-21.

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 2020-21 was \$7.1 billion (2019-20 \$6.9 billion).

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Residential	128,252	121,237	128,252	121,237
Non-residential	176,793	176,165	177,044	176,396
Culture & recreational	451	451	451	451
Supplementary rates and rate adjustments	10,298	3,093	10,298	3,093
Interest on Rates & Charges	102	588	102	588
	315,896	301,534	316,147	301,765

The increase in supplementary rates and rate adjustments was due to the number of major new developments that were completed during the year, and less general adjustments and exemptions given by the Valuer-General Victoria.

The date of the latest general revaluation of land (2021 General Valuation) for rating purposes within the municipal district was 1 January 2021 and the valuation will be first applied in the rating year commencing 1 July 2021.

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

3.2. Statutory fees and fines

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Infringements and costs				
Parking fines	24,501	38,196	24,501	38,196
Total parking fines	24,501	38,196	24,501	38,196
Infringements and costs				
General fines	802	1,988	802	1,988
Town planning fees	6,118	6,062	6,118	6,062
Land Information Certificates	223	217	223	217
Permits	1,753	1,901	1,756	1,901
Food and Health Act registration	2,847	3,526	2,848	3,526
Total other statutory fees and fines	11,743	13,694	11,747	13,694
Total statutory fees and fines	36,244	51,890	36,248	51,890

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 2021

3.3. User fees

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Parking	34,640	50,397	32,009	46,638
Total parking fees	34,640	50,397	32,009	46,638
Aged and health services	69	309	69	309
Leisure centre and recreation	1,254	3,141	1,254	3,143
Child care/children's programs	1,077	1,479	1,077	1,479
Registration and other permits	373	922	373	922
Building services	10,964	14,260	10,964	14,260
Waste management services	507	618	507	618
Berthing	327	470	327	470
Other fees and charges	1,074	3,312	1,074	3,312
Total other user fees	15,645	24,511	15,645	24,513
Total user fees	50,285	74,908	47,654	71,151

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Summary of Grants				
Commonwealth funded grants	8,831	7,321	8,831	7,321
State funded grants	86,390	37,126	86,390	37,126
Total grants received	95,221	44,447	95,221	44,447

(a) Operating grants

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Recurrent - Commonwealth Government				
Aging and Inclusion	717	2,457	717	2,457
Financial Assistance Grant	4,162	3,368	4,162	3,368
Other	222	23	222	23
Recurrent - State Government				
Aged care	428	757	428	757
Libraries	1,033	1,008	1,033	1,008
Maternal & Child Health	1,010	972	1,010	972
Pre School Services	366	284	366	284
Support Services for Families	751	795	751	795
Arts Programs	570	470	570	470
Events	170	150	170	150
Other	540	770	540	770
Total Recurrent Operating Grants	9,969	11,054	9,969	11,054
Non-recurrent - Commonwealth Government				
Other	70	109	70	109
Non-recurrent - State Government				
Roads & Streets	405	348	405	348
Resilience	-	285	-	285
Arts Programs	184	83	184	83
Melbourne City Recovery Fund	24,750	-	24,750	-
COVID-19 Impact	10,767	6,400	10,767	6,400
CBD Dining Voucher	7,400	-	7,400	-
Lane Revitalization	5,711	-	5,711	-
CBD Business Support Impacted by COVID-19	1,429	-	1,429	-
Other	1,910	1,205	1,910	1,205
Total Non-recurrent Operating Grants	52,626	8,430	52,626	8,430
Total Operating Grants	62,595	19,484	62,595	19,484

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Operating grant revenue with sufficiently specific performance obligations are recognised over time as the performance obligations specified in the underlying agreement are met (Accounting Standard - AASB 15). Where performance obligations are not sufficiently specific, operating grant revenue is recognised on the earlier of receipt or when an unconditional right to receipt has been established (Accounting Standard - AASB 1058). For the Melbourne City Recovery Fund, City of Melbourne has concluded that a "Termination of Convenience" clause gives rise to a financial liability under AASB 9 Financial Instruments for all amounts received during the year. Income is subsequently recognised as the grant is spent. See Note 3.4 (c) below.

(b) Capital grants

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Recurrent - Commonwealth Government				
Roads to recovery	469	469	469	469
Road & Streets	739	744	739	744
Recurrent - State Government				
Parking Levy	7,000	7,000	7,000	7,000
Total Recurrent Capital Grants	8,208	8,213	8,208	8,213
Non-recurrent - Commonwealth Government				
Local Roads and Community Infrastructure	2,452	151	2,452	151
Non-recurrent - State Government				
Public Security	14,905	14,583	14,905	14,583
Park & Gardens	3,896	496	3,896	496
Working for Victoria and City Recovery	1,321	1,520	1,321	-
Gateway to GMH site (Fishermans Bend)	1,844	-	1,844	-
Children's Centre construction	-	-	-	1,520
	21,966	16,599	21,966	16,599
Total Non-recurrent Capital Grants	24,418	16,750	24,418	16,750
Total Capital Grants	32,626	24,963	32,626	24,963

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

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Operating				
Balance at start of year	1,022	2,296	1,022	2,296
Received during the financial year and remained unspent at balance date	29,004	963	29,004	963
Received in prior years and spent during the financial year	(1,022)	(2,237)	(1,022)	(2,237)
Balance at year end	29,004	1,022	29,004	1,022
Capital				
Balance at start of year	1,758	2,654	1,758	2,654
Received during the financial year and remained unspent at balance date	5,466	545	5,466	545
Received in prior years and spent during the financial year	(1,486)	(1,441)	(1,486)	(1,441)
Balance at year end	5,738	1,758	5,738	1,758

Operating grants received during the year and unspent at balance date are mainly related to the Melbourne City Recovery Fund (\$24.7 million), the Victorian State Government Common Funding Agreement – State of Emergency (\$2.9 million) and Support for CBD Businesses (\$1.3 million). Performance obligations are expected to be fully met during the 2021-22 financial year. Capital grants related to road and bridge upgrades (\$3.1 million), emergency memorial funding (\$0.3 million), and sports pavilions (\$2.0 million).

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3.5 Contributions

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Public Open Space	27,105	34,510	27,105	34,510
Child Care Benefit	2,126	2,194	2,126	2,194
Sponsorships	1,085	1,000	1,085	990
Non-Government Capital	1,073	1,688	1,073	1,688
Other Contributions	311	423	311	423
Total Contributions - Monetary	31,700	39,815	31,700	39,805
Land	490	-	490	-
Total Contributions - Non Monetary	490	-	490	-

Monetary and non-monetary contributions are recognised as revenue when Council obtains control over the contributed assets. The non-monetary contribution received relates to gifted assets on the City Road Dog Park and the development of 185 Rosslyn Street which were both unbudgeted.

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

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Land & Buildings				
Proceeds of sales*	26,347	24,010	26,347	24,010
Written down value of assets disposed*	(26,410)	(406)	(26,431)	(406)
Gain/(Loss) on sale	(63)	23,604	(84)	23,604
Plant and Equipment				
Proceeds of sales	877	1,172	23	-
Written down value of assets disposed	(1,281)	(1,191)	(1,053)	-
Gain/(Loss) on sale	(404)	(19)	(1,030)	-
Proceeds of sale	27,224	25,182	26,370	24,010
Written down value of assets disposed	(27,691)	(1,597)	(27,484)	(406)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	(467)	23,585	(1,114)	23,604

* Proceeds of sales includes sale of investment property land of Munro site development lot (\$26.3 million) in 2020-21. The written down value of the Munro site development lot is \$26.3 million. Refer Note 6.3

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

3.7. Other income

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Interest	806	2,357	804	2,290
Dividends	18	63	4,218	2,063
Investment property/market rentals*	7,317	20,026	3,560	5,701
Intercompany revenue	-	-	3,404	2,506
Sales & recoveries**	223,404	196,446	4,470	5,732
Project income	265	367	265	367
Total Other Income	231,810	219,259	16,721	18,659

* Consolidated income includes QVM stall holder revenue of \$3.8 million for 2020-21 (2019-20: \$14.3 million).

** Consolidated income includes Citywide revenue for rendering of contractual services of \$220.9 million for 2020-21 (2019-20: \$188.7 million).

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 the Group entities gain control over the rights to receive the income.

NOTE 4 THE COST OF DELIVERING SERVICES

4.1. Employee costs

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	238,106	212,183	132,439	136,067
WorkCover	4,914	3,997	2,448	1,924
Superannuation contributions	22,459	21,446	14,544	14,912
Fringe benefit tax	620	571	158	414
Annual leave and long service leave	24,382	21,839	17,563	16,482
	290,481	260,036	167,152	169,799

The reduction in Council wages and salaries in 2020-21 is due to unfilled positions and secondments of Council staff to the Victorian State Government during COVID-19 lockdowns. The increase in Group wages and salaries is related to Citywide business acquisitions during 2020-21.

Superannuation contributions

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Defined benefit fund				
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	152	174	152	174
Melbourne City Council Superannuation sub-plan (Vision Super)	848	1,007	687	809
	1,000	1,181	839	983
Accumulation funds				
Employer contributions to Vision Super	11,037	10,756	7,540	7,903
Employer contributions - other funds	10,422	9,509	6,165	6,026
	21,459	20,265	13,705	13,929
Total Superannuation contributions	22,459	21,446	14,544	14,912
Employer contributions payable at reporting date	850	628	-	-

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

4.2. Materials and services

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Contract payments				
Strategy, Planning and Climate Change	62,581	82,024	62,581	56,438
Infrastructure and Design	27,152	18,481	27,152	27,507
City Economy and Activation	21,126	17,278	21,126	17,278
Finance and Corporate	18,476	16,315	18,476	16,431
Community and City Services	13,529	206	13,529	17,367
Other	4,493	21,065	8,824	3,002
Building maintenance	221	459	214	430
General maintenance	28,463	34,164	19,609	20,468
Utilities	12,018	11,596	7,803	8,204
Administration/Supplies	82,619	63,195	13,743	9,912
Information technology	10,360	8,671	8,144	5,966
Insurance	5,052	2,855	2,253	1,333
Consultants	15,832	15,610	12,613	12,409
	301,922	291,919	216,067	196,745

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

4.3. Depreciation

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Property	9,772	9,239	8,721	8,383
Plant and equipment	19,673	19,251	7,348	7,549
Infrastructure	47,324	45,116	47,324	45,116
Total depreciation	76,769	73,606	63,393	61,048

4.4. Amortisation/Impairment – Intangible assets

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Software	12,250	9,975	11,824	9,726
Customer relations	477	4,543	-	-
Total amortisation/Impairment - intangible assets	12,727	14,518	11,824	9,726

Refer to Note 5.2(c), 5.8 and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.5. Amortisation – Right of Use assets

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Property	4,833	4,449	1,935	1,995
Vehicles	1,811	1,930	391	355
Total amortisation - Right of Use assets	6,644	6,379	2,326	2,350

4.6 Bad and doubtful debts

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Parking fine debtors	7,150	13,879	7,150	13,879
Trade debtors	124	624	112	585
Total bad and doubtful debts	7,274	14,503	7,262	14,464

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Movement in doubtful debts - parking infringements				
Balance at the beginning of the year	81,300	67,754	81,300	67,754
New provisions recognised during the year	7,150	13,879	7,150	13,879
Amounts already provided for and written off as uncollectible	(724)	(377)	(724)	(377)
Amounts provided for but recovered during the year	46	44	46	44
Balance at the end of the year	87,772	81,300	87,772	81,300

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 2021

4.7. Borrowing costs

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Interest - borrowings	289	542	82	339
	289	542	82	339

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	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Interest - lease liabilities	569	583	173	187
	569	583	173	187

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

4.9. Other expenses

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Auditors remuneration - VAGO- audit of financial statements	283	235	158	150
Audit services - external acquittal and assessment	28	156	28	131
Audit services - internal	512	441	216	208
Fire brigade levy	176	130	176	130
Taxes & Levies	4,169	4,453	3,433	3,322
Other costs	3,027	2,997	2,712	2,655
	8,195	8,412	6,723	6,596

4.10. Grants and Contributions

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Arts grant	4,312	6,582	4,312	6,582
Tourism and events*	4,031	2,855	4,031	2,855
Economic development**	10,743	7,578	20,143	7,578
Community and city services	1,468	2,071	1,468	3,971
Other	11,863	1,464	11,863	1,464
	32,417	20,550	41,817	22,450

* Tourism and events funding includes COVID-19 City Recovery grant (\$1.4 million) and events partnership program (\$2.1 million).

**Economic development funding includes COVID-19 City Recovery grant (\$9.2 million), CBD dining voucher (\$8.0 million) and CBD Business Support grant (\$1.4 million). A \$9.4 million grant paid by Council to QVM is eliminated on consolidation.

4.11. Impairment loss on asset revaluations

An impairment loss of \$4.3 million has been taken to account and relates to the valuation of Parks, Open Space and Streetscapes (tree assets) of Council. This is a result of the overall impairment loss being greater than the balance held in the reserve account at valuation. Under Australian Accounting Standards (AASB136 Impairment of Assets) where the loss is greater than the balance of the reserve, the loss amount in excess of the balance is taken to the Income Statement as an expense. For 2020-21 the valuation adjustment is due to an increase in suppliers to the market leading to an over-supply of tree stock, and a reduction in replacement and establishment costs.

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
(a) Cash and Cash Equivalents				
Cash on hand	46	42	25	32
Cash at bank	158,675	45,976	143,845	34,567
Term deposits	-	8,000	-	8,000
Total Cash and cash equivalents	158,721	54,018	143,870	42,599
(b) Other financial assets				
Term deposits - current	31,750	65,750	30,000	64,000
Term deposits - non current*	33,626	63,488	33,626	63,488
Total other financial assets	65,376	129,238	63,626	127,488
Total financial assets	224,097	183,256	207,496	170,087

* Term deposits – non-current is the Acquisition Trust funds created in relation to the compulsory sale of City Square assets by Rail Projects Victoria (\$33.5 million in 2019-20). \$30.0 million in term deposits with maturity over 12 months held at 30 June 2020 were converted to cash during the year.

The Group's funds are subject to external restrictions that limit amounts available for discretionary use. These include:

	Consolidated			Council	
	2021 \$'000	2020 \$'000	Note	2021 \$'000	2020 \$'000
Trust funds and deposits	17,439	16,669	5.3	15,202	14,742
Acquisition Trust*	33,626	33,488		33,626	33,488
Reserve funds (Public Open Space)	79,572	63,625	9.1	79,572	63,625
Total restricted funds	130,637	113,782		128,400	111,855
Unrestricted funds	93,460	69,474		79,096	58,232
Total Council funds	224,097	183,256		207,496	170,087

* Acquisition Trust funds created in relation to compulsory sale of City Square by Rail Projects. The Acquisition Trust funds received have been placed in a trust account until the City Square land is handed back to City of Melbourne.

Intended allocations

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

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	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Cash held to fund carried forward capital works	32,403	23,624	28,248	23,189
Total funds subject to intended allocations	32,403	23,624	28,248	23,189

(c) Trade and other receivables

Current	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Statutory receivables				
Rate debtors	18,773	15,045	18,773	15,045
Infringement debtors	93,456	88,321	93,456	88,321
Provision for doubtful debts - Infringements	(87,772)	(81,300)	(87,772)	(81,300)
Non statutory receivables				
Trade debtors*	47,590	32,394	8,447	8,284
Provision for doubtful debts - Trade debtors	(1,069)	(1,342)	(767)	(856)
Net GST receivable	3,209	3,627	7,457	7,260
Total current trade and other receivables	74,187	56,745	39,594	36,754

*Consolidated trade debtors includes Citywide trade receivables of \$38.9 million, encompassing the trade debtors of the newly acquired Citywide Utilities businesses. (2020: \$21.1 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 Group's trade and other receivables (excluding statutory receivables) that are not impaired was:

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current (not yet due)	31,193	28,775	7,171	6,577
Past due by up to 30 days	7,956	1,397	469	312
Past due between 31 and 180 days	7,455	1,542	378	1,038
Past due between 181 and 365 days	686	467	426	329
Past due by more than 1 year	300	213	3	28
Total trade and other receivables	47,590	32,394	8,447	8,284

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$1.1 million (2020 \$1.3 million) were impaired. The amount of the provision raised against these debtors was \$0.3 million (2020: \$0.3 million). They individually have been impaired due to their doubtful collection. Many of the long outstanding past due amounts relating to Council are in the hands of Council's debt collectors or are subject to payment arrangements.

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

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current (not yet due)	243	310	200	200
Past due by up to 30 days	-	98	-	-
Past due between 31 and 180 days	229	238	180	223
Past due between 181 and 365 days	591	542	381	332
Past due by more than 1 year	6	154	6	101
Total	1,069	1,342	767	856

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

5.2. Non-financial assets

(a) Inventories

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Inventory held for distribution*	1,610	712	-	-
Total inventories	1,610	712	-	-

*The increase in 2021 is due to inventory held at Citywide Utilities business acquisitions during the year.

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

(b) Other assets

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Prepayments	3,859	4,375	2,016	2,889
Accrued income	4,185	18,381	5,845	10,795
Total other assets	8,044	22,756	7,861	13,684

(c) Intangible assets

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Software	37,565	43,075	36,798	41,886
Goodwill	30,391	19,101	-	-
Customer relationships	2,590	-	-	-
	70,546	62,176	36,798	41,886

Consolidated	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
Gross carrying amount				
Balance at 30 June 2020	91,154	28,440	1,500	121,094
Additions	11,414	11,290	3,067	25,771
WIP	(4,678)	-	-	(4,678)
Balance at 30 June 2021	97,890	39,730	4,567	142,187
Accumulated amortisation and impairment				
Balance at 30 June 2020	(48,079)	(9,339)	(1,500)	(58,918)
Amortisation expense	(12,246)	-	(477)	(12,723)
Balance at 30 June 2021	(60,325)	(9,339)	(1,977)	(71,641)
Net book value at 30 June 2020	43,075	19,101	-	62,176
Net book value at 30 June 2021	37,565	30,391	2,590	70,546

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Council	Software \$'000	Goodwill \$'000	Customer relationships \$'000	Total \$'000
Gross carrying amount				
Balance at 30 June 2020	89,655	-	-	89,655
Additions	11,414	-	-	11,414
WIP	(4,678)	-	-	(4,678)
Balance at 30 June 2021	96,391	-	-	96,391
Accumulated amortisation and impairment				
Balance at 30 June 2020	(47,769)	-	-	(47,769)
Amortisation expense	(11,824)	-	-	(11,824)
Balance at 30 June 2021	(59,593)	-	-	(59,593)
Net book value at 30 June 2020	41,886	-	-	41,886
Net book value at 30 June 2021	36,798	-	-	36,798

Goodwill

Goodwill is related to Council's subsidiary Citywide. Goodwill acquired in a business combination is measured at cost as established at the date of the business combination and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Impairment of assets

Goodwill has been reviewed for impairment at the year ended 30 June 2021. Citywide tests assets to ensure that they are not carried above their recoverable amounts:

- annually, or more frequently if events or changes in circumstances indicate that the assets may be impaired, for goodwill and intangible assets that have an indefinite useful life; and
- for all other assets whenever an indication of impairment may exist.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units or CGUs).

The recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and fair value in use, is compared to the asset's carrying value. The excess of the asset's carrying value over its recoverable amount is expensed to other comprehensive income.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU). A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Allocation of goodwill to Cash Generating Units (CGU)

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

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	\$'000	\$'000
Victoria Operations	9,588	9,588
NSW/ACT Operations	3,325	3,325
Technigro	6,188	6,188
Gordon McKay	3,782	-
Frontline Electrical	2,700	-
Ultegra	4,808	-
	30,391	19,101

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 for each CGUs was determined to be in excess of the carrying value and therefore no impairment was recognised.

Key assumptions used in the discounted cash flow projections

Future cash flows have been based on the 2021-22 budget and overlaid with appropriate discount and growth rates. The discount and growth rate assumptions are as follows:

	2021	2020
Discount Rate (WACC)	5.80%	9.00%
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 2021-22 budget. The terminal growth rate in Net Profit After Tax is estimated by management using past experience and expectations for the future.

Estimation of recoverable amount

The recoverable amounts of CGUs have been determined based on value in use calculations using discounted cash flow projections based on the budget approved by the Board for the next financial year and management's forecasts covering a five-year period. These calculations require the use of assumptions as outlined above.

Fair value calculation

The fair value of customer relationships acquired is calculated considering the estimated future recurring revenues from existing customers in the acquired operations at the date of the acquisition. The calculation involves the development of expected cash flows discounted at an appropriate discount rate. Projecting the expected cash flows involves estimating the likelihood of existing customers extending and renewing long-term contracts based on historical observations. The estimated useful life for amortisation is determined based on that assessment.

5.3. Payables

(a) Trade and other payables

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current				
Trade payables	35,794	36,019	19,262	19,789
Accrued operating expenses	68,408	48,823	45,705	30,850
Accrued capital work expenses	9,776	9,406	18,319	12,855
	113,978	94,248	83,286	63,494
Non Current				
Trade payables	1,435	-	-	-
	1,435			
	115,413	94,248	83,286	63,494

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(b) Trust funds and deposits

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Refundable deposits	7,614	7,312	6,338	7,124
Fire services levy	7,018	5,854	7,018	5,854
Retention amount	76	91	76	91
Other refundable deposits	354	335	244	285
	15,062	13,592	13,676	13,354
Non Current				
Refundable deposits	2,377	3,077	1,526	1,388
	2,377	3,077	1,526	1,388
Total trust funds and deposits	17,439	16,669	15,202	14,742

Amounts received as deposits and retention amounts controlled by the Group are held in trust until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in the Group gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

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

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

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

Amounts received as deposits and retention amounts controlled by the Group 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 the Group gaining control of the funds, are recognised as revenue at the time of forfeit.

(c) Unearned income

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Grants received in advance - operating	29,004	965	29,004	965
Grants received in advance - capital	5,738	545	5,738	545
Other	8,558	7,701	4,416	5,181
	43,300	9,211	39,158	6,691

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

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5.4. Interest-bearing liabilities

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Borrowing - secured	12,000	-	-	-
Non-current				
Borrowing - secured	6,200	-	-	-
Total	18,200	-	-	-
Maturity profile for borrowing is:				
Not later than one year	12,000	-	-	-
Later than one year and not later than five years	6,200	-	-	-
Later than five years	-	-	-	-

Borrowings at 30 June 2021 relate to a Citywide secured bank loan. The bank loan facility of \$36.2m is a secured facility with a first ranking fixed and floating charge over the net assets of Citywide. Subject to the continuance of satisfactory covenants achievement, the bank loan facility may be drawn at any time. The bank loan facility may be terminated by the bank if Citywide defaults under the loan agreement. The facilities expire on 27 July 2022.

5.5. Provisions

Summary of current and non-current provisions:

	Consolidated		Council	
	\$'000	\$'000	\$'000	\$'000
Current provisions				
Employee provisions	50,947	45,988	35,571	34,403
Other provisions	2,306	2,955	1,742	1,814
	53,253	48,943	37,313	36,217
Non-current provisions				
Employee provisions	4,978	5,168	3,992	3,909
	4,978	5,168	3,992	3,909
Total provisions	58,231	54,111	41,305	40,126

Below is a summary of provisions by categories:

	Consolidated		Council	
	\$'000	\$'000	\$'000	\$'000
Employee provisions				
Balance at the beginning of year	51,156	49,481	38,312	36,951
Additional provisions	21,942	21,839	17,278	16,482
Amounts used	(17,173)	(20,164)	(16,027)	(15,121)
Balance at the end of year	55,925	51,156	39,563	38,312
Insurance claims				
Balance at the beginning of year	1,814	1,847	1,814	1,847
Additional provisions	433	433	433	433
Amounts used	(505)	(466)	(505)	(466)
Balance at the end of year	1,742	1,814	1,742	1,814
Other provisions				
Balance at the beginning of year	1,141	849	-	-
Additional provisions	560	1,137	-	-
Amounts used	(1,137)	(845)	-	-
Balance at the end of year	564	1,141	-	-
Total provisions	58,231	54,111	41,305	40,126

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(a) Employee provisions

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current provisions expected to be wholly settled within 12 months				
Annual leave	21,882	16,986	12,200	11,248
Long service leave	2,294	2,727	1,798	1,812
	24,176	19,713	13,998	13,060
Current provisions expected to be wholly settled after 12 months				
Annual leave	71	65	-	-
Long service leave	26,700	26,210	21,573	21,343
	26,771	26,275	21,573	21,343
Total current employee provisions	50,947	45,988	35,571	34,403
Non-Current				
Long service leave	4,978	5,168	3,992	3,909
Total non-current employee provisions	4,978	5,168	3,992	3,909
Aggregate carrying amount of employee provisions				
Current	50,947	45,988	35,571	34,403
Non-current	4,978	5,168	3,992	3,909
Total aggregate carrying amount of employee provisions	55,925	51,156	39,563	38,312

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

Wages and salaries and annual leave

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

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

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	
	2021	2020	2021	2020
Discount rate	-0.02%-1.5%	0.2%-0.9%	-0.02%-1.5%	0.2%-0.9%
Inflation rate	1.0%-3.0%	2.0%-4.3%	1.0%-3.0%	2.0%-4.3%

(b) Insurance claims and other provisions

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Current				
Insurance claims	1,742	1,814	1,742	1,814
Other provisions	564	1,141	-	-
	2,306	2,955	1,742	1,814

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

5.6. Financing arrangements

The Group has the following funding arrangements in place as at 30 June 2021.

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Bank overdraft facility	2,500	2,500	-	-
Credit card facilities	800	580	300	300
Bank loan facility*	111,200	111,200	75,000	75,000
Other financing facilities	18,000	14,000	-	-
Total facilities	132,500	128,280	75,300	75,300
Used facilities	(33,489)	(13,603)	-	(2)
Unused facilities	99,011	114,677	75,300	75,298

* Includes Citywide's \$36.2 million bank loan facility which has been extended to 27 July 2022, and Council's \$75 million floating rate loan facility with ANZ Bank which has been extended for two years to 30 June 2023. Details refer to Note 8.3 (d).

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. (Commitments relate to Council only)

Council 2021	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Waste	18,430	18,430	54,774	17,734	109,368
Roads, Streets & Related Infrastructure	41,011	40,884	343	-	82,238
Property*	2,860	2,860	8,579	2,860	17,159
Parks & Gardens	20,584	20,584	15,550	-	56,718
Cleaning - Outdoor	11,736	1,272	321	-	13,329
Parking	5,966	511	100	-	6,577
Facilities & Maintenance	2,264	1,544	4,631	596	9,035
Community Services	1,919	884	-	-	2,803
Information Technology	4,931	2,865	2,255	24	10,075
Integrated Security Services, Infrastructure & Maintenance	4,647	4,647	4,375	-	13,669
Events	3,735	3,291	6,153	-	13,179
Cleaning - Indoor	4,498	-	-	-	4,498
Media & Advertising	73	51	127	-	251
Other categories	1,673	1,066	2,386	-	5,125
Total	124,329	98,889	99,594	21,214	344,024
Capital					
Building & Equipment	13,469	13	-	-	13,482
Parks & Gardens	5,025	649	109	-	5,783
Roads	4,756	-	-	-	4,756
Total	23,250	662	109	-	24,021

*Property was shown as Energy and Utilities in 2020 below.

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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
Operating					
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
Total	140,839	28,668	71,182	18,556	259,245
Capital					
Building & Equipment	11,765	16,281	1,000	-	29,046
Parks & Gardens	411	-	-	-	411
Roads	-	-	-	-	-
Total	12,176	16,281	1,000	-	29,457

5.8. Leases

All contracts for the acquisition of assets are reviewed to determine whether they contain leasing arrangements. 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 2020-21).

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

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- 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

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Property				
Balance at 1 July 2020	19,748	-	5,103	-
Additions	6,408	24,381	57	7,065
Modifications	4,135	-	2,117	-
Amortisation charges	(4,833)	(4,633)	(1,935)	(1,962)
Balance at 30 June 2021	25,458	19,748	5,342	5,103
Fleet Vehicles				
Balance at 1 July 2020	3,895	-	390	-
Additions	35	5,650	188	745
Modifications	29	-	126	-
Amortisation charges	(1,811)	(1,755)	(391)	(355)
Balance at 30 June 2021	2,148	3,895	313	390
Total Balance at 30 June 2021	27,606	23,643	5,655	5,493

Lease Liabilities

Maturity analysis – contractual undiscounted cash flows

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Less than one year	6,863	5,848	2,102	1,552
One year to five years	17,069	12,664	3,041	2,813
More than five years	9,655	11,374	1,214	1,867
Total undiscounted lease liabilities as at 30 June 2021	33,587	29,886	6,357	6,232

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Lease liability included in the Balance Sheet at 30 June 2021

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Current				
Property lease	4,725	1,291	1,731	1,135
Fleet lease	1,448	3,729	231	277
	6,173	5,020	1,962	1,412
Non-current				
Property lease	20,191	14,356	3,837	4,116
Fleet lease	856	3,638	85	121
	21,047	17,994	3,922	4,237
Total Lease Liabilities	27,220	23,014	5,884	5,649

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 in relation to:	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Short-term leases	96	263	-	-
Leases of low value assets	867	680	867	680
Total	963	943	867	680

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

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Within one year	-	-	526	680
Later than one year but not later than five years	-	-	1,565	1,907
Total	-	-	2,091	2,587

NOTE 6 ASSETS WE MANAGE

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6.1 Property, infrastructure, plant and equipment

a. Summary of Property, Infrastructure, Plant and Equipment

Consolidated	Fair Value 30 June 2020	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	Fair Value 30 June 2021
Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,513,360	43,380	490	9,268	(9,772)	(89)	-	2,556,637
Infrastructure	1,576,539	57,826	-	(625)	(47,324)	-	-	1,586,416
Plant & Equipment	79,319	14,803	-	-	(19,673)	(1,261)	-	73,188
Work in progress	107,005	144,414	-	-	-	-	(106,283)	145,136
Total	4,276,223	260,423	490	8,643	(76,769)	(1,350)	(106,283)	4,361,377

Council	Fair Value 30 June 2020	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	Fair Value 30 June 2021
Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,450,066	42,598	490	9,268	(8,721)	(89)	-	2,493,612
Infrastructure	1,576,539	57,826	-	(625)	(47,324)	-	-	1,586,416
Plant & Equipment	26,806	5,679	-	-	(7,348)	(1,054)	-	24,083
Work in progress	103,187	141,270	-	-	-	-	(106,103)	138,354
Total	4,156,598	247,373	490	8,643	(63,393)	(1,143)	(106,103)	4,242,465

Note: Council sold part of its investment property in the Munro site development lot for \$26.3 million during 2020-21. This is included in Note 6.3.

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

b. Summary of Work in Progress

Consolidated	Balance 30 June 2020	Additions	Write offs	Transfers	Balance 30 June 2021
Category	\$'000	\$'000	\$'000	\$'000	\$'000
Property	55,901	71,011	-	(42,597)	84,315
Infrastructure	33,040	65,181	-	(57,827)	40,394
Plant & Equipment	18,064	8,222	-	(5,859)	20,427
Total	107,005	144,414	-	(106,283)	145,136

Council	Balance 30 June 2020	Additions	Write offs	Transfers	Balance 30 June 2021
Category	\$'000	\$'000	\$'000	\$'000	\$'000
Property	55,901	71,011	-	(42,597)	84,315
Infrastructure	33,040	65,181	-	(57,827)	40,394
Plant & Equipment	14,246	5,078	-	(5,679)	13,645
Total	103,187	141,270	-	(106,103)	138,354

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

6.1. 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		
Fair value 30 June 2020	1,955,610	173,223	2,128,833	192,536	118,377	68,441	12,529	391,883	55,901	2,576,617
Accumulated depreciation 30 June 2020	-	-	-	-	-	-	(7,356)	(7,356)	-	(7,356)
Fair Value 30 June 2020	1,955,610	173,223	2,128,833	192,536	118,377	68,441	5,173	384,527	55,901	2,569,261
Movements in Fair Value										
Additions	4,200	-	4,200	18,679	7,019	12,826	656	39,180	71,011	114,391
Contributions	475	-	475	-	15	-	-	15	-	490
Revaluations	15,173	(4,258)	10,915	(3,090)	(5,022)	6,465	-	(1,647)	-	9,268
Disposals	-	-	-	-	(90)	-	(3)	(93)	-	(93)
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(42,597)	(42,597)
Total	19,848	(4,258)	15,590	15,589	1,922	19,291	653	37,455	28,414	81,459
Movements in Accumulated Depreciation										
Depreciation and amortisation	-	-	-	(3,415)	(3,709)	(1,696)	(952)	(9,772)	-	(9,772)
Accumulated depreciation on disposals	-	-	-	-	1	-	3	4	-	4
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	(3,415)	(3,708)	(1,696)	(949)	(9,768)	-	(9,768)
Fair value 30 June 2021	1,975,458	168,965	2,144,423	208,125	120,299	87,732	13,182	429,338	84,315	2,658,076
Accumulated depreciation 30 June 2021	-	-	-	(3,415)	(3,708)	(1,696)	(8,305)	(17,124)	-	(17,124)
Fair Value/Written Down Value 30 June 2021	1,975,458	168,965	2,144,423	204,710	116,591	86,036	4,877	412,214	84,315	2,640,952

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

6.1. 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		
Fair value 30 June 2020	1,909,513	162,400	2,071,913	192,536	116,056	68,440	3,206	380,238	55,901	2,508,052
Accumulated depreciation 30 June 2020	-	-	-	-	-	-	(2,086)	(2,086)	-	(2,086)
Fair Value 30 June 2020	1,909,513	162,400	2,071,913	192,536	116,056	68,440	1,120	378,152	55,901	2,505,966
Movements in Fair Value										
Additions	4,200	-	4,200	18,679	6,814	12,826	80	38,399	71,011	113,610
Contributions	475	-	475	-	15	-	-	15	-	490
Revaluations	15,173	(4,258)	10,915	(3,090)	(5,022)	6,465	-	(1,647)	-	9,268
Disposals	-	-	-	-	(90)	-	-	(90)	-	(90)
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(42,597)	(42,597)
Total	19,848	(4,258)	15,590	15,589	1,717	19,291	80	36,677	28,414	80,681
Movements in Accumulated Depreciation										
Depreciation and amortisation	-	-	-	(3,415)	(3,395)	(1,696)	(215)	(8,721)	-	(8,721)
Accumulated depreciation on disposals	-	-	-	-	1	-	-	1	-	1
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	(3,415)	(3,394)	(1,696)	(215)	(8,720)	-	(8,720)
Fair value 30 June 2021	1,929,361	158,142	2,087,503	208,125	117,773	87,731	3,286	416,915	84,315	2,588,733
Accumulated depreciation 30 June 2021	-	-	-	(3,415)	(3,394)	(1,696)	(2,301)	(10,806)	-	(10,806)
Fair Value/Written Down Value 30 June 2021	1,929,361	158,142	2,087,503	204,710	114,379	86,035	985	406,109	84,315	2,577,927

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

6.1. 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
Fair value 30 June 2020	804,793	111,492	165,993	156,957	8,168	49,774	233,793	58,370	33,040	1,622,380
Accumulated depreciation 30 June 2020	-	-	-	-	(3,025)	-	-	(9,776)	-	(12,801)
Fair Value 30 June 2020	804,793	111,492	165,993	156,957	5,143	49,774	233,793	48,594	33,040	1,609,579
Movements in Fair Value										
Additions	11,833	1,156	19,385	6,886	164	2,245	16,097	60	65,181	123,007
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	11,026	1,509	(4,393)	217	(363)	(7,221)	(1,400)	-	-	(625)
Disposals	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(57,827)	(57,827)
Total	22,859	2,665	14,992	7,103	(199)	(4,976)	14,697	60	7,354	64,555
Movements in Accumulated Depreciation										
Depreciation and amortisation	(18,751)	(1,712)	(7,583)	(2,051)	(460)	-	(16,139)	(628)	-	(47,324)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total	(18,751)	(1,712)	(7,583)	(2,051)	(460)	-	(16,139)	(628)	-	(47,324)
Fair value 30 June 2021	827,652	114,157	180,985	164,060	7,969	44,798	248,490	58,430	40,394	1,686,935
Accumulated depreciation 30 June 2021	(18,751)	(1,712)	(7,583)	(2,051)	(3,485)	-	(16,139)	(10,404)	-	(60,125)
Fair Value/Written Down Value 30 June 2021	808,901	112,445	173,402	162,009	4,484	44,798	232,351	48,026	40,394	1,626,810

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

6.1. 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
	Fair value 30 June 2020	804,793	111,492	165,993	156,957	8,168	49,774	233,793	58,370	33,040
Accumulated depreciation 30 June 2020	-	-	-	-	(3,025)	-	-	(9,776)	-	(12,801)
Fair Value 30 June 2020	804,793	111,492	165,993	156,957	5,143	49,774	233,793	48,594	33,040	1,609,579
Movements in Fair Value										
Additions	11,833	1,156	19,385	6,886	164	2,245	16,097	60	65,181	123,007
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluations	11,026	1,509	(4,393)	217	(363)	(7,221)	(1,400)	-	-	(625)
Disposals	-	-	-	-	-	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	-	-	-	-	(57,827)	(57,827)
Total	22,859	2,665	14,992	7,103	(199)	(4,976)	14,697	60	7,354	64,555
Movements in Accumulated Depreciation										
Depreciation and amortisation	(18,751)	(1,712)	(7,583)	(2,051)	(460)	-	(16,139)	(628)	-	(47,324)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total	(18,751)	(1,712)	(7,583)	(2,051)	(460)	-	(16,139)	(628)	-	(47,324)
Fair value 30 June 2021	827,652	114,157	180,985	164,060	7,969	44,798	248,490	58,430	40,394	1,686,935
Accumulated depreciation 30 June 2021	(18,751)	(1,712)	(7,583)	(2,051)	(3,485)	-	(16,139)	(10,404)	-	(60,125)
Fair Value/Written Down Value 30 June 2021	808,901	112,445	173,402	162,009	4,484	44,798	232,351	48,026	40,394	1,626,810

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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

e. Details of Plant & Equipment Category

Consolidated	Plant machinery & equipment	Fixtures fittings & furniture	Computers & telecomms	Library books	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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)
Fair Value 30 June 2020	65,761	2,283	7,631	3,644	18,064	97,383
Movements in Fair Value						
Additions	11,253	464	2,339	747	8,222	23,025
Contributions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Disposals	(9,162)	-	(4,387)	-	-	(13,549)
Write-offs	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	(5,859)	(5,859)
Total	2,091	464	(2,048)	747	2,363	3,617
Movements in Accumulated Depreciation						
Depreciation and amortisation	(15,235)	(364)	(2,831)	(1,243)	-	(19,673)
Accumulated depreciation on disposals	8,955	-	3,333	-	-	12,288
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total	(6,280)	(364)	502	(1,243)	-	(7,385)
Fair value 30 June 2021	169,390	10,703	49,412	17,717	20,427	267,649
Accumulated depreciation 30 June 2021	(107,818)	(8,320)	(43,327)	(14,569)	-	(174,034)
Fair Value/Written Down Value 30 June 2021	61,572	2,383	6,085	3,148	20,427	93,615

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

6.1. 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
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)
Fair Value 30 June 2020	14,767	1,878	6,517	3,644	14,246	41,052
Movements in Fair Value						
Additions	2,289	464	2,179	747	5,078	10,757
Contributions	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-
Disposals	(4,003)	-	(4,387)	-	-	(8,390)
Write-offs	-	-	-	-	-	-
Transfers from WIP	-	-	-	-	(5,679)	(5,679)
Total	(1,714)	464	(2,208)	747	(601)	(3,312)
Movements in Accumulated Depreciation						
Depreciation and amortisation	(3,289)	(303)	(2,513)	(1,243)	-	(7,348)
Accumulated depreciation on disposals	4,003	-	3,333	-	-	7,336
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Total	714	(303)	820	(1,243)	-	(12)
Fair value 30 June 2021	42,841	8,455	39,471	17,717	13,645	122,129
Accumulated depreciation 30 June 2021	(29,074)	(6,416)	(34,342)	(14,569)	-	(84,401)
Fair Value/Written Down Value 30 June 2021	13,767	2,039	5,129	3,148	13,645	37,728

6.1. 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 the Group, 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 (2020: \$2,000) or greater are recognised in these financial statements. Citywide and QVM's recognition thresholds are different to Council's at \$300 and \$500 respectively. 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 the Group 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 by the Group.

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 by Council are summarised below and are consistent with the prior year unless otherwise stated. Citywide and QVM depreciation periods are different with Council's, which is not considered material for the consolidated report.

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

	Depreciation Period (Years)
Land & land improvement	
Land	0
Buildings	
Heritage buildings	100
Buildings	0-96
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. 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 valuer John O'Leary, Fellow of the Australian Property Institute, Certified Practising Valuer, Member No 62206 who is now employed by Council. Date of valuation (DoV) is 30/6/2021.

COVID-19 Pandemic resulted in a significant reduction in visitors to the City of Melbourne, including up to 90% drop in pedestrian numbers. Early in 2021, numbers had recovered to around 60-70% of pre pandemic levels and whilst the number of vacant and closed retail business increased from around 7% to around 20% of all stock, the decrease in office occupancy was more difficult to determine, and hotel occupancies fell from around 80% to 20%. Notwithstanding the length of the state of emergency and physical lockdown, including the significant closing of the international border and imposition of quarantine measures, there are signs of recovery of the property market. Residential sales volumes and prices are showing recovery, and commercial property sales are also indicating some recovery of prices. The recovery of commercial and retail property in CBDs is more noticeable in other states such as New South Wales and Queensland. However, Victoria and Metropolitan Melbourne in particular has experienced several lockdowns in the last 12 months, and importantly in the last weeks of May and into June 2021. Business and consumer confidence in the short term is considered fragile. The property market continues to face restrictions on property inspections and fluid QR contact tracing protocols affecting the conduct of selling campaigns, business opening and closure. Whilst earlier lockdowns

provided financial support for business and employees, since April 2021, minimal emergency financial aid has been offered to Victoria. The perceived slow rollout of vaccine to the population and no clear path to return of normal domestic and international travel makes the prediction and measurement of overall recovery difficult.

Details of Council's land and buildings and other relevant information about the fair value hierarchy as at 30 June 2021 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	DoV
Non-specialised land	-	144,538	13,604	158,142	30/06/2021
Specialised land	-	13,217	1,916,144	1,929,361	30/06/2021
Total land	-	157,755	1,929,748	2,087,503	
Heritage Buildings	-	-	204,710	204,710	30/06/2021
Buildings	-	85,428	114,985	200,413	30/06/2021
Total buildings	-	85,428	319,695	405,123	

No transfers between levels occurred during the year.

i. 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 who is employed by Council. Date of valuation is 30 June 2021.

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2021 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	DoV
Roads	-	-	808,901	808,901	30/06/2021
Bridges	-	-	112,445	112,445	30/06/2021
Footpaths and cycleways	-	-	173,402	173,402	30/06/2021
Drainage	-	-	162,009	162,009	30/06/2021
Recreational, leisure and community facilities	-	-	4,484	4,484	30/06/2021
Parks, open space and streetscapes	-	-	44,798	44,798	30/06/2021
Promenades and wharves	-	-	65,190	65,190	30/06/2021
Other infrastructure	-	-	167,161	167,161	30/06/2021
Total Infrastructure	-	-	1,538,390	1,538,390	

No transfers between levels occurred during the year.

j. Description of significant unobservable inputs into level 3 valuations

Council	2021 \$'000	2020 \$'000
Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$47 and \$20,306 per square meter.	1,929,361	1,909,513
Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$90 to \$30,750 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 0 year to 96 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.	114,380	116,056
Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure 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.	1,538,390	1,527,945

k. Reconciliation of Specialised Land

Council	2021 \$'000	2020 \$'000
Land under roads	17,200	17,200
Parks and reserves	1,912,161	1,892,313
Total specialised land	1,929,361	1,909,513

6.2 Investment in Subsidiaries, Associates and Trusts

Non-Current	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
a) Subsidiaries				
CityWide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Enterprise Melbourne*	-	-	-	-
	-	-	18,606	18,606
b) Associates				
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
	7,750	7,750	26,356	26,356

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

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2021 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;
- Technigro Pty Ltd.; and
- Citywide Utilities Pty Ltd. – established November 2020 (includes Gordon McKay Pty Ltd, Frontline Electrical Pty Ltd, and Ultegra Pty Ltd)

Citywide has a 50% equity interest in:

- Citywide Asphalt Group Pty Ltd (previously known as Citywide North Melbourne Asphalt Pty Ltd), a joint operation in partnership with Fulton Hogan Industries Pty Ltd.

Citywide completed its net asset purchase of Gordon McKay Pty Ltd and Frontline Electrical Pty Ltd on 1 November 2020, and Ultegra Pty Ltd on 1 April 2021, forming Citywide Utilities Pty Ltd.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Gordon McKay Pty Ltd, Frontline Electrical Pty Ltd and Ultegra Pty Ltd are property, plant and equipment, inventories, trade debtors, trade creditors, customer relationship assets and an organised workforce. Citywide has determined that together the acquired assets and processes significantly contribute to the ability to create revenue. Citywide has concluded that the acquired asset is a business.

The acquisition of Gordon McKay Pty Ltd, Frontline Electrical Pty Ltd and Ultegra Pty Ltd will enable Citywide to grow their service offerings into the Energy and Utilities sector. The acquisitions are consistent with Citywide's strategy which includes growth, both organically and via acquisitions.

The principal activities of Citywide 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.

Citywide Service Solutions Pty Ltd	2021	2020
	\$'000	\$'000
Summarised statement of comprehensive income		
Total income	300,746	249,675
Total expenses	294,632	249,450
Surplus/(deficit) for the year	6,114	225
Other comprehensive income and Income tax equivalent expense	(1,995)	6,153
Total comprehensive result	4,119	6,378
Summarised balance sheet		
Current assets	77,026	51,244
Non-current assets	178,800	159,736
Total assets	255,826	210,980
Current liabilities	94,420	63,382
Non-current liabilities	44,142	30,253
Total liabilities	138,562	93,635
Net assets	117,264	117,345
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	15,360	32,858
Net cash provided/(used in) investing activities	(23,615)	(23,392)
Net cash provided/(used in) financing activities	11,947	(7,728)
Net increase / (decrease) in cash and cash equivalents	3,692	1,738

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.

Queen Victoria Market Pty Ltd	2021	2020
	\$'000	\$'000
Summarised statement of comprehensive income		
Total income	17,089	22,754
Total expenses	18,857	22,250
Surplus/(deficit) for the year	(1,768)	504
Other comprehensive income	-	-
Total comprehensive result	(1,768)	504
Summarised balance sheet		
Current assets	4,120	5,545
Non-current assets	6,356	2,863
Total assets	10,476	8,408
Current liabilities	4,639	3,299
Non-current liabilities	4,408	1,930
Total liabilities	9,047	5,229
Net assets	1,429	3,179
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	338	667
Net cash provided/(used in) investing activities	(415)	283
Net cash provided/(used in) financing activities	(183)	(161)
Net increase / (decrease) in cash and cash equivalents	(260)	789

The financial results of QVM for the 2020-21 were positively impacted by the receipt of a grant of \$9.4 million (2019: \$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.

Enterprise Melbourne Pty Ltd	2021	2020
	\$'000	\$'000
Summarised statement of comprehensive income		
Total income	-	-
Total expenses	351	331
Surplus/(deficit) for the year	(351)	(331)
Other comprehensive income	-	-
Total comprehensive result	(351)	(331)
Summarised balance sheet		
Current assets	66	89
Non-current assets	-	-
Total assets	66	89
Current liabilities	45	45
Non-current liabilities	-	-
Total liabilities	45	45
Net assets	21	44
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(351)	(330)
Net cash provided/(used in) investing activities	-	-
Net cash provided/(used in) financing activities	329	336
Net increase / (decrease) in cash and cash equivalents	(22)	6

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 \$378,618 (unaudited) for the year ended 30 June 2021 (2020: operating profit of \$359,838 final – reported as \$258,048 unaudited).
- A revaluation of the Regent Management Company Pty Ltd.'s assets was undertaken by Charter Keck Cramer for the year ended 30 June 2020, on the basis of the Income Capitalisation Approach. The revaluation increments and decrements were influenced by the Heritage improvements restricting development. The land value has been discounted substantially, acknowledging that the improvements cannot be removed or demolished, as well as the difficulty to redevelop any air rights above the existing roofline or any part of the site. The revaluation resulted in land and buildings being revalued at \$22.3 million as at 30 June 2020 (previous valuation was \$15.0 million). The Income Capitalisation Approach is based on primary valuation method. Council has not adjusted its investment in the Regent Management Company for 2020-21 due to the ongoing economic uncertainty relating to COVID-19.

MAPS Group Ltd (63% owned by Council)

- MAPS Group Ltd (trading as Procurement Australasia) 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 2020 of \$164,332 compared to a profit of \$1,781,079 for the previous year. The Company paid a dividend for the 30 September 2020 financial year of 7 cents per share. A dividend payment of \$17,500 was received in December 2020 by Council (2019: \$62,500). Net assets are \$10.0 million as at 30 September 2020.

6.3 Investment property

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Land				
Balance at beginning of financial year	169,444	167,083	169,444	167,083
Additions	-	-	-	-
Disposals	(26,342)	-	(26,342)	-
Fair value adjustments	136	2,361	136	2,361
Balance at end of financial year	143,238	169,444	143,238	169,444
Buildings				
Balance at beginning of financial year	41,478	38,393	41,478	38,393
Additions	-	67	-	67
Fair value adjustments	3,802	3,018	3,802	3,018
Balance at end of financial year	45,280	41,478	45,280	41,478
Total investment properties	188,518	210,922	188,518	210,922

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 and Council employed 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 2021. 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.

The COVID-19 Pandemic has continued to result in significant uncertainty surrounding valuations in Victoria and across Australia. The commercial investment property market has shown some strong resilient results, however, leasing levels remain fragile. Several medium sized sales have occurred in the Melbourne central business district, and outskirts, with only one landmark sale above \$200 million taking place during the year. There continued a trend away from individual title residential apartment development to commercial and / or build-to-rent development, resulting in several transactions of older buildings now planned to be refurbished and upgraded. At the lower end of the market, strata office and retail sales were healthy. Larger retail property struggled and actual store closures has dampened demand for landmark retail assets. Outside of the CBD and fringe there were relatively low volumes of commercial property transactions in all markets.

The current state of emergency, the ongoing physical lockdowns, vaccination rates, and the development in COVID-19 variants provides no certainty regarding the likely period of economic disruption, or indications of timing and pace of recovery in 2021-22. 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 6.2.

(b) Key Management Personnel

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

Councillors	(including dates if not full year)
Lord Mayor Sally Capp	1/7/2020-30/6/2021
Deputy Lord Mayor Nicolas Reece	10/11/2020-30/6/2021 (Councillor 1/7/2020-31/10/2020)
Kevin Louey	1/7/2020-30/6/2021
Rohan Leppert	1/7/2020-30/6/2021
Philip Le Liu	1/7/2020-30/6/2021
Olivia Ball	10/11/2020 - 30/6/2021
Roshena Campbell	10/11/2020 - 30/6/2021
Jason Chang	10/11/2020 - 30/6/2021
Elizabeth Mary Doidge	10/11/2020 - 30/6/2021
Davydd Griffiths	10/11/2020 - 30/6/2021
Jamal Hakim	10/11/2020 - 30/6/2021
Deputy Lord Mayor Arron Wood	1/7/2020-31/10/2020
Cathy Oke	1/7/2020-31/10/2020
Jackie Watts	1/7/2020-31/10/2020
Susan Riley	1/7/2020-31/10/2020
Beverley Pinder-Mortimer	1/7/2020-31/10/2020
Nicolas Frances Gilley	1/7/2020-31/10/2020

Chief Executive Officer and other Key Management Personnel

Position	Name
Chief Executive Officer	Justin Hanney
Deputy Chief Executive Officer	Alison Leighton
General Manager Finance and Corporate (Chief Financial Officer)	Michael Tenace
General Manager Governance and Organisational Development	Keith Williamson
General Manager Community and City Services	Linda Weatherson
General Manager Infrastructure and Design	Joanne Wandel/Roger Teale
General Manager City Economy and Activation	Katrina Mckenzie
General Manager Strategy, Planning and Climate Change	Evan Counsel
Chief Digital Officer and Director Technology and Digital Innovation	Michelle Fitzgerald
Director Strategic Communications	Ashlee Faletic
Director Office of the CEO	Fiona Ward

Total number of Councillors	17
Total Chief Executive Officer and other Key Management Personnel	12
Total number of Key Management Personnel	29

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

	2021 \$'000	2020 \$'000
Short-term benefits	3,829	3,977
Post-employment benefits	406	461
Long-term benefits	60	99
Termination benefits	-	174
Total	4,295	4,711

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

	2021	2020
\$10,000 - \$19,999	5	-
\$30,000 - \$39,999	7	-
\$50,000 - \$59,999	3	9
\$70,000 - \$79,999	1	-
\$100,000 - \$109,999	1	2
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	2	1
\$190,000 - \$199,999	1	1
\$210,000 - \$219,999	1	2
\$230,000 - \$239,999	-	2
\$240,000 - \$249,999	1	-
\$280,000 - \$289,999	1	-
\$290,000 - \$299,999	-	1
\$310,000 - \$319,999	-	1
\$320,000 - \$329,999	1	-
\$330,000 - \$339,999	-	1
\$360,000 - \$369,999	3	2
\$400,000 - \$409,999	-	1
\$420,000 - \$429,999	1	-
\$490,000 - \$499,999	1	1
	29	25
	\$'000	\$'000
Total remuneration for the financial year included above	4,295	4,711

Total remuneration decreased in 2021 following a restructure in 2020. Some Key Management Personnel left in 2020 and were not replaced until 2021.

(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 (2020: \$151,000); or
- b) For subsidiaries, are the Managing Director, Chief Executive Officers and executives, or whose total annual remuneration exceeds \$151,000 (2020: \$151,000).

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

Income Range	Consolidated		Council	
	2021	2020	2021	2020
\$150,000 - \$159,999	63	18	51	14
\$160,000 - \$169,999	53	32	49	26
\$170,000 - \$179,999	7	60	5	55
\$180,000 - \$189,999	22	15	14	9
\$190,000 - \$199,999	8	14	5	9
\$200,000 - \$209,999	4	8	2	4
\$210,000 - \$219,999	5	6	4	4
\$220,000 - \$229,999	8	9	5	7
\$230,000 - \$239,999	10	6	8	5
\$240,000 - \$249,999	5	2	3	1
\$250,000 - \$259,999	5	4	3	1
\$260,000 - \$269,999	1	3	1	2
\$270,000 - \$279,999	3	2	1	1
\$280,000 - \$289,999	-	1	-	-
\$290,000 - \$299,999	1	-	1	-
\$300,000 - \$309,999	2	2	1	1
\$310,000 - \$319,999	-	2	-	1
\$320,000 - \$329,999	1	1	-	-
\$330,000 - \$339,999	2	-	-	-
\$340,000 - \$349,999	1	1	1	1
\$350,000 - \$359,999	1	-	1	-
\$360,000 - \$369,999	2	-	1	-
\$380,000 - \$389,999	-	1	-	-
\$440,000 - \$449,999	-	1	-	1
\$530,000 - \$539,999	1	-	-	-
\$710,000 - \$719,999	-	1	-	-
	205	189	156	142
	\$'000	\$'000	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to	38,840	37,472	28,520	26,521

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 \$404,626 (2020: \$2000). The nature of the transactions are related to the city's public liability insurance premium (Municipal Association of Victoria), some conference costs, and contractor payments for an acting executive role employed from January 2021 which is included in the Key Management Personnel table at 7.1 c).

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

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

(c) Loans to/from related parties (key management personnel)

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

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

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

(e) Wholly-Owned Group

Council is the ultimate parent entity in the wholly-owned group. Transactions with the controlled entities, Citywide Service Solutions Pty Ltd and its subsidiaries, Queen Victoria Market Pty Ltd 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	
	2021	2020	2021	2020	2021	2020
Revenue from subsidiaries	473	464	378	302	-	-
Expenditure to subsidiaries	79,089	57,714	108	202	-	-
Funding to subsidiaries	-	-	9,400	1,900	351	331
Income Tax and Payroll Tax Equivalent payments from subsidiaries	2,950	2,022	-	20	-	-
Dividend payments from subsidiaries	4,200	2,000	-	-	-	-
Owing to subsidiaries	16,609	9,393	6	11	-	-
Owing by subsidiaries	43	-	-	-	-	-

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

The Group's leasing profile comprises of largely crown land for the Council, and property for Citywide, and QVM, including market stalls and standard enclosure rentals. Others in the portfolio include freehold or lease commitments. The Group has a number of leases varying from monthly over holding to short term to long term. The rental amounts are either fixed term, some are annual CPI reviews or market reviews.

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

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Not later than one year	9,459	14,747	3,178	2,205
Later than one year and not later than five years	12,240	13,529	9,962	5,776
Later than five years	21,338	29,328	17,591	25,401
	43,037	57,604	30,731	33,382

(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 2021.

Legal matters

As at balance date, there is one award of legal costs against Council regarding planning, with an amount pending that is difficult to estimate.

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 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

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2021 reporting period. The Group assesses the impact of these new standards. As at 30 June 2021 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2022 that are expected to impact the Group.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

Market risk is the risk that the fair value or future cash flows of the Group financial instruments will fluctuate because of changes in market prices. The Group'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. The Group's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which expose the Group 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. The Council and its subsidiaries have 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*. The Group 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 the Group'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 the Group's year end result.

The Group's interest rate liability risk arises from the borrowings of Citywide.

Citywide have borrowing and overdraft facilities which has been arranged with a major Australian bank. Interest rate risk is managed by:

- an ongoing review of borrowing levels, and
- 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 the Group to make a financial loss. The Group has exposure to credit risk on some financial assets included in the consolidated balance sheet. To help manage this risk:

- The Group have a policy for establishing credit limits for the entities it deals with

- The Group may require collateral, where appropriate
- The Group only invest surplus funds with financial institutions which have a recognised credit rating specified in the relevant investment policies.

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.

The Group may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council and its subsidiaries provide a guarantee for another party. Details of Council's contingent liabilities are disclosed in Note 8.1 (b).

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

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of the Group'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 the Group:

- have liquidity policies 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 Group'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 the Group'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 to be low given Citywide borrowing levels and our current assessment of risk.

Council has a \$75 million floating rate loan facility with ANZ Bank which expired on 30 June 2021, and has been extended for a further two years to 30 June 2023. 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. From July to October 2020, total loan amount of \$7.2 million was drawn down for funding of capital projects. This loan amount was fully repaid in November 2020.

With respect to borrowings at Citywide the following should be noted. The bank overdraft facility of \$2.5 million (2020: \$2.5 million) and bank loan facility of \$36.2m (2020: \$36.2m) are secured facilities with a first ranking fixed and floating charge over the net assets of the Group. There were \$18.2 million in bank loans drawn at 30 June 2021 (2020: \$0). 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 the Group 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 that it is 'reasonably possible' to expect that over the next 12 months there may be no movements in the market interest rates (AUD) from the year-end rates of 0.10% (2020: 0.24%).

In the event there are movements in interest rates, it is expected they will not have a material impact on the valuation of the Group's financial assets and liabilities, nor will they have a material impact on the results of the Group's operations.

8.4 Fair value measurement*Fair value hierarchy*

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

The Group 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.

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, the Group 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, the Group 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, the Group 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, the Group undertake 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 and its subsidiaries.

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 Group review 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

The state of Victoria entered into its fifth lockdown on the 15th July 2021 which was initially to be for five days, but was extended to 27th July. A sixth lockdown of greater Melbourne commenced on 5th August, which was scheduled to finish on 2nd September, however, this has now been extended to the whole of Victoria, with no revised end date announced. The Stage 4 lockdowns have again affected 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) across the city and the rest of Victoria. The 2021-22 budget has predicted a deficit for the year, and this will require further updating via quarterly forecasts throughout the year, as the future economic conditions remain uncertain.

The City of Melbourne Enterprise Agreement offer for 2021-22 to 2024-25 is to be put to a vote of Council award staff from 31st August, with a result not due until at least 7th September. An accrual for pay increases in 2019-20 and 2020-21, has been included in the 2020-21 financial results.

Council entered into a \$100 million agreement with the Victorian State Government for the Melbourne City Recovery Fund (MCRF) in 2020-21, which is a 50/50 joint funding agreement. Expenditure on the funding programs is expected to be completed during 2021-22. Council has entered into an in principle agreement with the State Government of Victoria for the Melbourne City Reactivation Fund (MCRF 2), a \$200 million joint funding (50/50) agreement which is expected to be over two financial years commencing in 2021-22. This program is the next stage in revitalising the Melbourne central business district and surrounding suburbs.

Council subsidiary Citywide has paid down its \$12 million loan in July which was reported as a current liability in its financial statements.

NOTE 9 OTHER MATTERS

9.1 Reserves

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Asset revaluation - property and infrastructure	2,350,656	2,337,715	2,299,951	2,287,010
Other Reserves				
Restricted				
Public Open Space reserve	79,572	63,625	79,572	63,625
Non-Restricted				
Developer Contribution Plan reserve	1,272	1,022	1,272	1,022
Investments revaluation reserve	4,725	4,725	4,725	4,725
Tree compensation reserve	4,021	4,789	4,021	4,789
	2,440,246	2,411,876	2,389,541	2,361,171

(a) Asset revaluation reserve

Consolidated	Balance at beginning of 2020		Balance at end of 2020		Balance at end of 2021
	\$'000	Increment (Decrement) \$'000	\$'000	Increment (Decrement) \$'000	
Property					
Land	1,398,556	110,490	1,509,046	10,915	1,519,961
Buildings	124,812	(691)	124,121	(1,646)	122,475
Infrastructure					
Roads & Laneways	421,419	38,536	459,955	11,026	470,981
Bridges	20,050	3,381	23,431	1,509	24,940
Footpaths and cycleways	109,126	10,229	119,355	(4,393)	114,962
Drainage	34,017	(2,345)	31,672	217	31,889
Parks, open space and streetscapes	6,686	(3,762)	2,924	(2,924)	-
Other infrastructure	74,667	(12,860)	61,807	(1,763)	60,044
Artworks	5,404	-	5,404	-	5,404
	2,194,737	142,978	2,337,715	12,941	2,350,656
Council					
Property					
Land	1,358,696	99,646	1,458,342	10,915	1,469,257
Buildings	124,811	(691)	124,120	(1,646)	122,474
Infrastructure					
Roads & Laneways	421,419	38,536	459,955	11,026	470,981
Bridges	20,050	3,381	23,431	1,509	24,940
Footpaths and cycleways	109,126	10,229	119,355	(4,393)	114,962
Drainage	34,017	(2,345)	31,672	217	31,889
Parks, open space and streetscapes	6,686	(3,762)	2,924	(2,924)	-
Other infrastructure	74,667	(12,860)	61,807	(1,763)	60,044
Artworks	5,404	-	5,404	-	5,404
	2,154,876	132,134	2,287,010	12,941	2,299,951

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

(b) Other reserves - Summary

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance at the beginning of the year	74,161	81,553	74,161	81,553
Transfers from accumulated surplus	27,787	51,273	27,787	51,273
Transfers to accumulated surplus	(12,358)	(58,665)	(12,358)	(58,665)
Balance at the end of the financial year	89,590	74,161	89,590	74,161

Other reserves – Reserve for Public Open Space

	Consolidated		Council	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance at the beginning of the year	63,625	37,606	63,625	37,606
Transfers from accumulated surplus	27,105	34,511	27,105	34,511
Transfers to accumulated surplus	(11,158)	(8,492)	(11,158)	(8,492)
Balance at the end of the financial year	79,572	63,625	79,572	63,625

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance at the beginning of the year	1,022	-	1,022	-
Transfers from accumulated surplus	250	1,022	250	1,022
Transfers to accumulated surplus	-	-	-	-
Balance at the end of the financial year	1,272	1,022	1,272	1,022

Other reserves – Investments Revaluation Reserve - Regent Management Pty Ltd

	Consolidated		Council	
	YTD Jan 2021 \$'000	2020 \$'000	YTD Jan 2021 \$'000	2020 \$'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	4,725	4,725	4,725	4,725

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Balance at the beginning of the year	4,789	4,049	4,789	4,049
Transfers from accumulated surplus	432	740	432	740
Transfers to accumulated surplus	(1,200)	-	(1,200)	-
Balance at the end of the financial year	4,021	4,789	4,021	4,789

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

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

	Consolidated		Council	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Surplus for the year	23,533	69,768	25,889	72,995
Depreciation/amortisation	96,140	94,503	77,543	73,124
Profit/(Loss) on disposal of property, plant and equipment	467	(23,585)	1,114	(23,604)
Fair value adjustments for investment property	(3,939)	(5,378)	(3,939)	(5,378)
Contributions - Non-monetary assets	(490)	-	(490)	-
Work in progress write off	3,117	5,558	3,117	5,558
Lease modifications (QVM)	1,712	-	-	-
Asset reserve revaluation impairment loss	4,298	-	4,298	-
Other	(5,721)	185	(5,209)	(409)
Changes in assets and liabilities in relation to operating activities:				
(Increase)/Decrease in trade and other receivables	(17,442)	9,552	(1,370)	7,937
(Increase)/Decrease in prepayment	516	(1,331)	873	(1,434)
(Increase)/Decrease in accrued income	14,196	(14,422)	4,950	(8,995)
(Decrease)/Increase in trade and other payables	53,819	17,206	52,259	6,405
(Increase) in Inventories	(898)	(151)	-	-
(Decrease)/Increase in provisions	(649)	259	(72)	(33)
(Decrease)/Increase in employee benefits	3,168	(667)	1,251	1,361
(Decrease)/Increase in trust funds and deposits	1,470	3,567	(1,148)	3,582
Net cash provided by/(used in) operating activities	173,297	155,064	159,066	131,109

9.3 Superannuation**Local Authorities Superannuation Fund**

The Group 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 Group makes both employer and employee contributions to The Fund's accumulation category, Vision MySuper/Vision Super Saver, on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2021, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

Defined Benefit

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

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

Funding arrangements

The Group makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial review for the Defined Benefit category as at 30 June 2020 was conducted and completed by the due date of 31 December 2020. The vested benefit index (VBI) of the Defined Benefit category of which the Group is a contributing employer was 104.6%. The financial assumptions used to calculate the VBI were:

- Net investment returns 5.6% pa
- Salary inflation 2.5% pa for two years and 2.75% pa thereafter
- Price inflation (CPI) 2.0% pa.

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. Vision Super has advised that the VBI as at 30 June 2021 was 109.7%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions and funding calls

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, the Group makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries (9.5% in 2020). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation. In addition, the Group reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

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

The 2020 triennial actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which the Group is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. A full investigation was conducted as at 30 June 2020.

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

- A VBI surplus (\$100.0 million 2020; \$151.3 million 2019)
- A total service liability surplus (\$200.0 million 2020; \$233.4 million 2019)
- A discounted accrued benefits surplus (\$217.8 million 2020; \$256.7 million 2019)

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 2020. 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 2020. 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 2020. The Group was notified of the 30 June 2020 VBI during August 2020 (2019: August 2019).

The 2021 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2021 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2021.

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.

The Group 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.

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 Group in the CMSSP

cannot be measured as a percentage compared with other participating employers in the Group's individual entity level financial statements. Therefore, the Fund Actuary is unable to allocate CMSSP benefit liabilities, assets and costs between employers on an individual entity basis for purposes of AASB 119 because of the pooled nature of the CMSSP's defined benefit category.

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

Funding arrangements

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

The last triennial actuarial investigation was as at 30 June 2020. As at 30 June 2020, the CMSSP's VBI is 136.9%. At 30 June 2021, the Fund Actuary determined the VBI to be 144.7%

The VBI is to be used as the primary funding indicator. Because the VBI was above 100% at 30 June 2020, the Fund Actuary recommended that a contribution holiday apply from no later than 1 July 2021.

Employer contributions and funding calls

On the basis of the results of the most recent full actuarial investigation conducted by the Fund's Actuary as at 30 June 2020, the Group makes employer contributions to the CMSSP at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 13 per cent of salary for active defined benefit members. From 1 July 2021, this rate was reduced to 0% based on the Fund Actuary's advice. If the VBI reduces to 125%, this rate will be reviewed to determine whether contributions should recommence.

In addition, where the VBI is less than 100%, the Group 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).

In the event that the Fund Actuary determines that the CMSSP has a shortfall, the CMSSP's participating employers (including the Group) 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.

The 2020 actuarial investigation surplus amounts

The last actuarial investigation was as at 30 June 2020. This investigation identified the following in the defined benefit category:

- A VBI surplus of \$14.7 million
- A total service liability surplus of \$9.2 million, and
- A discounted accrued benefits surplus of \$11.1 million.

The VBI surplus means that the market value of the CMSSP's assets as at 30 June 2020 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 2020. The total service liability surplus means that the current value of the assets in the CMSSP's defined benefit category plus expected future contributions exceeded the value of expected future benefits and expenses as at 30 June 2020. 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 2020.

The 2021 Interim actuarial investigations

The next interim actuarial investigation of the CMSSP's liability for accrued benefits is based on the CMSSP's position as at 30 June 2021. It is anticipated that this actuarial investigation will be completed in September 2021.

AASB 119 Disclosures for CMSSP in the Financial Statements

Melbourne City Council Superannuation Sub Plan	2021 000's	2020 000's
Asset/(Liability) recognised in Balance Sheet	15,276	13,675
Total amount recognised in Comprehensive Income Statement	2,129	2,842

NOTE 10 CHANGE IN ACCOUNTING POLICY

Standard / Interpretation	Summary	Applicable for annual reporting periods commencing on	Impact on the City of Melbourne's Financial Statements
AASB 1059 Service Concession Arrangements: Grantors	This Standard 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. The Standard is based on International Public Sector Accounting Standard IPSAS 32 Service Concession Arrangements: Grantor and is informed by AASB Interpretation 12 Service Concession Arrangements, which sets out the accounting for the operator in a public-to-private service concession arrangement. For example, the principles for recognition of a service concession asset are broadly consistent with AASB Interpretation 12.	1 July 2020	Not Applicable
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	The Standard principally amends AASB 101 and AASB 108. 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 amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.	1 January 2020	CoM is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework	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 application of the Conceptual Framework is at present limited to: (a) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and (b) other for-profit entities that voluntarily elect to apply the Conceptual Framework, which would permit compliance with Australian Accounting Standards (Tier 1) and International Financial Reporting Standards (IFRS Standards).	1 January 2020	CoM is yet to assess its full impact however, initial indications are that it will be immaterial.

Melbourne City Council

Performance Statement

For the year ended 30 June 2021

City of Melbourne 2020–21 Performance Statement

For the year ended 30 June 2021

Description of municipality

The Melbourne municipality is the heart of greater Melbourne and covers the central city and 14 inner city suburbs. Just over 180,000 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.

Sustainable Capacity Indicators

For the year ended 30 June 2021

<i>Indicator / measure</i>	Results				Material variations
	2018	2019	2020	2021	
Population					
<i>Expenses per head of municipal population</i>	\$2728	\$2706	\$2703	\$2820	No material variation.
[Total expenses / Municipal population]					
<i>Infrastructure per head of municipal population</i>	\$12,084	\$11,826	\$11,883	\$11,727	No material variation.
[Value of infrastructure / Municipal population]					
<i>Population density per length of road</i>	663	700	737	755	No material variation.
[Municipal population / Kilometres of local roads]					
Own-source revenue					
<i>Own-source revenue per head of municipal population</i>	\$2654	\$2587	\$2640	\$2283	The reduction from prior year is a direct result of decreased traffic through the city that translates to a reduction in parking fees and fines, and a decrease in permit revenue for businesses relating to COVID-19 lockdowns during 2020–21. This is expected to increase in the forecast years as the city recovers.
[Own-source revenue / Municipal population]					
Recurrent grants					
<i>Recurrent grants per head of municipal population</i>	\$119	\$116	\$108	\$99	No material variation.
[Recurrent grants / Municipal population]					

<i>Indicator / measure</i>	Results				Material variations
	2018	2019	2020	2021	
<i>Disadvantage</i>					
<i>Relative socio-economic disadvantage</i>	7	7	7	7	No material variation.
[Index of Relative Socio-economic Disadvantage by decile]					
<i>Workforce turnover</i>					
<i>Resignations and terminations compared to average staff</i>	11.4%	11.3%	9.3%	9.6%	No material variation.
[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 2021

Service / indicator / measure	Results				Material variations
	2018	2019	2020	2021	
Aquatic facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i>	3.8	4.1	2.9	1.33	In 2020–21 total visitation to aquatic centres was 244,867, down from 525,913 in 2019–20. The COVID-19 pandemic has had a significant impact on visitation due to facility closures and restrictions on services.
[Number of visits to aquatic facilities / Municipal population]					
Animal management					
Health and safety					
<i>Animal management prosecutions</i>	New in 2020	New in 2020	75%	100%	Four out of the five successful prosecutions relate to serious dog attacks, whilst the other one is as a result of repeated offending. Due to legislative framework the only resolution for these matters is by way of prosecution i.e. we cannot issue infringement notices for this offending.
[Number of successful animal management prosecutions / Total number of animal management prosecutions] x100					
Food safety					
Health and safety					
<i>Critical and major non-compliance outcome notifications</i>	100%	100%	100%	100%	City of Melbourne received 69 critical and major non-compliance outcome notifications within the reporting period and have completed follow-up on all 69.
[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					

Service / indicator / measure	Results				Material variations
	2018	2019	2020	2021	
Governance					
Satisfaction					
<i>Satisfaction with council decisions</i>	63	65	65	68	The level of community satisfaction with how Council has performed in making decisions in the interest of the community in 2021 is seven 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.
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					
Libraries					
Participation					
<i>Active library borrowers in the municipality</i>	30%	28%	27%	25%	City of Melbourne libraries were able to adapt their services to COVID-19 restrictions to continue to meet the needs of the community.
[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					
Maternal and child health					
Participation					
<i>Participation in the MCH service</i>	80%	76%	82%	84%	Participation in the Maternal and Child Health service is voluntary. Regular reminders for missed visits are sent. Family participation can vary between years.
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100					
<i>Participation</i>					
<i>Participation in the MCH service by Aboriginal children</i>	83%	70%	79%	85%	The City of Melbourne has a small Aboriginal community, and family participation in maternal and child health services will vary significantly between years. Families are also able to attend the Victorian Aboriginal Health Service (VAHS) to receive MCH services.
[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number					

Service / indicator / measure	Results				Material variations
	2018	2019	2020	2021	
of Aboriginal children enrolled in the MCH service] x100					
Roads					
Satisfaction					
<i>Satisfaction with sealed local roads</i>	70	73	67	70	The level of community satisfaction with how Council has performed on the condition of sealed local roads in 2021 is two points higher than other councils across metropolitan Melbourne and 14 points higher than the state wide average for councils who participate in the same community satisfaction survey.
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]					
Statutory Planning					
Decision making					
<i>Council planning decisions upheld at VCAT</i>	68%	53%	81%	56%	The number of VCAT outcomes that uphold council's decision has decreased this year, from 81 per cent to 56 per cent. The year on year variation is due to the low total number of appeal decisions considered as part of the measure. In 2020–21 only 16 appeals were included in this reporting. An additional 18 appeals were resolved with the consent of all parties and are excluded from this measure.
[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100					
Waste Collection					
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i>	27%	26%	21%	25%	Results show an improvement in the percentage of waste diverted from landfill compared to the 2019–20 financial year due to the recovery from the closure of Council's contracted recycling processing facility from July to September 2019. Lack of significant organics collection service continues to lower City of Melbourne's overall recovery rate by half in comparison to results from similar councils in 2019–20. The introduction of a food organics and garden organics collection service in June 2021 is expected to improve the future diversion rate.
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

Definitions

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

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

"active library member" means a member of a library who has borrowed a book from the library

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

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

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

"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health

"food premises" has the same meaning as in the *Food Act 1984*

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

"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age

"population" means the resident population estimated by council

Financial Performance Indicators

For the year ended 30 June 2021

Dimension / indicator / measure	Results				Forecasts				Material variations
	2018	2019	2020	2021	2022	2023	2024	2025	
Efficiency Expenditure level <i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3862	\$3832	\$3933	\$4018	\$4069	\$3845	\$3718	\$3835	No material variation.
Revenue level <i>Average rate per property assessment</i> [Total rate revenue / Number of property assessments]	New in 2020	New in 2020	\$2445	\$2446	\$2441	\$2480	\$2516	\$2590	No material variation.
Liquidity Working capital <i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	173.77%	183.28%	129.60%	128.26%	102.90%	128.85%	126.56%	126.26%	Stable in 2020–21 with cash balances to decrease in 2021–22 due to an aggressive capital works program.
Unrestricted cash <i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	-0.62%	68.44%	22.99%	18.57%	16.07%	54.34%	50.63%	45.94%	The result is due to a decrease in unrestricted cash as the public open space reserve increased in the current period. There will be a further decrease in the next period before

Dimension / indicator / measure	Results				Forecasts				Material variations
	2018	2019	2020	2021	2022	2023	2024	2025	
									increase in rates revenue. The forecast years are expected to increase substantially as loan facilities are used to support an aggressive capital expenditure program.
Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal and asset upgrade expenditure / Depreciation] x100	New in 2020	New in 2020	117.67%	152.37%	157.88%	150.12%	135.23%	113.99%	The result of an aggressive capital works program undertaken in asset renewal and upgrades in 2020–21. This will continue into the forecast years as the city recovers.
Operating position Adjusted underlying result <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	3.64%	8.39%	3.98%	-4.93%	-3.57%	2.48%	3.50%	3.64%	The result is due to further reduction in revenue related to fees and charges, and an increase in expenditure due to CBD recovery programs and cleaning in 2020–21. A similar result with slight improvement is expected next year before the city recovers further in the following forecast years.

Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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

Retired measures Service / indicator / measure	Results					
	2017	2018	2019			
Animal Management						
Health and Safety <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]						
Efficiency						
Revenue Level <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]						
Obligations						
Asset renewal <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 2021

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 (as per the transitional provisions of the *Local Government Act 2020*).

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. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are those adopted by council in its strategic resource plan on 29 June 2021 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

CERTIFICATION OF THE PERFORMANCE STATEMENT



In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014 (as per the transitional provisions of the *Local Government Act 2020*).

Michael Tenace (FCPA)
Chief Financial Officer
Melbourne

Dated: / / 2021

In our opinion, the accompanying Performance Statement of the Melbourne City Council for the year ended 30 June 2021 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 (as per the transitional provisions of the *Local Government Act 2020*).

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: / / 2021

Jamal Hakim
Councillor
Melbourne
Dated: / / 2021

Philip Le Liu
Councillor
Melbourne
Dated: / / 2021

Justin Hanney
Chief Executive Officer
Melbourne
Dated: / / 2021

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: 14.09.2021

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 2021 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: 14.09.2021

Philip Le Liu

Councillor

Melbourne

Dated: 14.09.2021

Jamal Hakim

Councillor

Melbourne

Dated: 14.09.2021

Justin Hanney

Chief Executive Officer

Melbourne

Dated: 14.09.2021

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 (as per the transitional provisions of the *Local Government Act 2020*).

Michael Tenace (FCPA)

General Manager Finance and Corporate (Chief Financial Officer)

Melbourne

Dated: 14.09.2021

In our opinion, the accompanying Performance Statement of the Melbourne City Council for the year ended 30 June 2021 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 (as per the transitional provisions of the *Local Government Act 2020*).

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: 14.09.2021

Philip Le Liu

Councillor

Melbourne

Dated: 14.09.2021

Jamal Hakim

Councillor

Melbourne

Dated: 14.09.2021

Justin Hanney

Chief Executive Officer

Melbourne

Dated: 14.09.2021