

**Management report to Council****Agenda item 6.4****2021-22 Draft Consolidated Financial Statements and Performance Statement****Council****Presenter:** Michael Tenace, Chief Financial Officer**27 September 2022****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 2022 in accordance with sections 98 and 99 of the *Local Government Act 2020* (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 99(3) of the Act.
2. Council is required under section 99 of the Act to prepare audited Consolidated Financial Statements regarding its operations for the financial year ended 30 June 2022. The draft Consolidated Statements are presented in Attachment 2 and have been prepared in accordance with Australian Accounting Standards and reporting requirements and 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 2020* 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 (ARC)**

6. The 2021–22 annual financial statements of the Melbourne City Council consolidated with Citywide Service Solutions Pty Ltd, Queen Victoria Market Pty Ltd, Enterprise Melbourne Pty Ltd, and Melbourne Digital Enterprises Pty Ltd were considered by the Council's ARC at its meeting held on 16 September 2022.
7. The 2021–22 Performance Statement has also been considered by the ARC.
8. Following review, the ARC has recommended the approval of the 2021–22 Consolidated Financial Statements (pending closure of items discussed at the meeting of 16 September 2022) and Performance Statement.
9. The 2021–22 audit by VAGO has resulted in an unqualified audit opinion.

**Recommendation from management**

10. That Council:
  - 10.1. Approves in principle the 2021–22 Consolidated Financial Statements and Performance Statement.
  - 10.2. Nominates and authorises the Lord Mayor, Sally Capp and Councillor Philip Le Liu 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 100)
2. Annual Financial Report (Page 3 of 100)
3. Annual Performance Statement (Page 78 of 100)
4. Annual Certifications of Annual Financial Report and Performance Statements (Page 93 of 100)
5. Representation Letter - City of Melbourne (Page 95 of 100)

## Supporting Attachment

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### Legal

1. The Financial Statements and Performance Statement are key components of the Council's Annual Report required under section 98(1) of the Act.
2. The report accurately identifies the relevant statutory provisions.

### Finance

3. The financial details are contained in the draft Annual Consolidated Financial Statements for Council 2021–22 (refer Attachment 2).

### Conflict of interest

4. 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 Pty Ltd.

### Health and Safety

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

### Stakeholder consultation

6. VAGO undertook the audit of the Consolidated Financial Statements and Performance Statement.
7. The information attached to the report was considered by the ARC at its meeting on 16 September 2022.

### Environmental sustainability

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

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# Melbourne City Council

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## Annual Financial Report

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2021-22

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**As at 21 September 2022**

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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 2020*, the Local Government (Planning and Reporting) Regulations 2020, Australian Accounting Standards and other mandatory professional reporting requirements.

Michael Tenace (FCPA)

**General Manager Finance and Corporate (Chief Financial Officer)**

**Melbourne**

**Date:** 27.09.2022

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 2022 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 2020 to certify the financial statements in their final form.

Sally Capp

**Lord Mayor**

**Melbourne**

**Dated:** 27.09.2022

Philip Le Liu

**Councillor**

**Melbourne**

**Dated:** 27.09.2022

Justin Hanney

**Chief Executive Officer**

**Melbourne**

**Dated:** 27.09.2022

## Victorian Auditor-General's Office Audit Report

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# FINANCIAL STATEMENTS

## Comprehensive Income Statement

For the Year Ended 30 June 2022

	Consolidated			Council	
	2022	2021	Note	2022	2021
	\$'000	\$'000		\$'000	\$'000
<b>Income</b>					
Rates and charges	325,615	315,896	3.1	325,868	316,147
Statutory fees and fines					
Parking fines	24,068	24,501	3.2	24,068	24,501
Other statutory fees and fines	12,397	11,743	3.2	12,398	11,747
User fees					
Parking fees	41,658	34,640	3.3	38,995	32,009
Other user fees	17,932	15,645	3.3	17,932	15,645
Grants - operating	50,222	62,595	3.4	50,222	62,595
Grants - capital	17,906	32,626	3.4	17,906	32,626
Contributions - monetary	7,203	31,700	3.5	7,193	31,700
Contributions - non monetary	-	490	3.5	-	490
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	2,693	(467)	3.6	2,177	(1,114)
Fair value adjustments for investment properties	5,223	3,939	6.3	5,223	3,939
Other income	304,000	231,810	3.7	17,192	16,721
<b>Total Income</b>	<b>808,917</b>	<b>765,118</b>		<b>519,174</b>	<b>547,006</b>
<b>Expenses</b>					
Employee costs	317,940	290,481	4.1	178,205	167,152
Materials and services	358,887	301,922	4.2	222,550	216,067
Depreciation	79,462	76,769	4.3	66,221	63,393
Amortisation/Impairment - intangible assets	13,160	12,727	4.4	11,874	11,824
Amortisation - right of use assets	7,343	6,644	4.5	2,349	2,326
Bad and doubtful debts	8,072	7,274	4.6	8,048	7,262
Borrowing costs	355	289	4.7	91	82
Finance costs - leases	756	569	4.8	189	173
Other expenses	9,943	8,195	4.9	7,563	6,723
Grants and contributions	28,900	32,417	4.10	36,600	41,817
Impairment loss on asset revaluation	608	4,298	4.11	608	4,298
<b>Total Expenses</b>	<b>825,426</b>	<b>741,585</b>		<b>534,298</b>	<b>521,117</b>
<b>Surplus/(deficit) For The Year</b>	<b>(16,509)</b>	<b>23,533</b>		<b>(15,124)</b>	<b>25,889</b>
<b>Other Comprehensive Income</b>					
<b>Items that will not be reclassified to surplus or deficit in future periods</b>					
Net asset revaluation (decrement)/increment	200,676	12,941	9.1(a)	200,676	12,941
Gain on defined benefits plans	1,467	2,129	9.3	-	-
<b>Total Other Comprehensive Income</b>	<b>202,143</b>	<b>15,070</b>		<b>200,676</b>	<b>12,941</b>
<b>Total Comprehensive Result</b>	<b>185,634</b>	<b>38,603</b>		<b>185,552</b>	<b>38,830</b>

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

## Balance Sheet

As at 30 June 2022

	Consolidated			Council	
	2022 \$'000	2021 \$'000	Note	2022 \$'000	2021 \$'000
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	49,631	158,721	5.1 (a)	39,801	143,870
Trade and other receivables	67,819	74,187	5.1 (c)	32,145	39,594
Other financial assets	2,000	31,750	5.1 (b)	-	30,000
Inventories	2,795	1,610	5.2 (a)	-	-
Non-current assets classified as held for sale	436	-	6.1	-	-
Other assets	25,920	8,044	5.2 (b)	13,853	7,861
<b>Total Current Assets</b>	<b>148,601</b>	<b>274,312</b>		<b>85,799</b>	<b>221,325</b>
<b>Non-Current Assets</b>					
Other financial assets	33,717	33,626	5.1 (b)	33,717	33,626
Investment in subsidiaries and associates	7,750	7,750	6.2	26,356	26,356
Property, infrastructure, plant and equipment	4,596,956	4,361,377	6.1	4,488,466	4,242,465
Right-of-use assets	22,783	27,606	5.8	5,868	5,655
Investment property	227,978	188,518	6.3	227,978	188,518
Intangible assets	76,319	70,546	5.2 (c)	43,700	36,798
Net assets of City of Melbourne's Defined Benefits	16,511	15,276	9.3	-	-
<b>Total Non-Current Assets</b>	<b>4,982,014</b>	<b>4,704,699</b>		<b>4,826,085</b>	<b>4,533,418</b>
<b>Total Assets</b>	<b>5,130,615</b>	<b>4,979,011</b>		<b>4,911,884</b>	<b>4,754,743</b>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Trade and other payables	96,860	113,978	5.3 (a)	64,003	83,286
Trust funds and deposits	15,839	15,062	5.3 (b)	13,653	13,676
Unearned income/revenue	31,405	43,300	5.3 (c)	25,843	39,158
Provisions	58,365	53,253	5.5	41,099	37,313
Interest-bearing liabilities	13,200	12,000	5.4	-	-
Lease liability	5,898	6,173	5.8	1,649	1,962
<b>Total Current Liabilities</b>	<b>221,567</b>	<b>243,766</b>		<b>146,247</b>	<b>175,395</b>
<b>Non-Current Liabilities</b>					
Trade and other payables	-	1,435	5.3 (a)	-	-
Trust funds and deposits	1,617	2,377	5.3 (b)	1,617	1,526
Provisions	5,105	4,978	5.5	4,050	3,992
Interest-bearing liabilities	-	6,200	5.4	-	-
Lease liability	17,484	21,047	5.8	4,510	3,922
<b>Total Non-Current Liabilities</b>	<b>24,206</b>	<b>36,037</b>		<b>10,177</b>	<b>9,440</b>
<b>Total Liabilities</b>	<b>245,773</b>	<b>279,803</b>		<b>156,424</b>	<b>184,835</b>
<b>Net Assets</b>	<b>4,884,842</b>	<b>4,699,208</b>		<b>4,755,460</b>	<b>4,569,908</b>
<b>Equity</b>					
Accumulated surplus	2,245,695	2,258,962		2,167,018	2,180,367
Reserves	2,639,147	2,440,246	9.1	2,588,442	2,389,541
<b>Total Equity</b>	<b>4,884,842</b>	<b>4,699,208</b>		<b>4,755,460</b>	<b>4,569,908</b>

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

## Statement of Changes in Equity

### For the Year Ended 30 June 2022

Consolidated		Total Equity		Accumulated Surplus		Revaluation
		2022	2021	2022	2021	
	Note	\$'000	\$'000	\$'000	\$'000	2022
						\$'000
<b>Balance at beginning of the financial year</b>		<b>4,699,208</b>	<b>4,660,605</b>	<b>2,258,962</b>	<b>2,248,730</b>	<b>2,350,656</b>
Surplus/(deficit) for the year		(16,509)	23,533	(16,509)	23,533	-
Net asset revaluation increment/(decrement)	9.1	200,676	12,941	-	-	200,676
Investment in associates	9.1	-	-	-	-	-
Transfers to other reserves	9.1	-	-	(5,086)	(27,787)	-
Transfers from other reserves	9.1	-	-	6,861	12,358	-
Actuarial gain - City of Melbourne's Defined Benefits Superannuation Fund	9.3	1,467	2,129	1,467	2,129	-
<b>Balance at the end of the financial year</b>		<b>4,884,842</b>	<b>4,699,208</b>	<b>2,245,694</b>	<b>2,258,962</b>	<b>2,551,332</b>

Council		Total Equity		Accumulated Surplus		Revaluation
		2022	2021	2022	2021	
	Note	\$'000	\$'000	\$'000	\$'000	2022
						\$'000
<b>Balance at beginning of the financial year</b>		<b>4,569,908</b>	<b>4,531,078</b>	<b>2,180,367</b>	<b>2,169,907</b>	<b>2,299,951</b>
Surplus/(deficit) for the year		(15,124)	25,889	(15,124)	25,889	-
Net asset revaluation increment/(decrement)	9.1	200,676	12,941	-	-	200,676
Investment in associates	9.1	-	-	-	-	-
Transfers to other reserves	9.1	-	-	(5,086)	(27,787)	-
Transfers from other reserves	9.3	-	-	6,861	12,358	-
<b>Balance at the end of the financial year</b>		<b>4,755,460</b>	<b>4,569,908</b>	<b>2,167,018</b>	<b>2,180,367</b>	<b>2,500,627</b>

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## Statement of Cash Flows

## For the Year Ended 30 June 2022

	Consolidated			Council	
	2022	2021	Note	2022	2021
	\$'000	\$'000		\$'000	\$'000
<b>Cash Flows from Operating Activities</b>					
Rates and charges	325,710	312,168		325,963	312,419
Statutory fees and fines	42,220	37,327		42,221	37,331
User fees	46,553	54,590		60,604	61,644
Grants - operating	30,464	96,653		30,464	96,653
Grants - capital	26,496	40,909		26,496	40,909
Contributions - monetary	7,291	31,922		7,281	31,922
Interest received	404	806		392	804
Dividends received	25	18		25	18
Other receipts	333,817	256,215		14,072	15,113
Net GST refund	14,799	6,498		31,385	20,796
Trust funds and deposits taken/(repaid)	75	632		126	(1,149)
Employee costs	(326,156)	(281,743)		(186,215)	(160,331)
Materials and services	(411,333)	(336,373)		(267,414)	(242,903)
Short-term, low value and variable lease payments	(1,079)	(963)		(979)	(867)
Grants and contributions	(32,706)	(36,538)		(40,453)	(45,983)
Other payments	(10,388)	(8,824)		(7,880)	(7,310)
<b>Net cash provided by/(used in) operating activities</b>	<b>46,191</b>	<b>173,297</b>	<b>9.2</b>	<b>36,087</b>	<b>159,066</b>
<b>Cash Flows from Investing Activities</b>					
Proceeds from sale of property, infrastructure, plant and equipment	8,065	27,136	3.6	7,404	26,282
Payments for property, infrastructure, plant and equipment	(177,082)	(155,436)		(174,992)	(145,569)
Proceeds from/for sale of Investments	29,750	64,000		30,000	64,000
Payment to new business vendors as part of acquisition	(3,544)	(15,235)		-	-
<b>Net cash provided by/(used in) investing activities</b>	<b>(142,811)</b>	<b>(79,535)</b>		<b>(137,588)</b>	<b>(55,287)</b>
<b>Cash Flows from Financing Activities</b>					
Finance costs	(355)	(289)		(91)	(82)
Proceeds from borrowings	-	25,417		-	7,217
Repayment of borrowings	(5,000)	(7,217)		-	(7,217)
Interest paid - lease liability	(756)	(569)		(189)	(173)
Repayment of lease liability	(6,358)	(6,401)		(2,287)	(2,253)
<b>Net cash provided by/(used in) financing activities</b>	<b>(12,469)</b>	<b>10,941</b>		<b>(2,567)</b>	<b>(2,508)</b>
Net increase/(decrease) in cash and cash equivalents	(109,090)	104,703		(104,069)	101,271
Cash and cash equivalents at beginning of the financial year	158,721	54,018		143,870	42,599
<b>Cash and cash equivalents at the end of the financial year</b>	<b>49,631</b>	<b>158,721</b>		<b>39,801</b>	<b>143,870</b>
<b>Financing arrangements</b>			<b>5.6</b>		
<b>Restrictions on cash assets</b>			<b>5.1</b>		

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## Statement of Capital Works

For the Year Ended 30 June 2022

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Property</b>				
Land	5,086	-	5,086	-
<b>Total Land</b>	<b>5,086</b>	<b>-</b>	<b>5,086</b>	<b>-</b>
<b>Buildings</b>				
Buildings	56,558	3,875	56,558	3,670
Heritage buildings	3,847	8,296	3,847	8,296
Building improvements	15,446	46,933	14,836	46,356
<b>Total Buildings</b>	<b>75,851</b>	<b>59,104</b>	<b>75,241</b>	<b>58,322</b>
<b>Total Property</b>	<b>80,937</b>	<b>59,104</b>	<b>80,327</b>	<b>58,322</b>
<b>Plant &amp; Equipment</b>				
Plant, machinery and equipment	11,712	13,395	5,693	4,140
Fixtures, fittings and furniture	870	1,016	735	1,016
Computers and telecommunications	18,958	17,270	18,644	17,110
Library books	1,479	1,043	1,479	1,043
<b>Total Plant &amp; Equipment</b>	<b>33,019</b>	<b>32,724</b>	<b>26,551</b>	<b>23,309</b>
<b>Infrastructure</b>				
Roads	7,101	9,229	7,101	9,229
Bridges	1,908	1,547	1,908	1,547
Footpaths and cycleways	14,222	18,392	14,222	18,392
Drainage	5,861	5,028	5,861	5,028
Recreational, leisure and community facilities	4,710	593	4,710	593
Waste management	492	327	492	327
Parks, open space and streetscapes	21,525	21,931	21,525	21,931
Other infrastructures	12,041	12,377	12,041	12,377
<b>Total Infrastructure</b>	<b>67,860</b>	<b>69,424</b>	<b>67,860</b>	<b>69,424</b>
<b>Total Capital Works Expenditure</b>	<b>181,816</b>	<b>161,252</b>	<b>174,738</b>	<b>151,055</b>
<b>Represented by:</b>				
New asset expenditure	108,512	52,999	102,136	43,661
Asset renewal expenditure	46,910	48,214	46,910	48,214
Asset expansion expenditure	4,231	10,801	4,231	10,801
Asset upgrade expenditure	22,163	49,238	21,461	48,379
<b>Total Capital Works Expenditure</b>	<b>181,816</b>	<b>161,252</b>	<b>174,738</b>	<b>151,055</b>

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 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.

#### Reporting Entity

The reporting entity comprises Melbourne City Council and its wholly owned subsidiaries Citywide Service Solutions Pty Ltd (Citywide), Queen Victoria Market Pty Ltd (QVM), Enterprise Melbourne Pty Ltd and Melbourne Digital Enterprises 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.

#### Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board (AASB), the Local Government Act 2020, and the Local Government (Planning and Reporting) Regulations 2020.

The Council is a not-for-profit entity and therefore applies the additional AUS paragraphs (Australian-specific) applicable to a not-for-profit entity under the Australian Accounting Standards.

#### 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.

The financial statements are based on the historical cost convention unless a different measurement basis is specifically disclosed in the notes to the financial statements.

##### 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.

The financial statements have been prepared on a going concern basis. The financial statements are in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest thousand dollars unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

Revisions to accounting estimates to reflect more accurate 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);

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

- the determination of doubtful debts provisions (refer Note 4.6);
- 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 3.4 (d));
- 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);
- the measurement of fair values of net assets and goodwill on Citywide acquisitions (Note 6.2 and Note 5.2 (c)); and
- 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 continued through to the beginning of the 2021-22 financial year which commenced with Victoria’s 5th lockdown for two weeks in July 2021, and then the 6<sup>th</sup> lockdown commencing in early August 2021 that extended through various iterations related to the Omicron variant and mandatory vaccinations, before restrictions began easing in November 2021 and into early 2022. 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 prevalent in the first half, and expected to recover in the second half of 2021-22. Council’s own source revenue came in below budget in 2021-22 due to: lower supplementary rates revenue related to delays in building developments; lower than expected volumes of traffic through the city; lockdown restrictions that effected access to various community facilities; and general activity levels in the city during the first half of the year. Monetary contributions were also lower than budget as the slowdown in the building development sector meant lower contributions related to public open space. 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. Lower than expected activity in all sectors, and the slow re-opening of recreation and sports facilities and libraries following lockdown saw further reductions in statutory fees and fines and user fees over the twelve months. The major components effected when measured against 2019-20 were: parking fees and fines (\$31.5 million); statutory fees and other user fees (\$14.0 million) and; other income (\$3.4 million), which totalled \$51.6 million. In addition, Council provided assistance in the form of waivers and extensions in commercial rent and permits to the value of \$1.0 million, giving a total effect on revenue of approximately \$52.6 million.
- Queen Victoria Market (QVM) revenue was significantly impacted through the provision of rent relief to food, market stall and hospitality traders by \$3.7 million against budget. Lower market visitation and less city workers reduced car park revenue by \$1.9 million against budget and COVID-19 restrictions reduced events and tourism revenue by \$1.4 million against budget. The City provided assistance to QVM in the form of a \$7.7 million grant during the year. Citywide Service Solutions Pty Ltd (Citywide) revenue position improved from the prior year, however, COVID-19 still had an impact on revenue of \$3.6 million due to the cancellation of events, and plant shutdowns related to the Asphalt Joint Ventures. The effect on the subsidiaries total revenue was a reduction of \$10.6 million.
- The Group again incurred additional expense during the 2021-22 financial year directly related to COVID-19, for cleaning, city revitalisation, and various business support programs. Programs that were fully or partially funded by the Victorian State Government included in Council’s 2021-22 result were: Melbourne City Reactivation Fund (\$18.3 million); Melbourne Revitalisation Fund (\$13.9 million); Laneway Revitalisation (\$1.4 million); and other cleaning and assistance programs (\$4.5million). All but \$3.0 million was funded by the state government. Citywide’s result included additional expenditure of \$2.7 million to complete works on

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

local government contracts, while QVM implemented cost reduction measures to minimise the financial impacts of lost revenue.

- COVID-19 has had a significant impact on the Group's cash position as net cash provided by operating activities is \$127.1 million lower than prior year. Grants and monetary contributions of \$62.4 million to support city programs were \$105.2 million lower than 2020-21 levels. Higher materials and services and employee related costs which were up by \$75.0 million and \$44.4 million respectively on prior year also contributed. Employee costs included the acceptance of a new enterprise agreement and related back pay and adjustments. Total debtors outstanding across the Group fell by \$6.4 million in the twelve months to 30 June 2022, with Council reducing by \$7.4 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. Payments for property, infrastructure, plant and equipment increased on prior year for the group by \$21.6 million. Valuation gains on land freehold of \$175.8 million and buildings \$42.0 million, and a reduction in current liabilities related to reduced trade payables and unearned income led to an increase in the net assets of the group of \$185.6 million.
- The total financial impact of COVID-19 on the group result during 2021-22 is therefore approximately \$74 million, which includes reduced revenue of \$63 million and additional expense of \$11 million. The impact on the City was reduced revenue of \$52.6 million and an increase in expenses of \$10.7 million (Total impact on City result \$63.3 million).



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 2 PERFORMANCE AGAINST BUDGET

## 2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* 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.

These notes are prepared to meet the requirements of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

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

## 2.1.1 Income and expenditure

Council	Budget	Actual	Variance		Ref
	2022 \$'000	2022 \$'000	\$'000	%	
<b>Income</b>					
Rates and charges	327,807	325,868	(1,939)	(1%)	1
Statutory fees and fines					
Parking fines	39,041	24,068	(14,973)	(38%)	2
Other statutory fees and fines	10,920	12,398	1,478	14%	3
User fees					
Parking fees	51,912	38,995	(12,917)	(25%)	4
Other user fees	21,800	17,932	(3,868)	(18%)	5
Grants - operating	47,091	50,222	3,131	7%	6
Grants - capital	44,784	17,906	(26,878)	(60%)	7
Contributions - monetary	22,755	7,193	(15,562)	(68%)	8
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	8	2,177	2,169	27113%	9
Fair value adjustments for investment properties	-	5,223	5,223	100%	10
Other income	16,921	17,192	271	2%	
<b>Total Income</b>	<b>583,039</b>	<b>519,174</b>	<b>(63,865)</b>	<b>(11%)</b>	
<b>Expenses</b>					
Employee costs	180,267	178,205	2,062	1%	11
Materials and services	214,585	222,550	(7,965)	(4%)	12
Depreciation	67,410	66,221	1,189	2%	13
Amortisation - intangible assets	11,759	11,874	(115)	(1%)	
Amortisation - right of use assets	1,729	2,349	(620)	(36%)	
Bad and doubtful debts	12,755	8,048	4,707	37%	14
Borrowing costs	148	91	57	39%	
Finance costs - leases	82	189	(107)	(130%)	
Other expenses	7,243	7,563	(320)	(4%)	
Grants and contributions	49,205	36,600	12,605	26%	15
Impairment loss on asset revaluation	-	608	(608)	100%	16
<b>Total Expenses</b>	<b>545,183</b>	<b>534,298</b>	<b>10,885</b>	<b>2%</b>	
<b>Surplus/(Deficit) for the year</b>	<b>37,856</b>	<b>(15,124)</b>	<b>(52,980)</b>	<b>-140%</b>	

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## Explanation of material variations

Ref.	Item	Explanation
1	<i>Rates and charges</i>	Rates and charges are slightly below budget due to lower than expected supplementary rates revenue as a result of COVID-19 impacts on the construction industry and major developments.
2	<i>Parking fines</i>	The below budget result reflected lower than expected traffic volumes as a result of COVID-19 restrictions and the city recovery.
3	<i>Other statutory fees and fines</i>	Other statutory fees and fines are just over budget mainly due to higher than expected construction zone permits for small projects, food registrations act permits, and planning fees as the city starts to recover.
4	<i>Parking fees</i>	Parking meter activity is \$12.9m lower than budget as a result of the lower than expected traffic volumes relating to COVID-19 impacts.
5	<i>Other user fees</i>	Total other user fees are below budget due to lower than budget building service fees (\$1.1 million), recreation centre fees (\$0.9 million), and street trading and kerbside cafe charges (\$0.6 million) as a result of COVID-19 restrictions.
6	<i>Grants - operating</i>	Grants – operating are above budget due to increases in state government appropriations, federal government aged and disability grants, and \$3.0 million in COVID-19 grants for public health officers.
7	<i>Grants - capital</i>	Grants – capital are lower than budget for the year as a result of grants not being received (or recognised) in 2021-22 for various projects totalling \$28.9 million related to: affordable housing; footpath renewal; St Kilda Road - Metro Bike Lane; Cycle Infrastructure; Southbank Promenade Stage 1; Public Art; and North and West Melb and Docklands Transport and Amenity Program. Grants received and not recognised in 2021-22 will be recognised in the relevant income statement when works specified in the grants agreements have been completed.
8	<i>Contributions - monetary</i>	Contributions – monetary are lower than budget as Council received less Public Open Space Contributions which is a direct result of lower construction project activity.
9	<i>Net gain on disposal of property, infrastructure, plant and equipment</i>	The higher than budget gain on sale relates to the sale of apartments and affordable housing units in relation to the Munro site project, and the sale of partial laneways that are surplus to Council's requirements.
10	<i>Fair value adjustments for investment properties</i>	This is the unbudgeted net result of annual valuations of investment properties (land and buildings) owned by Council.
11	<i>Employee costs</i>	Employee costs are below budget due to the level of vacant positions across Council that are a result of restructures, market movements and delays in recruitment. This has been partially offset by agency costs included in materials and services.
12	<i>Materials and services</i>	Materials and services costs were above budget due to a combination: <ul style="list-style-type: none"> <li>• Additional contract related expenditure on the Melbourne City Reactivation Fund project (\$13.5 million);</li> <li>• Additional agency expense for backfilling of staff vacancies (\$5.0 million); and</li> <li>• Write offs related to project expenditure (small projects) not capitalised (\$4.5 million)</li> </ul>
13	<i>Depreciation</i>	Depreciation expense was lower than budget due to delays in project capitalisation as a result of COVID-19.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

14	<i>Bad and doubtful debts</i>	A lower than budget bad and doubtful debt provision for the year was a result of adopting a consistent level of provisioning across all outstanding debts, in line with policy.
15	<i>Grants and contributions</i>	Grants and contributions were below budget as \$10.0 million of grants relating to Melbourne City Reactivation Fund was taken up as contract payment under the material and services expense category.
16	<i>Impairment loss on asset revaluation</i>	The impairment loss is a result of the reduction in the valuation of trees due to a significant shift in the ratio of Park to Street trees, and thus a lower value per tree across Council.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 2.1.2 Capital works

Council	Budget	Actual	Variance		Ref
	2022 \$'000	2022 \$'000	\$'000	%	
<b>Property</b>					
Land	-	5,086	(5,086)	0%	1
<b>Total Land</b>	<b>-</b>	<b>5,086</b>	<b>(5,086)</b>	<b>0%</b>	
<b>Buildings</b>					
Buildings	16,716	56,558	(39,842)	(238%)	2
Heritage buildings	4,649	3,847	802	17%	
Building improvements	62,951	14,836	48,115	76%	3
<b>Total Buildings</b>	<b>84,316</b>	<b>75,241</b>	<b>9,075</b>	<b>11%</b>	
<b>Total Property</b>	<b>84,316</b>	<b>80,327</b>	<b>3,989</b>	<b>5%</b>	
<b>Plant &amp; Equipment</b>					
Plant & equipment	6,603	5,693	910	14%	
Fixtures, fittings & furniture	897	735	162	18%	
Computers and telecommunications	18,398	18,644	(246)	(1%)	
Library books	1,400	1,479	(79)	(6%)	
<b>Total Plant &amp; Equipment</b>	<b>27,298</b>	<b>26,551</b>	<b>747</b>	<b>3%</b>	
<b>Infrastructure</b>					
Roads	7,095	7,101	(6)	(0%)	
Bridges	1,931	1,908	23	1%	
Footpaths and cycleways	33,352	14,222	19,130	57%	4
Drainage	9,545	5,861	3,684	39%	5
Recreational, leisure and community facilities	5,863	4,710	1,153	20%	6
Waste management	1,890	492	1,398	74%	7
Parks, open space and streetscapes	70,512	21,525	48,987	69%	8
Other Structures	17,022	12,041	4,981	29%	9
<b>Total Infrastructure</b>	<b>147,210</b>	<b>67,860</b>	<b>79,350</b>	<b>54%</b>	
<b>Total Capital Works Expenditure</b>	<b>258,824</b>	<b>174,738</b>	<b>84,086</b>	<b>32%</b>	
<b>Represented by:</b>					
New asset expenditure	129,246	102,136	27,110	21%	
Asset renewal expenditure	48,273	46,910	1,363	3%	
Asset expansion expenditure	12,020	4,231	7,789	65%	
Asset upgrade expenditure	69,285	21,461	47,824	69%	
<b>Total Capital Works Expenditure</b>	<b>258,824</b>	<b>174,738</b>	<b>84,086</b>	<b>32%</b>	

From the \$84.1 million variance to budget in total capital works expenditure for 2021-22, \$34.8 million will be carried forward to 2022-23 (2021: \$28.2 million was carried forward to 2021-22) (refer to Note 5.1 (b) other financial assets). This leaves a balance of \$49.3 million.

The balance of budgeted funds not spent or carried forward to next financial year relates predominantly to the following major projects that will be funded from future budgets:

- The Parks Renewal Program
- Major Streetscape Improvements
- North and West Melbourne Transport Amenity Program (TAP)
- New Southbank Open Space Reserve
- Queen Victoria Market Precinct Renewal Project (QVMPPR)
- Cycle Infrastructure

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

The under spends on these projects for 2021-22 relate to a combination of factors associated with COVID-19, planned deferrals, and project postponements. COVID-19, the associated lockdowns, slow transition back to work for some sectors, and the generally slow recovery has led to shortages of materials leading to delays in delivery, and shortages of labour in the construction industry due to sickness. We have seen a reduction in tender applicants in some instances where a combination of labour shortages, technical expertise, and increasing costs associated with construction has meant businesses are reluctant to apply.

**Explanation of material variations**

	Item	Explanation
1	<i>Land</i>	The acquisition of land at 70-90 Chelmsford Street, Kensington (settlement January 2022) was not budgeted and relates to a Council Resolution to use the Public Open Space Reserve. This land will be used to provide open space and flood management in conjunction with a number of Council Plans for the area.
2	<i>Buildings</i>	The above budget amount relates to the final payment (\$46.0 million) on the Munro development which was a capital purchase and not budgeted under capital works.
3	<i>Building improvements</i>	Building improvements are below budget due to: <ul style="list-style-type: none"> <li>• Delays related to the Queen Victoria Market Precinct Renewal project due to COVID-19 contractor restrictions, revised procurement approaches, external authority approvals and consultation undertaken with traders on disruption (\$37.2 million under spent); this has affected the next stage which is now expected to be completed in 2022-23; and</li> <li>• The reclassification of the Make Room project which is the repurposing of 602 Little Bourke Street into specialist accommodation for the homeless for up to 50 residents - the lease component of this project has been reclassified from new works to a capital grant, and will be reflected as maintenance, as the housing provider will enter into a lease of up to 20 years giving them control of the asset (\$9.0 million under spent).</li> </ul>
4	<i>Footpaths and cycleways</i>	Expenditure on footpaths and cycleways was below budget due to a combination of the following: <ul style="list-style-type: none"> <li>• The pausing of the Cycle Infrastructure program by Council as part of the independent Transport Strategy Review. The program was further delayed due to permit approvals on designs (\$2.0 million under spent). Construction of Royal Parade was put on hold by the Department of Transport (DoT), with assessment now completed and approval due in the second half of 2022. Designs for Grattan Street, Arden Street, Macaulay Road and Queensberry Street have been submitted to DoT for comment, and we anticipate the commencement of consultation in late 2022.</li> <li>• The cessation of the St Kilda Road - Metro Bike Lane which is a State funded project, and will no longer be delivered by City of Melbourne resulting in \$5.0 million in surplus funds.</li> <li>• Delays in the Exhibition Street Bike Lane project due to authority approval being delayed, which in turn resulted in additional traffic surveys (\$3.3 million under spent). Completion now due in 2022/23.</li> <li>• Delays in the Gateway to GMH Turner Street Works which is a partnership with the State Government funded via the Department of Jobs, Precincts and Region for early works on transforming Turner Street into a key multi-modal corridor. Delays were due to COVID-19, design changes and service authority approvals (\$3.2 million underspent); funds have been carried forward with works expected to be completed by December 2022. and</li> <li>• Delays in funding for the Flinders Street Hostile Vehicle Mitigation project which is funded via the Department of Justice and Community Safety with funding arriving later than anticipated. Further delays related to latent</li> </ul>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

		conditions, and the project being placed on hold to allow the Melbourne Metro Project to have 24/7 site access (\$1.7 million underspent); funds have been carried forward with works expected to re-commence from 1 August 2022 and be completed by December 2022.
5	<i>Drainage</i>	Expenditure on drainage was below budget as the Pump Station Upgrade - Stubbs Street was delayed due to a limited number of tender applications. This is a result of the complexity of the works, construction risks with the site, in addition to permits and the unexpected relocation of services (\$3.2 million underspent); funds have been carried forward with construction expected to be completed by January 2023.
6	<i>Recreational, leisure &amp; community facilities</i>	Recreational, leisure and community facilities expenditure is below budget mainly due to tender delays due to latent conditions, permit approvals for temporary building, and external authority approvals on the Brens Pavilion Upgrade Works (\$0.7 million under spent); funds have been carried forward with construction expected to be completed by February 2023.
7	<i>Waste management</i>	Waste management expenditure was below budget due to delays on the Waste and Resource Recovery Hub Expansion Program due to additional community engagement following COVID-19 restrictions, and the tender evaluation period being extended for on-site demonstrations, as the service will be a world-first (\$1.6 million under spent); funds have been carried forward to complete the delivery of four Hubs to be completed in the 2022-23 financial year.
8	<i>Parks, open space &amp; streetscapes</i>	<p>Expenditure on Parks, open spaces and streetscapes was well under budget due to a combination of the following:</p> <ul style="list-style-type: none"> <li>• Delays in the New Southbank Open Space reserve (\$20.0 million underspent) and Urban Renewal Open Spaces (\$10.0 million underspent), which have now progressed, as suitable sites for acquisition have been selected.</li> <li>• Delays in the North Melbourne, West Melbourne and Docklands Transport and Amenity Program which is a co-funded project with the Department of Transport (DoT) in a matched funding arrangement. The projects have not been completed as endorsement was sought from DoT for the next three to four years of the program (\$5.7 million surplus funds). The budget was revised down during the year with remaining funds included in the four year budget commencing 2022-23.</li> <li>• Delays in the Dodds Street linear park due to the deferral of detailed design of landscape works by Southbank Major Public Art commission (\$4.9 million underspent); funds have been carried forward with construction due to commence in October 2022, and completion expected by the end of the financial year. The budget was revised down during the year with remaining funds included in budget 2022-23.</li> <li>• The postponement of the Southbank Promenade project, which is part funded via the Department of Justice and Community Safety, to allow traders to operate soon after the COVID-19 restrictions were lifted (\$3.4 million underspent); construction commenced in May 2022 with funds carried forward to complete outstanding works due by December 2022.</li> <li>• Delays in the Southbank Boulevard project due to the late award of the tender and permit approvals (\$2.5 million under spent); funds have been carried forward with the final package expected to be completed by August 2022.</li> <li>• Delays in the Pocket Parks relating to Bedford Street due to resourcing constraints. Funding this year was used for finalising the design and permit approvals (\$2.2 million underspent); construction is due to commence in early 2023.</li> </ul>
9	<i>Other Structures</i>	<p>Expenditure on other structures is under budget due to:</p> <ul style="list-style-type: none"> <li>• A delay in securing some of the external funding for the Public Art program</li> </ul>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

		<p>which is also part funded via a State government grant as part of the Melbourne City Recovery Fund program (\$2.1 million underspent).</p> <ul style="list-style-type: none"><li>• A delay in the Melbourne City Marina Renewal project due to the Port of Melbourne Corporation currently being in the process of approving an access agreement to the facility (\$1.0 million underspent); a construction contract is in place with funds carried forward, subject to access, expected to complete the works by December 2022. and</li><li>• Delays in the Australia Wharf fit out due to access being restricted as a result of Parks Victoria dredging the river, and resourcing issues securing a sub-contractor (\$0.6 million underspent); a contract is in place with funds carried forward to complete stage one piling early September and stage two electrical and plumbing early November 2022.</li></ul>
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## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

**2.2 Analysis of Council results by program**

Council delivers its functions and activities through the following groups:

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

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

**Summary of income, expenses, assets and capital expenses by program**

2022	Income	Expenses	Surplus/ (Deficit)	Grants Income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
Executive Services	6,879	38,292	(31,413)	1,002	32
Finance and Corporate	339,230	69,337	269,893	5,816	377,856
Property, Infrastructure and Design	21,852	106,393	(84,541)	13,533	4,308,180
Strategy, Planning and Climate Change	26,521	110,792	(84,270)	2,816	177,464
Community and City Services	83,676	89,414	(5,738)	9,426	140
City Economy and Activation	41,016	120,072	(79,056)	35,534	48,212
<b>Total</b>	<b>519,174</b>	<b>534,298</b>	<b>(15,124)</b>	<b>68,128</b>	<b>4,911,884</b>

2021	Income	Expenses	Surplus/ (Deficit)	Grants Income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
Executive Services	4,344	53,687	(49,344)	86	-
Finance and Corporate	328,426	61,527	266,899	4,162	3,156,873
Property, Infrastructure and Design	46,846	113,963	(67,117)	41,543	1,371,493
Strategy, Planning and Climate Change	54,479	103,980	(49,500)	7,892	177,166
Community and City Services	76,732	83,976	(7,244)	8,662	195
City Economy and Activation	36,179	103,984	(67,805)	32,876	49,016
<b>Total</b>	<b>547,006</b>	<b>521,117</b>	<b>25,889</b>	<b>95,221</b>	<b>4,754,743</b>

There was a corporate realignment during 2021-22 financial year with some branch functions being split and realigned to other groups. The main changes incorporated into the above table were:

- The Governance and Organisational Development group is removed and its functions aligned to the Executive Services group.
- The Aboriginal Melbourne branch moved from Strategy, Planning and Climate Change to the Executive Services group.
- The Property branch split into two parts with City Property moved from the Finance and Corporate group to Property, Infrastructure and Design group; the Rates and Revenue branch stays in the Finance and Corporate group.
- The parking meter function is moved from the Property, Infrastructure and Design group to the Parking Service branch in the Community and City Services group.

Note - The above groups are named according to areas of assigned responsibility and not according to expense types included in the Comprehensive Income Statement. Each category contains the full range of expense items including salaries and wages, materials and services, depreciation, grants etc. as applicable to the branch.



## 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 2021-22 was \$7.2 billion (2020-21 \$7.1 billion).

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Residential	139,986	128,252	139,986	128,252
Non-residential	184,605	176,793	184,858	177,044
Culture & recreational	620	451	620	451
Supplementary rates and rate adjustments	246	10,298	246	10,298
Interest on Rates & Charges	158	102	158	102
	<b>325,615</b>	<b>315,896</b>	<b>325,868</b>	<b>316,147</b>

Supplementary rates and rate adjustment movement is due to the building industry accelerated projects that were under construction in 2020-2021 enabling earlier completions which reduced the amount of supplementary valuation revenue received in 2021-22. In addition, the general economic uncertainty caused by the COVID-19 global pandemic had a detrimental effect on the new development pipeline. Building industry shutdowns during the second half of 2021, and more recent developer collapses have also contributed to these delays in building completions.

The date of the latest general revaluation of land (2022 General Valuation) for rating purposes within the municipal district was 1 January 2022 and the valuation will be first applied in the rating year commencing 1 July 2022.

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Infringements and costs				
Parking fines	24,068	24,501	24,068	24,501
<b>Total parking fines</b>	<b>24,068</b>	<b>24,501</b>	<b>24,068</b>	<b>24,501</b>
Infringements and costs				
General fines	1,167	802	1,167	802
Town planning fees	6,837	6,118	6,837	6,118
Land Information Certificates	283	223	283	223
Permits	1,847	1,753	1,847	1,756
Food and Health Act registration	2,263	2,847	2,264	2,848
<b>Total other statutory fees and fines</b>	<b>12,397</b>	<b>11,743</b>	<b>12,398</b>	<b>11,747</b>
<b>Total statutory fees and fines</b>	<b>36,465</b>	<b>36,244</b>	<b>36,466</b>	<b>36,248</b>

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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 3.3 User fees

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Parking	41,658	34,640	38,995	32,009
<b>Total parking fees</b>	<b>41,658</b>	<b>34,640</b>	<b>38,995</b>	<b>32,009</b>
Aged and health services	122	69	122	69
Leisure centre and recreation	2,015	1,254	2,015	1,254
Child care/children's programs	1,275	1,077	1,275	1,077
Registration and other permits	1,296	373	1,296	373
Building services	10,842	10,964	10,842	10,964
Waste management services	373	507	373	507
Berthing	432	327	432	327
Other fees and charges	1,577	1,074	1,577	1,074
<b>Total other user fees</b>	<b>17,932</b>	<b>15,645</b>	<b>17,932</b>	<b>15,645</b>
<b>Total user fees</b>	<b>59,590</b>	<b>50,285</b>	<b>56,927</b>	<b>47,654</b>

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

## 3.4 Funding from other levels of government

Grants were received in respect of the following:

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Summary of Grants</b>				
Commonwealth funded grants	7,789	8,831	7,789	8,831
State funded grants	60,339	86,390	60,339	86,390
<b>Total grants received</b>	<b>68,128</b>	<b>95,221</b>	<b>68,128</b>	<b>95,221</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## (a) Operating grants

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Recurrent - Commonwealth Government</b>				
Aging and Inclusion	1,104	717	1,104	717
Financial Assistance Grant	4,654	4,162	4,654	4,162
Other	79	222	79	222
<b>Recurrent - State Government</b>				
Aged care	310	428	310	428
Libraries	1,069	1,033	1,069	1,033
Maternal & Child Health	1,191	1,010	1,191	1,010
Pre School Services	229	366	229	366
Support Services for Families	852	751	852	751
Arts Programs	636	570	636	570
Event	51	170	51	170
Infrastructure projects	374	-	374	-
Other	595	540	595	540
<b>Total Recurrent Operating Grants</b>	<b>11,144</b>	<b>9,969</b>	<b>11,144</b>	<b>9,969</b>
<b>Non-recurrent - Commonwealth Government</b>				
Other	-	70	-	70
<b>Non-recurrent - State Government</b>				
Infrastructure	1,380	405	1,380	405
Homeless Services support	1,000	-	1,000	-
Arts Programs	184	184	184	184
Melbourne City Recovery Fund	18,010	24,750	18,010	24,750
Melbourne City Reactivation Fund	12,588	-	12,588	-
COVID-19 Impact	3,068	10,767	3,068	10,767
CBD Dining Voucher	-	7,400	-	7,400
Lane Revitalization	-	5,711	-	5,711
CBD Business Support Impacted by COVID-19	925	1,429	925	1,429
Other	1,923	1,910	1,923	1,910
<b>Total Non-recurrent Operating Grants</b>	<b>39,078</b>	<b>52,626</b>	<b>39,078</b>	<b>52,626</b>
<b>Total Operating Grants</b>	<b>50,222</b>	<b>62,595</b>	<b>50,222</b>	<b>62,595</b>

## (b) Capital grants

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Recurrent - Commonwealth Government</b>				
Roads to recovery	469	469	469	469
Road & Streets	1,005	739	1,005	739
<b>Recurrent - State Government</b>				
Parking Levy	7,000	7,000	7,000	7,000
<b>Total Recurrent Capital Grants</b>	<b>8,474</b>	<b>8,208</b>	<b>8,474</b>	<b>8,208</b>
<b>Non-recurrent - Commonwealth Government</b>				
Local Roads and Community Infrastructure	478	2,452	478	2,452
<b>Non-recurrent - State Government</b>				
Public Security	2,615	14,905	2,615	14,905
Parks, gardens and infrastructure	2,927	3,896	2,927	3,896
Sports pavilion	2,000	-	2,000	-
Digital permits	1,162	-	1,162	-
Working for Victoria and City Recovery	250	1,321	250	1,321
Gateway to GMH site (Fisherman's Bend)	-	1,844	-	1,844
	8,954	21,966	8,954	21,966
<b>Total Non-recurrent Capital Grants</b>	<b>9,432</b>	<b>24,418</b>	<b>9,432</b>	<b>24,418</b>
<b>Total Capital Grants</b>	<b>17,906</b>	<b>32,626</b>	<b>17,906</b>	<b>32,626</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Operating</b>				
Balance at start of year	29,004	1,022	29,004	1,022
Received during the financial year and remained unspent at balance date	2,350	29,004	2,350	29,004
Received in prior years and spent during the financial year	(25,152)	(1,022)	(25,152)	(1,022)
Balance at year end	<b>6,202</b>	<b>29,004</b>	<b>6,202</b>	<b>29,004</b>
<b>Capital</b>				
Balance at start of year	5,738	1,758	5,738	1,758
Received during the financial year and remained unspent at balance date	9,645	5,466	9,645	5,466
Received in prior years and spent during the financial year	(1,677)	(1,486)	(1,677)	(1,486)
Balance at year end	<b>13,706</b>	<b>5,738</b>	<b>13,706</b>	<b>5,738</b>

**(d) Recognition of grant income**

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15 Revenue from Contracts with Customers. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement
- determines the transaction price
- recognises a contract liability for its obligations under the agreement, and
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies AASB 1058 Income for Not-for-Profit Entities.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

For the Melbourne City Recovery Fund (MCRF 1) and Melbourne City Revitalisation Fund (MCRF 2), 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 Council commits and spends agreed funds in completing grant obligations.

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Income recognised under AASB 1058 Income of Not-for-Profit Entities</b>				
General purpose grants	14,268	13,162	14,268	13,162
Specific purpose grants to acquire non-financial assets	8,699	20,967	8,699	20,967
Other specific purpose grants	33,051	22,347	33,051	22,347
<b>Income recognised under AASB 15 Revenue from Contracts with Customers</b>				
Specific purpose grants	12,110	38,745	12,110	38,745
<b>Total grants income recognised</b>	<b>68,128</b>	<b>95,221</b>	<b>68,128</b>	<b>95,221</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 3.5 Contributions

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Public Open Space	4,649	27,105	4,649	27,105
Child Care Benefit	1,669	2,126	1,669	2,126
Sponsorships	779	1,085	769	1,085
Non-Government Capital	51	1,073	51	1,073
Other Contributions	55	311	55	311
<b>Total Contributions - Monetary</b>	<b>7,203</b>	<b>31,700</b>	<b>7,193</b>	<b>31,700</b>
Land	-	490	-	490
<b>Total Contributions - Non Monetary</b>	<b>-</b>	<b>490</b>	<b>-</b>	<b>490</b>

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

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

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Land &amp; Buildings</b>				
Proceeds of sales*	7,348	26,347	7,339	26,347
Written down value of assets disposed*	(5,094)	(26,410)	(5,073)	(26,431)
Gain/(Loss) on sale	2,254	(63)	2,266	(84)
<b>Plant and Equipment</b>				
Proceeds of sales	717	877	65	23
Written down value of assets disposed	(278)	(1,281)	(154)	(1,053)
Gain/(Loss) on sale	439	(404)	(89)	(1,030)
Proceeds of sale	8,065	27,224	7,404	26,370
Written down value of assets disposed	(5,372)	(27,691)	(5,227)	(27,484)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>2,693</b>	<b>(467)</b>	<b>2,177</b>	<b>(1,114)</b>

\* Proceeds of sales includes the sale of apartments and air rights associated with the Munro development, and parts of laneways that were surplus to Council's requirements.

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

## 3.7 Other income

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Interest	404	806	392	804
Dividends	25	18	4,025	4,218
Investment property/market rentals*	14,753	7,317	4,739	3,560
Intercompany revenue	-	-	2,635	3,404
Sales & recoveries**	288,399	223,404	4,973	4,470
Project income	419	265	428	265
<b>Total Other Income</b>	<b>304,000</b>	<b>231,810</b>	<b>17,192</b>	<b>16,721</b>

\* Consolidated income includes QVM stall holder revenue of \$10.0 million for 2021-22 (2020-21: \$3.8 million).

\*\* Consolidated income includes Citywide services and sales and services revenue of \$282.4 million for 2021-22 (2020-21: \$220.9 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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 4 THE COST OF DELIVERING SERVICES

## 4.1 Employee costs

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	261,929	238,106	142,173	132,439
WorkCover	6,050	4,914	2,049	2,448
Superannuation contributions	24,830	22,459	16,341	14,544
Fringe benefit tax	(185)	620	181	158
Annual leave and long service leave	25,316	24,382	17,461	17,563
	<b>317,940</b>	<b>290,481</b>	<b>178,205</b>	<b>167,152</b>

Wages and Salaries increased during 2022 as Council's new Enterprise Agreement was accepted by staff. Resulting increases and back pay to 2018 (which was accrued in prior years) was paid in November 2021. Group Fringe Benefits Tax (FBT) is lower in 2022 as a result of the Citywide adjustment to FBT expense following its FBT submission.

## Superannuation contributions

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Defined benefit fund</b>				
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	100	152	100	152
Melbourne City Council Superannuation sub-plan (Vision Super)	923	848	709	687
	<b>1,023</b>	<b>1,000</b>	<b>809</b>	<b>839</b>
<b>Accumulation funds</b>				
Employer contributions to Vision Super	10,052	11,037	7,738	7,540
Employer contributions - other funds	13,755	10,422	7,794	6,165
	<b>23,807</b>	<b>21,459</b>	<b>15,532</b>	<b>13,705</b>
<b>Total Superannuation contributions</b>	<b>24,830</b>	<b>22,459</b>	<b>16,341</b>	<b>14,544</b>
Employer contributions payable at reporting date	<b>879</b>	<b>850</b>	-	-

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

## 4.2 Materials and services

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Contract payments				
Strategy, Planning and Climate Change	64,625	62,581	64,625	62,250
Property, Infrastructure and Design	38,736	27,152	23,485	31,957
City Economy and Activation	30,998	21,126	30,998	22,025
Finance and Corporate	4,992	18,476	4,992	5,574
Community and City Services	21,695	13,529	21,695	21,542
Other	13,100	4,493	6,905	8,340
Building maintenance	2,298	221	2,269	214
General maintenance	32,388	28,463	20,790	19,609
Utilities	10,885	12,018	7,849	7,803
Administration/Supplies	102,069	82,619	12,029	13,743
Information technology	11,831	10,360	8,355	8,144
Insurance	5,637	5,052	3,214	2,253
Consultants	19,633	15,832	15,344	12,613
	<b>358,887</b>	<b>301,922</b>	<b>222,550</b>	<b>216,067</b>

Expenses are recognised as they are incurred and reported in the financial year to which they relate. Contract payments includes expenditure associated with the Melbourne City Recovery and Melbourne City Reactivation funds.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 4.3 Depreciation

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Property	10,601	9,772	9,374	8,721
Plant and equipment	19,287	19,673	7,273	7,348
Infrastructure	49,574	47,324	49,574	47,324
<b>Total depreciation</b>	<b>79,462</b>	<b>76,769</b>	<b>66,221</b>	<b>63,393</b>

## 4.4 Amortisation/Impairment – Intangible assets

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Software	12,176	12,250	11,874	11,824
Customer relations	984	477	-	-
<b>Total amortisation/Impairment - intangible assets</b>	<b>13,160</b>	<b>12,727</b>	<b>11,874</b>	<b>11,824</b>

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Property	5,581	4,833	1,968	1,935
Vehicles	1,762	1,811	381	391
<b>Total amortisation - Right of Use assets</b>	<b>7,343</b>	<b>6,644</b>	<b>2,349</b>	<b>2,326</b>

## 4.6 Bad and doubtful debts

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Parking fine debtors	8,052	7,150	8,052	7,150
Trade debtors	20	124	(4)	112
<b>Total bad and doubtful debts</b>	<b>8,072</b>	<b>7,274</b>	<b>8,048</b>	<b>7,262</b>

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Movement in doubtful debts - parking infringements</b>				
Balance at the beginning of the year	87,772	81,300	87,772	81,300
New provisions recognised during the year	8,052	7,150	8,052	7,150
Amounts already provided for and written off as uncollectible	(436)	(724)	(436)	(724)
Amounts provided for but recovered during the year	60	46	60	46
<b>Balance at the end of the year</b>	<b>95,448</b>	<b>87,772</b>	<b>95,448</b>	<b>87,772</b>

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

## 4.7 Borrowing costs

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Interest - borrowings	355	289	91	82
	<b>355</b>	<b>289</b>	<b>91</b>	<b>82</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Interest - lease liabilities	756	569	189	173
	<b>756</b>	<b>569</b>	<b>189</b>	<b>173</b>

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

#### 4.9 Other expenses

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Auditors remuneration - VAGO- audit of financial statements	304	283	163	158
Audit services - external acquittal and assessment	19	28	19	28
Audit services - internal audit	676	512	392	216
Fire brigade levy	215	176	215	176
Taxes & Levies	5,310	4,169	4,348	3,433
Other costs	3,419	3,027	2,426	2,712
	<b>9,943</b>	<b>8,195</b>	<b>7,563</b>	<b>6,723</b>

#### 4.10 Grants and Contributions

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Arts grant	4,431	4,312	4,431	4,312
Tourism and events	2,719	4,031	2,719	4,031
Economic development*	11,243	10,743	18,943	20,143
Community services	1,535	1,468	1,535	1,468
Other	8,972	11,863	8,972	11,863
	<b>28,900</b>	<b>32,417</b>	<b>36,600</b>	<b>41,817</b>

\*Economic development funding includes Melbourne City Reactivation Fund (\$10 million), Melbourne City Recovery Fund (\$2.5 million) and CBD dining (\$5.0 million).

A \$7.7 million grant paid by Council to QVM is eliminated on consolidation in 2021-22 (2020-21 \$9.4 million).

#### 4.11 Impairment loss on asset revaluations

An impairment loss of \$0.6 million (2020-21: \$4.3 million loss) has been taken to the Income Statement 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 tree valuation reserve at valuation date. 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 2021-22, the removal of unhealthy trees in parks, and the resultant replacement of those trees, and additional trees has meant there has been significantly more trees planted in Parks than in Streets, which incurs lower establishment costs. This has resulted in a significant shift in the ratio of Park to Street trees, and thus a lower value per tree across Council.



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 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.

Other financial assets include term deposits and those with original maturity dates of 3 to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>(a) Cash and Cash Equivalents</b>				
Cash on hand	589	46	28	25
Cash at bank	49,042	158,675	39,773	143,845
<b>Total Cash and cash equivalents</b>	<b>49,631</b>	<b>158,721</b>	<b>39,801</b>	<b>143,870</b>
<b>(b) Other financial assets</b>				
Term deposits - current	2,000	31,750	-	30,000
Term deposits - non current*	33,717	33,626	33,717	33,626
<b>Total other financial assets</b>	<b>35,717</b>	<b>65,376</b>	<b>33,717</b>	<b>63,626</b>
<b>Total financial assets</b>	<b>85,348</b>	<b>224,097</b>	<b>73,518</b>	<b>207,496</b>

\* Term deposits – non-current is the Acquisition Trust funds created in relation to the compulsory sale of City Square assets to Rail Projects Victoria (\$33.6 million in 2020-21).

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

	Consolidated			Council	
	2022	2021	Note	2022	2021
	\$'000	\$'000		\$'000	\$'000
Trust funds and deposits	17,456	17,439	5.3	15,270	15,202
Acquisition Trust*	33,717	33,626		33,717	33,626
<b>Total restricted funds</b>	<b>51,173</b>	<b>51,065</b>		<b>48,987</b>	<b>48,828</b>
<b>Unrestricted funds**</b>	<b>34,175</b>	<b>173,032</b>		<b>24,531</b>	<b>158,668</b>
<b>Total Council funds</b>	<b>85,348</b>	<b>224,097</b>		<b>73,518</b>	<b>207,496</b>

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

\*\* Unrestricted funds balance is significantly reduced for Council as a result of lower revenue and higher expenditure for the year. Council has established a line of credit through Treasury Corporation Victoria (TCV), and forecasts total borrowings of \$187.8 million for 2022-23 to fund major capital works.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

**Intended allocations**

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

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Carried forward capital works	38,647	32,403	34,779	28,248
<b>Total funds subject to intended allocations</b>	<b>38,647</b>	<b>32,403</b>	<b>34,779</b>	<b>28,248</b>

**(c) Trade and other receivables**

Current	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Statutory receivables</b>				
Rate debtors	18,678	18,773	18,678	18,773
Infringement debtors	99,863	93,456	99,863	93,456
Provision for doubtful debts - Infringements	(95,448)	(87,772)	(95,448)	(87,772)
Net GST receivable	2,174	3,209	4,478	7,457
<b>Non statutory receivables</b>				
Trade debtors*	43,781	47,590	5,336	8,447
Provision for doubtful debts - Trade debtors	(1,229)	(1,069)	(762)	(767)
<b>Total current trade and other receivables</b>	<b>67,819</b>	<b>74,187</b>	<b>32,145</b>	<b>39,594</b>

\*Consolidated trade debtors includes Citywide trade receivables of \$38.5 million (2021: \$39.8 million), and QVM trade receivables of \$0.4 million (2021: \$0.6 million).

Short term receivables are carried 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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current (not yet due)	33,503	31,193	1,780	7,171
Past due by up to 30 days	6,980	7,956	2,523	469
Past due between 31 and 180 days	2,408	7,455	583	378
Past due between 181 and 365 days	569	686	367	426
Past due by more than 1 year	321	300	83	3
<b>Total trade and other receivables</b>	<b>43,781</b>	<b>47,590</b>	<b>5,336</b>	<b>8,447</b>

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

At balance date, other debtors representing financial assets with a nominal value of \$1.2 million (2021 \$1.1 million) were impaired. The amount of the provision raised against these debtors was \$0.2 million (2021: \$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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Current (not yet due)	307	243	250	200
Past due by up to 30 days	-	-	-	-
Past due between 31 and 180 days	285	229	100	180
Past due between 181 and 365 days	555	591	330	381
Past due by more than 1 year	82	6	82	6
<b>Total</b>	<b>1,229</b>	<b>1,069</b>	<b>762</b>	<b>767</b>

## 5.2 Non-financial assets

### (a) Current - Inventories

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Inventory held for distribution*	2,795	1,610	-	-
<b>Total inventories</b>	<b>2,795</b>	<b>1,610</b>	<b>-</b>	<b>-</b>

\*Inventory held at Citywide (\$2.7 million) and QVM (\$0.10 million).

Citywide stores and raw materials are stated at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at reporting date using the weighted average cost method.

### (b) Current - Other assets

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Prepayments	13,312	3,859	6,542	2,016
Accrued income	12,608	4,185	7,311	5,845
<b>Total other assets</b>	<b>25,920</b>	<b>8,044</b>	<b>13,853</b>	<b>7,861</b>

### (c) Non-Current Intangible assets

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Software	44,162	37,565	43,700	36,798
Goodwill	30,551	30,551	-	-
Customer relationships	1,606	2,590	-	-
	<b>76,319</b>	<b>70,706</b>	<b>43,700</b>	<b>36,798</b>

Consolidated	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>				
Balance at 30 June 2021	97,890	39,890	4,567	142,347
Additions	10,356	-	-	10,356
WIP	7,955	-	-	7,955
Balance at 30 June 2022	116,201	39,890	4,567	160,658
<b>Accumulated amortisation and impairment</b>				
Balance at 30 June 2021	(60,325)	(9,339)	(1,977)	(71,641)
Amortisation expense	(11,714)	-	(984)	(12,698)
Balance at 30 June 2022	(72,039)	(9,339)	(2,961)	(84,339)
Net book value at 30 June 2021	37,565	30,551	2,590	70,706
Net book value at 30 June 2022	44,162	30,551	1,606	76,319

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

Council	Software	Goodwill	Customer relationships	Total
	\$'000	\$'000	\$'000	\$'000
<b>Gross carrying amount</b>				
Balance at 30 June 2021	96,391	-	-	<b>96,391</b>
Additions	10,356	-	-	<b>10,356</b>
WIP	7,955	-	-	<b>7,955</b>
Balance at 30 June 2022	<u>114,702</u>	-	-	<b>114,702</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 30 June 2021	(59,593)	-	-	<b>(59,593)</b>
Amortisation expense	(11,409)	-	-	<b>(11,409)</b>
Balance at 30 June 2022	<u>(71,002)</u>	-	-	<b>(71,002)</b>
Net book value at 30 June 2021	<u>36,798</u>	-	-	<b>36,798</b>
Net book value at 30 June 2022	<u>43,700</u>	-	-	<b>43,700</b>

**IAS 38 – Intangible Assets, and configuration costs for cloud computing arrangements**

In April, 2021 the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final decision in relation to IAS 38 – Intangible Assets, and configuration costs for cloud computing arrangements (Software as a Service arrangements – SaaS). SaaS arrangements occur where a customer does not have possession or control of the underlying software used in the arrangement and where the infrastructure management remains with the software vendor. The IFRIC decision affects current accounting practice of capitalising customisation and implementation costs incurred when installing new software. The IFRIC decision is retrospective.

Council has entered into two SaaS contracts during the year, and have determined the customisation and configuration applicable to the city to be capitalised. Council's subsidiary Citywide Service Solutions Pty Ltd has restated prior period comparative amounts in their financial statements following a review of this accounting policy. The group has examined the impact from adopting the IFRIC decision, and has deemed it to be immaterial, and has not restated the consolidated financial statements.

**Goodwill**

Goodwill relates to Council's subsidiary Citywide Service Solutions Pty Ltd. 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 2022. 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

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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:

	2022 \$'000	2021 \$'000
Victoria Operations	9,588	9,588
NSW/ACT Operations	3,325	3,325
Technigro	6,188	6,188
Gordon McKay	4,104	4,104
Frontline Electrical	2,887	2,887
Ultegra	4,460	4,460
	<b>30,552</b>	<b>30,552</b>

The recoverable amount of each CGU has been determined based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The recoverable amount 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:

	2022	2021
Discount Rate (WACC)	5.80%	5.80%
Growth rate	2.95%	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 2022-23 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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 5.3 Payables, trust funds and deposits, and unearned income/revenue

## (a) Trade and other payables

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current</b>				
Trade payables	35,812	35,794	15,977	19,262
Accrued operating expenses	50,185	68,408	30,072	45,705
Accrued capital work expenses	10,863	9,776	17,954	18,319
	<b>96,860</b>	<b>113,978</b>	<b>64,003</b>	<b>83,286</b>
<b>Non Current</b>				
Trade payables	-	1,435	-	-
	<b>-</b>	<b>1,435</b>	<b>-</b>	<b>-</b>
	<b>96,860</b>	<b>115,413</b>	<b>64,003</b>	<b>83,286</b>

## (b) Trust funds and deposits

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current</b>				
Refundable deposits	8,446	7,614	6,302	6,338
Fire services levy	7,025	7,018	7,025	7,018
Retention amount	82	76	82	76
Other refundable deposits	286	354	244	244
	<b>15,839</b>	<b>15,062</b>	<b>13,653</b>	<b>13,676</b>
<b>Non Current</b>				
Refundable deposits	1,617	2,377	1,617	1,526
	<b>1,617</b>	<b>2,377</b>	<b>1,617</b>	<b>1,526</b>
<b>Total trust funds and deposits</b>	<b>17,456</b>	<b>17,439</b>	<b>15,270</b>	<b>15,202</b>

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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

**(c) Current - Unearned income**

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Grants received in advance - operating	6,203	29,004	6,203	29,004
Grants received in advance - capital	13,707	5,738	13,707	5,738
Other	11,495	8,558	5,933	4,416
	<b>31,405</b>	<b>43,300</b>	<b>25,843</b>	<b>39,158</b>

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

**5.4 Interest-bearing liabilities**

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current</b>				
Other borrowing - secured	13,200	12,000	-	-
<b>Non-current</b>				
Borrowing - secured	-	6,200	-	-
<b>Total</b>	<b>13,200</b>	<b>18,200</b>	<b>-</b>	<b>-</b>
<b>Maturity profile for borrowing is:</b>				
Not later than one year	13,200	12,000	-	-
Later than one year and not later than five years	-	6,200	-	-

Borrowings at 30 June 2022 relate to a Citywide secured bank loan. Refer to Note 8.3 (d) for more details.

**5.5 Provisions**

Summary of current and non-current provisions:

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current provisions</b>				
Employee provisions	55,134	50,947	38,433	35,571
Other provisions	3,231	2,306	2,666	1,742
	<b>58,365</b>	<b>53,253</b>	<b>41,099</b>	<b>37,313</b>
<b>Non-current provisions</b>				
Employee provisions	5,105	4,978	4,050	3,992
	<b>5,105</b>	<b>4,978</b>	<b>4,050</b>	<b>3,992</b>
<b>Total provisions</b>	<b>63,470</b>	<b>58,231</b>	<b>45,149</b>	<b>41,305</b>

Below is a summary of provisions by categories:

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Employee provisions</b>				
Balance at the beginning of year	55,925	51,156	39,563	38,312
Additional provisions	25,316	24,382	17,461	17,563
Amounts used	(21,002)	(19,613)	(14,541)	(16,312)
Balance at the end of year	<b>60,239</b>	<b>55,925</b>	<b>42,483</b>	<b>39,563</b>
<b>Insurance claims</b>				
Balance at the beginning of year	1,742	1,814	1,742	1,814
Additional provisions	1,551	433	1,551	433
Amounts used	(627)	(505)	(627)	(505)
Balance at the end of year	<b>2,666</b>	<b>1,742</b>	<b>2,666</b>	<b>1,742</b>
<b>Other provisions</b>				
Balance at the beginning of year	564	1,141	-	-
Additional provisions	565	560	-	-
Amounts used	(564)	(1,137)	-	-
Balance at the end of year	<b>565</b>	<b>564</b>	<b>-</b>	<b>-</b>
<b>Total provisions</b>	<b>63,470</b>	<b>58,231</b>	<b>45,149</b>	<b>41,305</b>

**(a) Employee provisions**

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Current provisions expected to be wholly settled within 12 months</b>				
Annual leave	23,994	21,882	13,466	12,200
Long service leave	8,034	2,294	1,861	1,798
	<b>32,028</b>	<b>24,176</b>	<b>15,327</b>	<b>13,998</b>
<b>Current provisions expected to be wholly settled after 12 months</b>				
Annual leave	-	71	-	-
Long service leave	23,106	26,700	23,106	21,573
	<b>23,106</b>	<b>26,771</b>	<b>23,106</b>	<b>21,573</b>
<b>Total current employee provisions</b>	<b>55,134</b>	<b>50,947</b>	<b>38,433</b>	<b>35,571</b>
<b>Non-Current</b>				
Long service leave	5,105	4,978	4,050	3,992
<b>Total non-current employee provisions</b>	<b>5,105</b>	<b>4,978</b>	<b>4,050</b>	<b>3,992</b>
<b>Aggregate carrying amount of employee provisions</b>				
Current	55,134	50,947	38,433	35,571
Non-current	5,105	4,978	4,050	3,992
<b>Total aggregate carrying amount of employee provisions</b>	<b>60,239</b>	<b>55,925</b>	<b>42,483</b>	<b>39,563</b>

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

*Annual leave*

A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:

- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. 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 and measured at present value.

*Long service leave key assumptions:*

	Consolidated		Council	
	2022	2021	2022	2021
Discount rate	1.5%-3.7%	-0.02%-1.5%	2.38%-3.66%	-0.02%-1.5%
Inflation rate	1.5%-3.85%	1.0%-3.0%	1.5%-3.85%	1.0%-3.0%

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

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Current</b>				
Insurance claims	2,666	1,742	2,666	1,742
Other provisions	565	564	-	-
	<b>3,231</b>	<b>2,306</b>	<b>2,666</b>	<b>1,742</b>

**5.6 Financing arrangements**

The Group has the following funding arrangements in place as at 30 June 2022.

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Bank overdraft facility	2,500	2,500	-	-
Credit card facilities	590	800	300	300
Treasury Corporation of Victoria facilities	242,921	-	242,921	-
Bank loan facility*	111,200	111,200	75,000	75,000
Other financing facilities	-	18,000	-	-
<b>Total facilities</b>	<b>357,211</b>	<b>132,500</b>	<b>318,221</b>	<b>75,300</b>
Used facilities	27,093	(33,489)	(2)	-
Unused facilities	384,304	99,011	318,219	75,300

\* Includes Citywide's \$36.2 million bank loan facility which has been extended to 27 July 2025, and Council's \$75 million floating rate loan facility with ANZ Bank which expires on 30 June 2023. For full details refer to Note 8.3 (d).

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 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).

## (a) Commitments for expenditure

Council 2022	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
<b>Operating</b>					
Waste	22,981	22,900	39,902	-	85,783
Roads, Streets & Related Infrastructure	41,579	-	-	-	41,579
Parks & Gardens	24,359	18,252	-	-	42,611
Cleaning - Outdoor	19,704	610	-	-	20,315
Parking	8,986	6,136	2,259	-	17,381
Facilities & Maintenance	14,493	14,136	2,080	-	30,709
Community Services	7,023	58	30	-	7,111
Information Technology	2,530	561	76	-	3,167
Integrated Security Services, Infrastructure & Maintenance	3,125	14	-	-	3,139
Events	6,212	13	-	-	6,225
Cleaning - Indoor	6,459	-	-	-	6,459
Media & Advertising	6,632	95	-	-	6,727
Other categories	32,596	9,422	300	-	42,318
<b>Total</b>	<b>196,679</b>	<b>72,198</b>	<b>44,647</b>	<b>-</b>	<b>313,525</b>
<b>Capital</b>					
Building & Equipment	73,535	42	-	-	73,577
Parks & Gardens	13,455	11	-	-	13,467
Roads	862	4	-	-	866
<b>Total</b>	<b>87,852</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>87,910</b>

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
<b>Operating</b>					
Waste	20,273	20,273	60,251	19,507	120,305
Roads, Streets & Related Infrastructure	45,113	44,972	377	-	90,462
Property	3,146	3,146	9,437	3,146	18,875
Parks & Gardens	22,643	22,643	17,105	-	62,389
Cleaning - Outdoor	12,910	1,399	353	-	14,662
Parking	6,563	562	110	-	7,235
Facilities & Maintenance	2,491	1,698	5,094	656	9,939
Community Services	2,111	972	-	-	3,084
Information Technology	5,424	3,151	2,480	27	11,082
Integrated Security Services, Infrastructure & Maintenance	5,112	5,112	4,812	-	15,036
Events	4,108	3,620	6,769	-	14,497
Cleaning - Indoor	4,947	-	-	-	4,947
Media & Advertising	81	56	139	-	276
Other categories	1,840	1,173	2,624	-	5,637
<b>Total</b>	<b>136,762</b>	<b>108,778</b>	<b>109,553</b>	<b>23,335</b>	<b>378,426</b>
<b>Capital</b>					
Building & Equipment	14,816	15	-	-	14,831
Parks & Gardens	5,527	714	120	-	6,362
Roads	5,232	-	-	-	5,232
<b>Total</b>	<b>25,575</b>	<b>729</b>	<b>120</b>	<b>-</b>	<b>26,424</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

**(b) Operating lease receivables*****Operating lease receivable***

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

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

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Not later than one year	7,690	9,459	3,212	3,178
Later than one year and not later than five years	18,941	12,240	9,174	9,962
Later than five years	20,957	21,338	17,390	17,591
	<b>47,588</b>	<b>43,037</b>	<b>29,776</b>	<b>30,731</b>

**5.8 Leases**

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

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

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

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, the Group used 3% as the discount rate (3% for 2020-21).

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

- Fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Property</b>				
Balance at 1 July 2021	25,458	19,748	5,342	5,103
Additions	894	6,408	-	57
Modifications	778	4,135	2,069	2,117
Amortisation charges	(5,581)	(4,833)	(1,968)	(1,935)
<b>Balance at 30 June 2022</b>	<b>21,549</b>	<b>25,458</b>	<b>5,443</b>	<b>5,342</b>
<b>Fleet Vehicles</b>				
Balance at 1 July 2021	2,148	3,895	313	390
Additions	354	35	354	188
Modifications	494	29	139	126
Amortisation charges	(1,762)	(1,811)	(381)	(391)
<b>Balance at 30 June 2022</b>	<b>1,234</b>	<b>2,148</b>	<b>425</b>	<b>313</b>
<b>Total Balance at 30 June 2022</b>	<b>22,783</b>	<b>27,606</b>	<b>5,868</b>	<b>5,655</b>

**Lease Liabilities**

Maturity analysis – contractual undiscounted cash flows

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Less than one year	6,420	6,863	1,801	2,102
One year to five years	13,106	17,069	3,996	3,041
More than five years	6,166	9,655	815	1,214
<b>Total undiscounted lease liabilities as at 30 June 2022</b>	<b>25,692</b>	<b>33,587</b>	<b>6,612</b>	<b>6,357</b>

Lease liability included in the Balance Sheet at 30 June 2022

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Property lease	5,102	4,725	1,387	1,731
Fleet lease	796	1,448	262	231
	<b>5,898</b>	<b>6,173</b>	<b>1,649</b>	<b>1,962</b>
<b>Non-current</b>				
Property lease	17,114	20,191	4,355	3,837
Fleet lease	370	856	155	85
	<b>17,484</b>	<b>21,047</b>	<b>4,510</b>	<b>3,922</b>
<b>Total Lease Liabilities</b>	<b>23,382</b>	<b>27,220</b>	<b>6,159</b>	<b>5,884</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

**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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Short-term leases	100	96	-	-
Leases of low value assets	979	867	979	867
<b>Total</b>	<b>1,079</b>	<b>963</b>	<b>979</b>	<b>867</b>

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

	Consolidated		Council	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Within one year	635	526	635	526
Later than one year but not later than five years	1,920	1,565	1,920	1,565
<b>Total</b>	<b>2,555</b>	<b>2,091</b>	<b>2,555</b>	<b>2,091</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## NOTE 6 ASSETS WE MANAGE

<b><u>Note</u></b>	<b><u>Content</u></b>	<b><u>Page</u></b>
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## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 6.1 Property, infrastructure, plant and equipment

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

<b>Consolidated</b>	Carrying amount 30 June 2021	Additions	Asset held for sale	Revaluation	Depreciation	Disposal	Write-offs	Transfers	Carrying amount 30 June 2022
Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,556,637	25,124	-	217,789	(10,595)	(1,715)	-	-	2,787,240
Infrastructure	1,586,416	45,769	-	(17,722)	(49,576)	-	-	-	1,564,887
Plant & Equipment	73,188	14,002	(436)	-	(19,291)	(145)	-	-	67,318
Work in progress	145,136	121,503	-	-	-	-	(4,233)	(84,895)	177,511
<b>Total</b>	<b>4,361,377</b>	<b>206,398</b>	<b>(436)</b>	<b>200,067</b>	<b>(79,462)</b>	<b>(1,860)</b>	<b>(4,233)</b>	<b>(84,895)</b>	<b>4,596,956</b>

<b>Council</b>	Carrying amount 30 June 2021	Additions	Asset held for sale	Revaluation	Depreciation	Disposal	Write-offs	Transfers	Carrying amount 30 June 2022
Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,493,612	23,627	-	217,789	(9,376)	(1,715)	-	-	2,723,937
Infrastructure	1,586,416	45,769	-	(17,722)	(49,576)	-	-	-	1,564,887
Plant & Equipment	24,083	7,977	-	-	(7,269)	-	-	-	24,791
Work in progress	138,354	118,103	-	-	-	-	(4,233)	(77,373)	174,851
<b>Total</b>	<b>4,242,465</b>	<b>195,476</b>	<b>-</b>	<b>200,067</b>	<b>(66,221)</b>	<b>(1,715)</b>	<b>(4,233)</b>	<b>(77,373)</b>	<b>4,488,466</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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

## b. Summary of Work in Progress

<b>Consolidated</b>	Balance 30 June 2021	Additions	Write offs	Transfers	Balance 30 June 2022
Category	\$'000	\$'000	\$'000	\$'000	\$'000
Property	84,315	44,796	-	(25,124)	103,987
Infrastructure	40,394	71,458	(4,117)	(45,769)	61,966
Plant & Equipment	20,427	5,248	(116)	(14,002)	11,557
<b>Total</b>	<b>145,136</b>	<b>121,502</b>	<b>(4,233)</b>	<b>(84,895)</b>	<b>177,510</b>

<b>Council</b>	Balance 30 June 2021	Additions	Write offs	Transfers	Balance 30 June 2022
Category	\$'000	\$'000	\$'000	\$'000	\$'000
Property	84,315	43,584	-	(23,627)	104,272
Infrastructure	40,394	71,458	(4,117)	(45,769)	61,966
Plant & Equipment	13,645	3,061	(116)	(7,977)	8,613
<b>Total</b>	<b>138,354</b>	<b>118,103</b>	<b>(4,233)</b>	<b>(77,373)</b>	<b>174,851</b>



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 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		
At fair value 30 June 2021	1,975,458	168,965	2,144,423	204,710	116,591	86,036	13,182	420,519	84,315	2,649,257
Accumulated depreciation 30 June 2021	-	-	-	-	-	-	(8,305)	(8,305)	-	(8,305)
<b>Carrying amount 30 June 2021</b>	<b>1,975,458</b>	<b>168,965</b>	<b>2,144,423</b>	<b>204,710</b>	<b>116,591</b>	<b>86,036</b>	<b>4,877</b>	<b>412,214</b>	<b>84,315</b>	<b>2,640,952</b>
<b>Movements in Fair Value</b>										
Additions	370	-	370	19,840	1,771	1,646	1,497	24,754	44,796	69,920
Revaluations	161,293	14,538	175,831	29,601	2,985	9,372	-	41,958	-	217,789
Disposals	(1,715)	-	(1,715)	-	-	-	-	-	-	(1,715)
Transfers from WIP	-	-	-	-	-	-	-	-	(25,124)	(25,124)
<b>Total</b>	<b>159,948</b>	<b>14,538</b>	<b>174,486</b>	<b>49,441</b>	<b>4,756</b>	<b>11,018</b>	<b>1,497</b>	<b>66,712</b>	<b>19,672</b>	<b>260,870</b>
<b>Movements in Accumulated Depreciation</b>										
Depreciation and amortisation	-	-	-	(3,589)	(3,584)	(2,175)	(1,247)	(10,595)	-	(10,595)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,589)</b>	<b>(3,584)</b>	<b>(2,175)</b>	<b>(1,247)</b>	<b>(10,595)</b>	<b>-</b>	<b>(10,595)</b>
At fair value 30 June 2022	2,135,406	183,503	2,318,909	254,151	121,347	97,054	14,679	487,231	103,987	2,910,127
Accumulated depreciation 30 June 2022	-	-	-	(3,589)	(3,584)	(2,175)	(9,552)	(18,900)	-	(18,900)
<b>Carrying amount 30 June 2022</b>	<b>2,135,406</b>	<b>183,503</b>	<b>2,318,909</b>	<b>250,562</b>	<b>117,763</b>	<b>94,879</b>	<b>5,127</b>	<b>468,331</b>	<b>103,987</b>	<b>2,891,227</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 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		
At fair value 30 June 2021	1,929,361	158,142	2,087,503	204,710	114,379	86,035	3,286	408,410	84,315	2,580,228
Accumulated depreciation 30 June 2021	-	-	-	-	-	-	(2,301)	(2,301)	-	(2,301)
<b>Carrying amount 30 June 2021</b>	1,929,361	158,142	2,087,503	204,710	114,379	86,035	985	406,109	84,315	2,577,927
<b>Movements in Fair Value</b>										
Additions	370	-	370	19,840	1,771	1,646	-	23,257	43,584	67,211
Revaluations	161,293	14,538	175,831	29,601	2,985	9,372	-	41,958	-	217,789
Disposals	(1,715)	-	(1,715)	-	-	-	-	-	-	(1,715)
Transfers from WIP	-	-	-	-	-	-	-	-	(23,627)	(23,627)
<b>Total</b>	159,948	14,538	174,486	49,441	4,756	11,018	-	65,215	19,957	259,658
<b>Movements in Accumulated Depreciation</b>										
Depreciation and amortisation	-	-	-	(3,589)	(3,391)	(2,175)	(221)	(9,376)	-	(9,376)
<b>Total</b>	-	-	-	(3,589)	(3,391)	(2,175)	(221)	(9,376)	-	(9,376)
Fair value 30 June 2022	2,089,309	172,680	2,261,989	254,151	119,135	97,053	3,286	473,625	104,272	2,839,886
Accumulated depreciation 30 June 2022	-	-	-	(3,589)	(3,391)	(2,175)	(2,522)	(11,677)	-	(11,677)
<b>Carrying amount 30 June 2022</b>	2,089,309	172,680	2,261,989	250,562	115,744	94,878	764	461,948	104,272	2,828,209

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 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
	At fair value 30 June 2021	808,901	112,445	173,402	162,009	7,969	44,798	232,351	58,430	40,394
Accumulated depreciation 30 June 2021	-	-	-	-	(3,485)	-	-	(10,404)	-	(13,889)
<b>Carrying amount 30 June 2021</b>	<b>808,901</b>	<b>112,445</b>	<b>173,402</b>	<b>162,009</b>	<b>4,484</b>	<b>44,798</b>	<b>232,351</b>	<b>48,026</b>	<b>40,394</b>	<b>1,626,810</b>
<b>Movements in Fair Value</b>										
Additions	10,188	2,601	13,462	6,626	1,617	1,945	9,302	28	71,458	117,227
Revaluations	4,981	1,904	(18,663)	2,458	(1,122)	(608)	(6,672)	-	-	(17,722)
Write-offs	-	-	-	-	-	-	-	-	(4,117)	(4,117)
Transfers from WIP	-	-	-	-	-	-	-	-	(45,769)	(45,769)
<b>Total</b>	<b>15,169</b>	<b>4,505</b>	<b>(5,201)</b>	<b>9,084</b>	<b>495</b>	<b>1,337</b>	<b>2,630</b>	<b>28</b>	<b>21,572</b>	<b>49,619</b>
<b>Movements in Accumulated Depreciation</b>										
Depreciation and amortisation	(19,331)	(1,760)	(7,730)	(2,118)	(452)	-	(17,557)	(628)	-	(49,576)
<b>Total</b>	<b>(19,331)</b>	<b>(1,760)</b>	<b>(7,730)</b>	<b>(2,118)</b>	<b>(452)</b>	<b>-</b>	<b>(17,557)</b>	<b>(628)</b>	<b>-</b>	<b>(49,576)</b>
Fair value 30 June 2022	824,070	116,950	168,201	171,093	8,464	46,135	234,981	58,458	61,966	1,690,318
Accumulated depreciation 30 June 2022	(19,331)	(1,760)	(7,730)	(2,118)	(3,937)	-	(17,557)	(11,032)	-	(63,465)
<b>Carrying amount 30 June 2022</b>	<b>804,739</b>	<b>115,190</b>	<b>160,471</b>	<b>168,975</b>	<b>4,527</b>	<b>46,135</b>	<b>217,424</b>	<b>47,426</b>	<b>61,966</b>	<b>1,626,853</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 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
	At fair value 30 June 2021	808,901	112,445	173,402	162,009	7,969	44,798	232,351	58,430	40,394
Accumulated depreciation 30 June 2021	-	-	-	-	(3,485)	-	-	(10,404)	-	(13,889)
<b>Carrying amount 30 June 2021</b>	<b>808,901</b>	<b>112,445</b>	<b>173,402</b>	<b>162,009</b>	<b>4,484</b>	<b>44,798</b>	<b>232,351</b>	<b>48,026</b>	<b>40,394</b>	<b>1,626,810</b>
<b>Movements in Fair Value</b>										
Additions	10,188	2,601	13,462	6,626	1,617	1,945	9,302	28	71,458	117,227
Revaluations	4,981	1,904	(18,663)	2,458	(1,122)	(608)	(6,672)	-	-	(17,722)
Write-offs	-	-	-	-	-	-	-	-	(4,117)	(4,117)
Transfers from WIP	-	-	-	-	-	-	-	-	(45,769)	(45,769)
<b>Total</b>	<b>15,169</b>	<b>4,505</b>	<b>(5,201)</b>	<b>9,084</b>	<b>495</b>	<b>1,337</b>	<b>2,630</b>	<b>28</b>	<b>21,572</b>	<b>49,619</b>
<b>Movements in Accumulated Depreciation</b>										
Depreciation and amortisation	(19,331)	(1,760)	(7,730)	(2,118)	(452)	-	(17,557)	(628)	-	(49,576)
<b>Total</b>	<b>(19,331)</b>	<b>(1,760)</b>	<b>(7,730)</b>	<b>(2,118)</b>	<b>(452)</b>	<b>-</b>	<b>(17,557)</b>	<b>(628)</b>	<b>-</b>	<b>(49,576)</b>
Fair value 30 June 2022	824,070	116,950	168,201	171,093	8,464	46,135	234,981	58,458	61,966	1,690,318
Accumulated depreciation 30 June 2022	(19,331)	(1,760)	(7,730)	(2,118)	(3,937)	-	(17,557)	(11,032)	-	(63,465)
<b>Carrying amount 30 June 2022</b>	<b>804,739</b>	<b>115,190</b>	<b>160,471</b>	<b>168,975</b>	<b>4,527</b>	<b>46,135</b>	<b>217,424</b>	<b>47,426</b>	<b>61,966</b>	<b>1,626,853</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

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

## e. Details of Plant &amp; Equipment Category

Consolidated	Plant machinery & equipment	Fixtures fittings & furniture	Computers & telecomms	Library books	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 30 June 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)
<b>Carrying amount 30 June 2021</b>	<b>61,572</b>	<b>2,383</b>	<b>6,085</b>	<b>3,148</b>	<b>20,427</b>	<b>93,615</b>
<b>Movements in Fair Value</b>						
Additions	7,282	430	4,734	1,556	5,248	19,250
Disposals	(3,768)	-	(12,364)	-	-	(16,132)
Write-offs	-	-	-	-	(116)	(116)
Transfers from WIP	-	-	-	-	(14,002)	(14,002)
Non-current assets classified as held for sale	(2,459)	-	-	-	-	(2,459)
<b>Total</b>	<b>1,055</b>	<b>430</b>	<b>(7,630)</b>	<b>1,556</b>	<b>(8,870)</b>	<b>(13,459)</b>
<b>Movements in Accumulated Depreciation</b>						
Depreciation and amortisation	(14,563)	(570)	(2,945)	(1,213)	-	(19,291)
Accumulated depreciation on disposals	3,623	-	12,364	-	-	15,987
Non-current assets classified as held for sale	2,024	-	-	-	-	2,024
<b>Total</b>	<b>(8,916)</b>	<b>(570)</b>	<b>9,419</b>	<b>(1,213)</b>	<b>-</b>	<b>(1,280)</b>
Fair value 30 June 2022	170,445	11,133	41,782	19,273	11,557	254,190
Accumulated depreciation 30 June 2022	(116,734)	(8,890)	(33,908)	(15,782)	-	(175,314)
<b>Carrying amount 30 June 2022</b>	<b>53,711</b>	<b>2,243</b>	<b>7,874</b>	<b>3,491</b>	<b>11,557</b>	<b>78,876</b>

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

## 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
At 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)
<b>Carrying amount 30 June 2021</b>	<b>13,767</b>	<b>2,039</b>	<b>5,129</b>	<b>3,148</b>	<b>13,645</b>	<b>37,728</b>
<b>Movements in Fair Value</b>						
Additions	1,776	273	4,372	1,556	3,061	11,038
Disposals	(213)	-	(12,364)	-	-	(12,577)
Write-offs	-	-	-	-	(116)	(116)
Transfers from WIP	-	-	-	-	(7,977)	(7,977)
<b>Total</b>	<b>1,563</b>	<b>273</b>	<b>(7,992)</b>	<b>1,556</b>	<b>(5,032)</b>	<b>(9,632)</b>
<b>Movements in Accumulated Depreciation</b>						
Depreciation and amortisation	(3,299)	(339)	(2,418)	(1,213)	-	(7,269)
Accumulated depreciation on disposals	213	-	12,364	-	-	12,577
<b>Total</b>	<b>(3,086)</b>	<b>(339)</b>	<b>9,946</b>	<b>(1,213)</b>	<b>-</b>	<b>5,308</b>
Fair value 30 June 2022	44,404	8,728	31,479	19,273	8,613	112,497
Accumulated depreciation 30 June 2022	(32,160)	(6,755)	(24,396)	(15,782)	-	(79,093)
<b>Carrying amount 30 June 2022</b>	<b>12,244</b>	<b>1,973</b>	<b>7,083</b>	<b>3,491</b>	<b>8,613</b>	<b>33,404</b>

## 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 (2021: \$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 the fair value as at the date of election as the 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 financial statements.

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

	Depreciation Period (Years)
Land & land improvement	
Land	-
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
Marina and Wharves	100
Park and Garden irrigation	30
Parks infrastructure	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 unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

Valuation of land and buildings were undertaken by John O'Leary, Fellow of the Australian Property Institute (FAPI, Grad Dip (Prop), F.Fin), Certified Practising Valuer, member number 62206, in compliance with International Valuation Standards (IVS 2020) effective 31 January 2020, who is employed by Council. Date of the valuation (DoV) is 30 June 2022.

The COVID-19 Pandemic continues to result in a significant reduction in visitors to the City of Melbourne, including up to 90% drop in pedestrian numbers. Melbourne CBD suffered from one of the longest recorded lockdowns of any major city worldwide. In early 2022 the return to city gained momentum albeit impacted by new workplace practices, a trending preference for shorter office attendance of around 3 days instead of 5 per week, and fragmented city visit reasons. Restaurants have struggled to find staff to enable longer trading or requiring smaller seating numbers, entertainment venues have reported mixed recovery, and offices are below capacity. However signs of recovery are evident with numerous new leasing and sub leasing deals taking place as business adapts to the changed work environment. Property markets remain highly volatile. Bank interest rates increased for the first time in several years



## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

and had a moderate softening of demand effect, demonstrated by the increased number of properties passing in at auction, and notwithstanding that auctions were almost non-existent during the pandemic. There is some expectation of further interest rate increases due to current world economic and political conditions. These may further soften real estate demand. All indications are that the result of the Federal election held on 21 May 2022 has not had any adverse impact on property valuations.

Details of Council's land and buildings and other relevant information about the fair value hierarchy as at 30 June 2022 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	DoV
Non-specialised land	-	172,680	-	172,680	30/06/2022
Specialised land	-	-	2,089,309	2,089,309	30/06/2022
<b>Total land</b>	-	<b>172,680</b>	<b>2,089,309</b>	<b>2,261,989</b>	
Heritage Buildings	-	-	250,562	250,562	30/06/2022
Buildings	-	94,878	115,744	210,622	30/06/2022
<b>Total buildings</b>	-	<b>94,878</b>	<b>366,306</b>	<b>461,184</b>	

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. The date of the current valuation is 30 June 2022 as 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. The valuation is at fair value (refer Note 8.4 for description of levels) based on current replacement cost less accumulated depreciation as at the date of valuation.

Details of Council's infrastructure and information about the fair value hierarchy as at 30 June 2022 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	DoV
Roads	-	-	804,739	804,739	30/06/2022
Bridges	-	-	115,190	115,190	30/06/2022
Footpaths and cycleways	-	-	160,471	160,471	30/06/2022
Drainage	-	-	168,975	168,975	30/06/2022
Recreational, leisure and community facilities	-	-	4,527	4,527	30/06/2022
Parks, open space and streetscapes	-	-	46,135	46,135	30/06/2022
Promenades and wharves	-	-	57,958	57,958	30/06/2022
Other infrastructure	-	-	159,466	159,466	30/06/2022
<b>Total Infrastructure</b>	-	-	<b>1,517,461</b>	<b>1,517,461</b>	

No transfers between levels occurred during the year.

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

Council	2022 \$'000	2021 \$'000
<b>Specialised land and land under roads</b> is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$38 and \$28,497 per square meter of site area.	2,089,309	1,929,361
<b>Specialised buildings</b> are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$100 to \$39,000 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 95 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Building materials and construction times are presently highly volatile and inflationary. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.	115,744	114,380
<b>Infrastructure assets</b> are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition and design lives of the assets and vary from 0 to 130 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.	1,517,461	1,538,390

## k. Reconciliation of Specialised Land

Council	2022 \$'000	2021 \$'000
Land under roads	17,200	17,200
Parks and reserves	2,072,109	1,912,161
<b>Total specialised land</b>	<b>2,089,309</b>	<b>1,929,361</b>

## 6.2 Investment in Subsidiaries and Associates

Non-Current	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>a) Subsidiaries</b>				
CityWide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Enterprise Melbourne*	-	-	-	-
	-	-	18,606	18,606
<b>b) Associates</b>				
Regent Management Company Pty Ltd	7,500	7,500	7,500	7,500
MAPS Group Ltd (Procurement Australia)	250	250	250	250
	7,750	7,750	7,750	7,750
	<b>7,750</b>	<b>7,750</b>	<b>26,356</b>	<b>26,356</b>

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

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2022 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
- Melbourne Digital Pty Ltd – non-operating entity

### **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.

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.

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.

## MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

<b>Citywide Service Solutions Pty Ltd</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Summarised statement of comprehensive income</b>		
Total income	350,276	300,746
Total expenses	343,847	294,632
Surplus/(deficit) for the year	6,429	6,114
Income tax equivalent expense	(1,932)	(1,995)
<b>Total comprehensive result</b>	<b>4,497</b>	<b>4,119</b>
<b>Summarised balance sheet</b>		
Current assets	75,725	77,026
Non-current assets	162,674	178,800
Total assets	238,399	255,826
Current liabilities	88,813	94,420
Non-current liabilities	32,947	44,142
Total liabilities	121,760	138,562
<b>Net assets</b>	<b>116,639</b>	<b>117,264</b>
<b>Summarised statement of cash flows</b>		
Net cash provided/(used in) operating activities	19,355	15,360
Net cash provided/(used in) investing activities	(9,461)	(23,615)
Net cash provided/(used in) financing activities	(14,280)	11,947
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(4,386)</b>	<b>3,692</b>

**Queen Victoria Market Pty Ltd (100% owned subsidiary of Council)**

The principal activities are to ensure that the market maintains and enhances an industry reputation as Australia's foremost leading marketplace, 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.

<b>Queen Victoria Market Pty Ltd</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Summarised statement of comprehensive income</b>		
Total income	23,371	17,089
Total expenses	23,953	18,857
Surplus/(deficit) for the year	(582)	(1,768)
Income tax equivalent expense	(55)	(18)
<b>Total comprehensive result</b>	<b>(527)</b>	<b>(1,750)</b>
<b>Summarised balance sheet</b>		
Current assets	3,788	4,120
Non-current assets	5,764	6,356
Total assets	9,552	10,476
Current liabilities	4,720	4,639
Non-current liabilities	3,929	4,408
Total liabilities	8,649	9,047
<b>Net assets</b>	<b>903</b>	<b>1,429</b>
<b>Summarised statement of cash flows</b>		
Net cash provided/(used in) operating activities	148	338
Net cash provided/(used in) investing activities	(737)	(415)
Net cash provided/(used in) financing activities	(48)	(183)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(637)</b>	<b>(260)</b>

The financial results of QVM for the 2021-22 were positively impacted by the receipt of a grant of \$7.7 million (2021: \$9.4 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	2022	2021
	\$'000	\$'000
<b>Summarised statement of comprehensive income</b>		
Total income	-	-
Total expenses	342	351
Surplus/(deficit) for the year	(342)	(351)
Other comprehensive income	-	-
<b>Total comprehensive result</b>	<b>(342)</b>	<b>(351)</b>
<b>Summarised balance sheet</b>		
Current assets	68	66
Non-current assets	-	-
Total assets	68	66
Current liabilities	45	45
Non-current liabilities	-	-
Total liabilities	45	45
<b>Net assets</b>	<b>23</b>	<b>21</b>
<b>Summarised statement of cash flows</b>		
Net cash provided/(used in) operating activities	(342)	(351)
Net cash provided/(used in) investing activities	-	-
Net cash provided/(used in) financing activities	350	329
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>8</b>	<b>(22)</b>

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

**b) Associates**

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

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

- Council and the State Government of Victoria hold an equal 50% share in this entity. Council has 50% voting rights. Both parties collectively control the entity but neither party can direct activities without co-operation of the other. Therefore a significant interest is held but not a controlling interest.
- Regent Management Pty Ltd reported an operating loss of \$921,961 (unaudited) for the year ended 30 June 2022 (2021: loss of \$1,492,201 unaudited). There was a restatement of the 2019-20 financial statements due to a correction to revenue out of the valuation of the Theatre that was detected during the 2020-21 final audit. This has delayed the signing of the accounts for 2020-21, and ultimately 2021-22.

**Procurement Australasia Ltd (formerly MAPS Group Ltd) (63% owned by Council)**

- Procurement Australasia Ltd 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.
- Procurement Australasia Ltd reported an operating profit for the year ended 30 September 2021 of \$585,183 compared to a profit of \$164,332 for the previous year. The Company paid a dividend for the 30 September 2021 financial year of 10 cents per share. A dividend payment of \$25,000 was received in December 2021 by Council (2020: \$17,500). Net assets are \$10.6 million as at 30 September 2021.

### 6.3 Investment property

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Land</b>				
Balance at beginning of financial year	143,238	169,444	143,238	169,444
Additions	5,086	-	5,086	-
Disposals	(3,358)	(26,342)	(3,358)	(26,342)
Fair value adjustments	3,248	136	3,248	136
Balance at end of financial year	<b>148,214</b>	<b>143,238</b>	<b>148,214</b>	<b>143,238</b>
<b>Buildings</b>				
Balance at beginning of financial year	45,280	41,478	45,280	41,478
Additions	32,510	-	32,510	-
Fair value adjustments	1,974	3,802	1,974	3,802
Balance at end of financial year	<b>79,764</b>	<b>45,280</b>	<b>79,764</b>	<b>45,280</b>
<b>Total investment properties</b>	<b>227,978</b>	<b>188,518</b>	<b>227,978</b>	<b>188,518</b>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent 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 by John O'Leary, Fellow of the Australian Property Institute (FAPI, Grad Dip (Prop) F.Fin), Certified Practising Valuer, member number 62206, in compliance with International Valuation Standards (IVS 2020) effective 31 January 2020, who is employed by Council. The valuation is at fair value (refer to Note 8.4), based on the current market value for the property. Date of the valuation (DoV) is 30 June 2022.

Commercial investment property has also shown resilient results, however leasing levels remain fragile. In the 12 months to 30 June 2022, 25 sales have occurred in the \$15 million to \$50 million range within the City of Melbourne. There were 7 landmark office building sales in excess of \$100 million. This included 85 Spring Street for \$130 million, 1010 Latrobe Street for \$150 million, 330 Collins Street for \$236 million, 567 Collins Street for 245 million, 120 Spencer St for \$320 million, and half shares in 121 Exhibition Street for \$1.050 billion and 691 Collins St Docklands for \$1.2 billion. There have been no major retail transactions in 2021-22.

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 which are now planned to be refurbished and upgraded. Larger retail property continued to struggle. Outside of the central business district and fringe there were relatively low volumes of commercial property transactions in all markets. Supply chain disruptions are causing significant issues for builders as they attempt to complete projects. Further, materials costs have risen significantly, with more cost inflation expected to be reported in the second half of 2022.

## 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

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of the City of Melbourne. The Councillors, Chief Executive Officer and Executive Leadership Team members are deemed KMP. Details of KMP at any time during the year are:

##### Councillors

Lord Mayor Sally Capp  
Deputy Lord Mayor Nicholas Reece  
Olivia Ball  
Roshena Campbell  
Jason Chang  
Elizabeth Mary Doidge  
Davydd Griffiths  
Jamal Hakim  
Philip Le Liu  
Rohan Leppert  
Kevin Louey

##### Chief Executive Officer and other Key Management Personnel

##### Position

Chief Executive Officer  
Deputy Chief Executive Officer  
Chief Financial Officer  
General Manager Community and City Services  
General Manager City Economy and Activation  
General Manager Property, Infrastructure and Design  
General Manager Strategy Planning and Climate Change  
Director Strategic Communications  
General Manager Governance and Organisational Development  
Chief Digital Officer and General Manager, Customer and Digital

##### Name

Justin Hanney  
Alison Leighton  
Michael Tenace  
Linda Weatherson  
Katrina Mckenzie/Andrew Wear  
Roger Teale  
Evan Counsel  
Katrina Mckenzie  
Keith Williamson  
Michelle Fitzgerald

<b>Total number of Councillors</b>	11
<b>Total Chief Executive Officer and other Key Management Person</b>	10
<b>Total number of Key Management Personnel</b>	<b>21</b>

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

Total remuneration of key management personnel was as follows:

	2022 \$'000	2021 \$'000
Short-term benefits	3,815	3,829
Post-employment benefits	389	406
Long-term benefits	70	60
Resignation/Retirement benefits (unused leave)	187	-
<b>Total</b>	<b>4,461</b>	<b>4,295</b>

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

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	2022	2021
\$10,000 - \$19,999	-	5
\$30,000 - \$39,999	-	7
\$50,000 - \$59,999	9	3
\$70,000 - \$79,999	-	1
\$100,000 - \$109,999	-	1
\$140,000 - \$149,999	1	-
\$170,000 - \$179,999	1	2
\$190,000 - \$199,999	-	1
\$210,000 - \$219,999	1	1
\$240,000 - \$249,999	1	1
\$270,000 - \$279,999	1	-
\$280,000 - \$289,999	-	1
\$320,000 - \$329,999	-	1
\$330,000 - \$339,999	1	-
\$360,000 - \$369,999	-	3
\$390,000 - \$399,999	2	-
\$400,000 - \$409,999	2	-
\$420,000 - \$429,999	-	1
\$440,000 - \$449,999	1	-
\$490,000 - \$499,999	-	1
\$530,000 - \$539,999	1	-
	<b>21</b>	<b>29</b>
Total remuneration for the financial year included above	<b>\$'000 4,461</b>	<b>\$'000 4,295</b>

Total KMP decreased as a result of overlap with the change of council during the prior year, however total remuneration increased in 2022 following resignation/retirement of long-term staff, a restructure, and staff who were in an acting capacity.

**(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 (2021: \$151,000); or
- b) For subsidiaries, are the Managing Director, Chief Executive Officers and executives, or whose total annual remuneration exceeds \$151,000 (2021: \$151,000).

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



Income Range	Consolidated		Council	
	2022	2021	2022	2021
\$150,000 - \$159,999	63	63	51	51
\$160,000 - \$169,999	49	53	42	49
\$170,000 - \$179,999	49	7	47	5
\$180,000 - \$189,999	19	22	16	14
\$190,000 - \$199,999	12	8	9	5
\$200,000 - \$209,999	11	4	6	2
\$210,000 - \$219,999	4	5	3	4
\$220,000 - \$229,999	6	8	4	5
\$230,000 - \$239,999	7	10	6	8
\$240,000 - \$249,999	8	5	6	3
\$250,000 - \$259,999	8	5	7	3
\$260,000 - \$269,999	4	1	3	1
\$270,000 - \$279,999	3	3	-	1
\$290,000 - \$299,999	2	1	1	1
\$300,000 - \$309,999	1	2	1	1
\$310,000 - \$319,999	2	-	1	-
\$320,000 - \$329,999	-	1	-	-
\$330,000 - \$339,999	-	2	-	-
\$340,000 - \$349,999	-	1	-	1
\$350,000 - \$359,999	1	1	-	1
\$360,000 - \$369,999	-	2	-	1
\$370,000 - \$379,999	1	-	-	-
\$390,000 - \$399,999	1	-	-	-
\$430,000 - \$439,999	1	-	-	-
\$530,000 - \$539,999	-	1	-	-
\$780,000 - \$789,999	1	-	-	-
	<b>253</b>	<b>205</b>	<b>203</b>	<b>156</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total remuneration for the reporting year for Senior Officers included above, amounted to	<b>48,061</b>	<b>38,840</b>	<b>36,795</b>	<b>28,520</b>

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

The increase in the number of Senior Officers and the remuneration for 2021-22 is a result of:

- An enterprise agreement and resultant back pay to 2018 approved and paid;
- Increased amounts of overtime worked in compliance branches;
- Restructures relating to some redundancy costs; and
- Lump sum payments of entitlements on resignation and retirement of staff.

## 7.2 Related party disclosure

### (a) Transactions with related parties

During the year Council entered into related party transactions totalling \$297,002 (2021: \$404,626). The nature of the transactions are related to the city's public liability insurance premium (Municipal Association of Victoria), venue hire, conference costs and purchases.

### (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. Melbourne Digital Pty Ltd is a non-operating entity.

All subsidiaries are incorporated and are residents in Australia.

	Citywide Service Solutions Pty Ltd		Queen Victoria Market Pty Ltd		Enterprise Melbourne Pty Ltd	
	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from subsidiaries	523	473	374	378	-	-
Expenditure to subsidiaries	64,835	79,089	628	108	-	-
Funding to subsidiaries	-	-	7,700	9,400	342	351
Income Tax and Payroll Tax Equivalent payments from subsidiaries	2,168	2,950	-	-	-	-
Dividend payments from subsidiaries	4,000	4,200	-	-	-	-
Owing to subsidiaries	11,067	16,609	426	6	-	-
Owing by subsidiaries	48	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

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.

At balance date contingent assets relate to crown land for Council and property for Citywide and QVM as detailed in Note 5.7 (b).

#### (b) Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- present obligations that arise from past events but are not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

#### *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 2022.

#### *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, however, exposure is limited to \$250,000 in a year.

#### *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 2022 reporting period. The Group assesses the impact of these new standards. As at 30 June 2022 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2023 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 2020*. 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 for the 2021-22 year 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 Group's 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 expires on 30 June 2023, and has entered into an additional loan agreement with the Treasury Corporation of Victoria (TCV) for \$242.9 million during the 2021-22 year. The loan with TCV is an ongoing facility that does not have an expiry date but the total loan amount available is assessed annually in line with the approved budget. 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 interest rate on the TCV facility is the TCV cost of funds plus a margin of 0.265%. The facilities are secured by a charge over

the general rates levied by Council. No loans were drawn as at 30 June 2022.

With respect to borrowings at Citywide, their facilities are comprised of a new \$20.0m revolving asset finance facility (2021:\$0.0m), \$16.2m cash advance facility (2021: \$36.2m) and a \$2.5m overdraft facility (2021: \$2.5m). The facilities were renewed in August 2022 and are secured with a first ranking fixed and floating charge over the net assets of the Citywide group. There were \$13.2m of borrowings drawn at 30 June 2022 (2021: \$18.2m). Subject to the continuance of satisfactory covenants achievement, the banking facilities may be drawn at any time. The banking facilities may be terminated by the bank if Citywide defaults under the loan agreement. The facilities expire on 27 July 2025.

#### (e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the movements that are 'reasonably possible' to expect over the next 12 months are between +1.0% and +2.0% in market rates (AUD) from the year-end rate of 0.85% (2021: 0.10%).

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**

Council has worked through two years of Covid-19 effects on its financial assets, putting in plans to recover and build on its strong base. In line with the 2022-23 budget, in the months post 30 June, Council has drawn \$30 million in short term loans from Treasury Corporation Victoria (TCV) with a repayment date of 27 September 2022.

A Planning Scheme Amendment C380 to the Melbourne Planning Scheme was gazetted on 7 July 2022. The amendment applies to 29 council open spaces, the Carlton Baths, and 46 Victorian Government Open Spaces. Of these, only 14 Council owned and 2 Government owned lands required the rezoning adjustment. Adjustments will be carried to the 2022-23 financial statements.

Council's subsidiary, Citywide Services Solutions Pty Ltd renewed its banking facilities in August 2022. The renewed facilities are comprised of a \$38.7m Multi Option Facility with interchangeable limits between a Revolving Asset Finance Facility.

A Planning Scheme Amendment for the Arden Structure Plan was gazetted on 28th July 2022. This amendment has the potential to impact the valuation of Citywide's North Melbourne land from the date of the gazettal. A re-valuation has not yet been undertaken due to a lack of comparable market data in the precinct at this time.

There are no other material matters or circumstances that have arisen post 30 June 2022 that have or will significantly affect Council or the group.

## NOTE 9 OTHER MATTERS

## 9.1 Reserves

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Asset revaluation - property and infrastructure	2,551,332	2,350,656	2,500,627	2,299,951
<b>Other Reserves</b>				
<b>Restricted</b>				
Public Open Space reserve	77,360	79,572	77,360	79,572
<b>Non-Restricted</b>				
Developer Contribution Plan reserve	1,272	1,272	1,272	1,272
Investments revaluation reserve	4,725	4,725	4,725	4,725
Tree compensation reserve	4,458	4,021	4,458	4,021
	<b>2,639,147</b>	<b>2,440,246</b>	<b>2,588,442</b>	<b>2,389,541</b>

## (a) Asset revaluation reserve

Consolidated	Balance at	Increment (Decrement) \$'000	Balance at	Increment (Decrement) \$'000	Balance at
	beginning of 2021 \$'000		end of 2021 \$'000		end of 2022 \$'000
<b>Property</b>					
Land	1,509,046	10,915	<b>1,519,961</b>	175,830	<b>1,695,791</b>
Buildings	124,121	(1,646)	<b>122,475</b>	41,959	<b>164,434</b>
<b>Infrastructure</b>					
Roads & Laneways	459,955	11,026	<b>470,981</b>	4,981	<b>475,962</b>
Bridges	23,431	1,509	<b>24,940</b>	1,904	<b>26,844</b>
Footpaths and cycleways	119,355	(4,393)	<b>114,962</b>	(18,662)	<b>96,300</b>
Drainage	31,672	217	<b>31,889</b>	2,458	<b>34,347</b>
Parks, open space and streetscapes	2,924	(2,924)	-	-	-
Other infrastructure	61,807	(1,763)	<b>60,044</b>	(7,794)	<b>52,250</b>
Artworks	5,404	-	<b>5,404</b>	-	<b>5,404</b>
	<b>2,337,715</b>	<b>12,941</b>	<b>2,350,656</b>	<b>200,676</b>	<b>2,551,332</b>
<b>Council</b>					
<b>Property</b>					
Land	1,458,342	10,915	1,469,257	175,830	<b>1,645,087</b>
Buildings	124,120	(1,646)	122,474	41,959	<b>164,433</b>
<b>Infrastructure</b>					
Roads & Laneways	459,955	11,026	470,981	4,981	<b>475,962</b>
Bridges	23,431	1,509	24,940	1,904	<b>26,844</b>
Footpaths and cycleways	119,355	(4,393)	114,962	(18,662)	<b>96,300</b>
Drainage	31,672	217	31,889	2,458	<b>34,347</b>
Parks, open space and streetscapes	2,924	(2,924)	-	-	-
Other infrastructure	61,807	(1,763)	60,044	(7,794)	<b>52,250</b>
Artworks	5,404	-	5,404	-	<b>5,404</b>
	<b>2,287,010</b>	<b>12,941</b>	<b>2,299,951</b>	<b>200,676</b>	<b>2,500,627</b>

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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Balance at the beginning of the year	89,590	74,161	89,590	74,161
Transfers from accumulated surplus	5,086	27,787	5,086	27,787
Transfers to accumulated surplus	(6,861)	(12,358)	(6,861)	(12,358)
Balance at the end of the financial year	<b>87,815</b>	<b>89,590</b>	<b>87,815</b>	<b>89,590</b>

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

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Balance at the beginning of the year	79,572	63,625	79,572	63,625
Transfers from accumulated surplus	4,649	27,105	4,649	27,105
Transfers to accumulated surplus	(6,861)	(11,158)	(6,861)	(11,158)
Balance at the end of the financial year	<b>77,360</b>	<b>79,572</b>	<b>77,360</b>	<b>79,572</b>

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

**Other reserves – Reserve for Developer Contribution Plan**

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Balance at the beginning of the year	1,272	1,022	1,272	1,022
Transfers from accumulated surplus	-	250	-	250
Transfers to accumulated surplus	-	-	-	-
Balance at the end of the financial year	<b>1,272</b>	<b>1,272</b>	<b>1,272</b>	<b>1,272</b>

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

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Balance at the beginning of the year	4,725	4,725	4,725	4,725
Transfers from investment-non current asset	-	-	-	-
Transfers to investment-non current asset	-	-	-	-
Balance at the end of the financial year	<b>4,725</b>	<b>4,725</b>	<b>4,725</b>	<b>4,725</b>

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

**Other reserves – Tree Compensation reserve**

	Consolidated		Council	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Balance at the beginning of the year	4,021	4,789	4,021	4,789
Transfers from accumulated surplus	437	432	437	432
Transfers to accumulated surplus	-	(1,200)	-	(1,200)
Balance at the end of the financial year	<b>4,458</b>	<b>4,021</b>	<b>4,458</b>	<b>4,021</b>

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	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Surplus for the year</b>	(16,509)	23,533	(15,124)	25,889
Depreciation/amortisation	99,965	96,140	80,444	77,543
Profit/(Loss) on disposal of property, plant and equipment	(2,693)	467	(2,177)	1,114
Fair value adjustments for investment property	(5,223)	(3,939)	(5,223)	(3,939)
Contributions - Non-monetary assets	-	(490)	-	(490)
Work in progress write off	4,233	3,117	4,233	3,117
Lease modifications (QVM)	-	1,712	-	-
Asset reserve revaluation impairment loss	608	4,298	608	4,298
Other	1,300	(5,721)	646	(5,209)
<b>Changes in assets and liabilities in relation to operating activities:</b>				
(Increase)/Decrease in trade and other receivables	6,220	(17,442)	7,301	(1,370)
(Increase)/Decrease in prepayment	(9,453)	516	(4,526)	873
(Increase)/Decrease in accrued income	(8,423)	14,196	(1,466)	4,950
(Decrease)/Increase in trade and other payables	(15,683)	53,819	(19,283)	52,259
(Decrease)/Increase in unearned income/revenue	(11,895)	-	(13,315)	-
(Increase) in Inventories	(1,185)	(898)	-	-
(Decrease)/Increase in provisions	925	(649)	924	(72)
(Decrease)/Increase in employee benefits	3,079	3,168	2,920	1,251
(Decrease)/Increase in trust funds and deposits	925	1,470	125	(1,148)
<b>Net cash provided by/(used in) operating activities</b>	<b>46,191</b>	<b>173,297</b>	<b>36,087</b>	<b>159,066</b>

**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. Obligation for contribution to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

**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 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation) (2021: 9.5%).

**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 will make employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

From time to time the fund actuary will perform an actuarial investigation. If there is a shortfall of assets as compared to liabilities Council is obligated to make a funding payment. Due to the number of Council employees (current and retired) participating in the plan, it is unlikely to be material.

### **Employer contributions and funding calls**

On the basis of the results of the 2021 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2022, this rate was 10.0% of members' salaries (9.5% in 2020/21). 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 2021 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 2021 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. An interim investigation was conducted as at 30 June 2021 and the last 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 (Vested Benefits Index) surplus (\$214.7 million 2021; \$100.0 million 2020)
- A total service liability surplus (\$270.3 million 2021; \$200.0 million 2020)
- A discounted accrued benefits surplus (\$285.2 million 2021; \$217.8 million 2020)

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 2021. 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 2021. 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 2021. The Group was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020).

### **The 2022 interim actuarial investigation**

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022.

### **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 2022, the Fund Actuary determined the VBI to be 143.7% (2021: 144.7%)

## Employer contributions and funding calls

The Group has made employer contributions to the CMSSP at a rate of 13% of salary for active defined benefit members for the year ended 30 June 2022.

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 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

An interim actuarial investigation of the CMSSP's liability for accrued benefits was carried out at 30 June 2021. The VBI is 144.7% as at 30 June 2021.

## The 2022 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 2022. It is anticipated that this actuarial investigation will be completed in August 2022.

## AASB 119 Disclosures for CMSSP in the Financial Statements

Melbourne City Council Superannuation Sub Plan	2022 000's	2021 000's
Asset/(Liability) recognised in Balance Sheet	16,511	15,276
Total amount recognised in Comprehensive Income Statement	1,467	2,129

Super contribution included in note 4.1

## NOTE 10 CHANGE IN ACCOUNTING POLICY

There have been no changes to accounting policies in the 2021-22 year.

# Melbourne City Council

## Performance Statement

For the year ended 30 June 2022

## Performance Statement

For the year ended 30 June 2022

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### **Description of municipality**

The City of Melbourne is at the centre of greater Melbourne, covering an area of 37 square kilometres. It takes in the central city and 14 inner city suburbs.

Our diverse population is comprised of 154,000 people who live in the municipality. Almost half of all residents in the municipality speak a language other than English at home.

The population is expected to grow rapidly as more people seek out the cultural, business, education, work and lifestyle opportunities the city offers.

We are working towards an inclusive recovery from COVID-19 pandemic, launching many initiatives this year to build momentum and inspire confidence. And yet, the COVID-19 pandemic has significantly affected our community, business owners, visitors and other city users.

Our revenue streams and budget will continue to be affected into the future.

Where the pandemic has had an impact on the performance of particular indicators, appropriate specific commentary has been provided throughout this section.

The broader impact of COVID-19 on our organisation, community, and programs and services is referenced throughout this Annual Report.

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## Sustainable Capacity Indicators

For the year ended 30 June 2022

<i>Indicator/measure</i>	<b>Results</b>				<b>Material Variations</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>Population</b>					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2706	\$2703	\$2820	\$3146	An increase in the costs per head relates to an increase in expenses for 2021-22 as a result of the new enterprise agreement and costs associated with grants programs, and changes to population numbers as the city returns to pre COVID-19 levels.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$11,826	\$11,883	\$11727	\$26411	A combination of the completion of capital works programs during the year, and net increments related to asset valuations on infrastructure as at 30 June, and fluctuations in population.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	700	737	755	696	No material variation.
<b>Own-source revenue</b>					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$2586	\$2640	\$2283	\$2613	A result of increases to user fees and charges that increased on prior year in the area of parking fees and permits, and fluctuations in population as the city returns to pre COVID-19 levels.
<b>Recurrent grants</b>					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$116	\$108	\$99	\$116	An increase in recurrent operating grants received from state government appropriations, for programs associated with libraries, maternal and child health, and the aged and disabled, and fluctuations in population as the city returns to pre COVID-19 levels.
<b>Disadvantage</b>					
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	7	7	7	7	No material variation.



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**Workforce turnover**

<i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	11.3%	9.3%	9.6%	15.7%	Staff turnover increased for the year following some internal restructure and the end of lockdowns.
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**Definitions**

"adjusted underlying revenue" means total income other than:

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

"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.

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## Service Performance Indicators

For the year ended 30 June 2022

Service/indicator/measure	Results				Material Variations
	2019	2020	2021	2022	
<b>Aquatic facilities</b>					
<b>Utilisation</b>					
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	4.1	2.9	1.3	1.7	There were 286,280 visits to aquatic centres during 2021-22, an increase of 17%, from 244,797 in 2020-21.
<b>Animal management</b>					
<b>Health and safety</b>					
<i>Animal management prosecutions</i>  [Number of successful animal management prosecutions / Total number of animal management prosecutions] x100	New in 2020	75%	100%	100%	In 2021-22 there were three animal management prosecutions, and each related to serious dog attacks on other dogs. All three were successfully prosecuted.
<b>Food safety</b>					
<b>Health and safety</b>					
<i>Critical and major non-compliance outcome notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	100%	100%	100%	100%	During the 2021 calendar year, all Major and Critical non-compliances received a follow up.

<i>Service/indicator/measure</i>	<b>Results</b>				<b>Material Variations</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>Governance</b>					
<b>Satisfaction</b>					
<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	65	65	68	64	The level of community satisfaction with how Council has performed in making decisions in the interest of the community in 2022, at 64% satisfaction, is consistent with the five-year average of 65% satisfaction.
<b>Libraries</b>					
<b>Participation</b>					
<i>Active library borrowers in the municipality</i> [The sum of the number of active library borrowers in the last 3 years / The sum of the population in the last 3 years] x100	28%	27%	25%	21%	The results for this indicator are based on the previous three years, creating a lag-effect, and the previous two-years of COVID-19 restrictions impacted the result for 2021-22 most significantly, with 21% active library borrowers. An issue with data cleansing across all library borrower subscription services prompted a revision of the result reported for 2020-21. The corrected active library data for 2020-21 was 24% (instead of the previously reported 25%). Prior year results are unable to be revised. The 2021-22 result of 21% was 3% less than 2020-21 (24%).
<b>Maternal and child health</b>					
<b>Participation</b>					
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	76%	82%	85%	83%	Participation in Maternal and Child Health Service is voluntary. Regular reminders for missed visits are sent and followed up. Family participation can vary between years.
<i>Participation</i>					
<i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	70%	79%	85%	92%	The 92% participation for 2021-22 is a positive increase on recent years, and family participation in maternal and child health may vary significantly between years. The City of Melbourne has a small Aboriginal community and families are also able to attend Aboriginal Health Services (VAHS) to receive Maternal and Child Health services, and many use both services depending on the age of the child.

<i>Service/indicator/measure</i>	<b>Results</b>				<b>Material Variations</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	
<b>Roads</b>					
<b>Satisfaction</b>					
<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	73	67	70	68	The level of community satisfaction with how the Council has performed on the condition of sealed local roads in 2021-22 is two points lower than the previous year. This reduction is likely due to the increase in traffic and construction activity in the city following the end of the 2020-21 COVID-19 lockdown period.
<b>Statutory Planning</b>					
<b>Decision making</b>					
<i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	53%	81%	56%	71%	In 2021-22 only 24 appeals were considered, and the number of VCAT outcomes that upheld Council's decision increased from 56% to 71%. An additional 33 appeals were resolved with the consent of all parties and are excluded from this measure. The year-on-year variation is due to the low total number of appeal decisions considered as part of the measure.
<b>Waste Collection</b>					
<b>Waste diversion</b>					
<i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	26%	21%	25%	29%	Results indicate that Council has increased recycling by approximately 2,203 tonnes compared to the previous financial year. This is largely due to introduction of Food Organics and Garden Organics (FOGO) services to approx. 22,000 dwellings. The City of Melbourne is now achieving 29.07% diversion from landfill, this represents an increase of 2.5% from the previous year.
<b>Definitions</b>					
"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 borrower" 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 section 98 of the Act					

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"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

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## Financial Performance Indicators

For the year ended 30 June 2022

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
<b>Efficiency</b>									
<b>Expenditure level</b>									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3832	\$3933	\$4018	\$4048	\$4098	\$3866	\$3930	\$4030	No material variation
<b>Revenue level</b>									
<i>Average rate per property assessment</i> [Total rate revenue / Number of property assessments]	New in 2020	\$2445	\$2446	\$2463	\$2536	\$2606	\$2675	\$2779	No material variation
<b>Liquidity</b>									
<b>Working capital</b>									
<i>Current assets compared to current liabilities</i>	183.28%	129.60%	128.26%	58.67%	93.11%	98.39%	86.89%	100.88%	The city received lower grants and monetary contributions during the year that was related to delays in programs from COVID-19 effects. In addition, lower than pre-COVID-19 fees and charges, and an increase in employee costs and materials and services costs, and capital spending left cash and cash equivalents significantly lower than prior year, as no borrowings were drawn during the year. The forecast

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
[Current assets / Current liabilities] x100									is for borrowings to increase initially, along with fees and charges which will improve cash balances as we move further into recovery.
<b>Unrestricted cash</b>									
<i>Unrestricted cash compared to current liabilities</i>	68.44%	22.99%	18.57%	-43.67%	46.85%	64.90%	65.49%	44.03%	Reflects the reduction in the cash balance as at 30 June as a result of lower grant revenue and increased expense in 2021-22 in relation to recovery following COVID-19.
[Unrestricted cash / Current liabilities] x100									
<b>Obligations</b>									
<b>Loans and borrowings</b>									
<i>Loans and borrowings compared to rates</i>	9.93%	0.00%	0.00%	0.00%	54.33%	64.90%	65.49%	44.03%	No loans drawn as at 30 June 2022, however, as per the published budget for 2022-23 and the following three years, CoM will require the use of its loan facilities to meet program targets.
[Interest bearing loans and borrowings / Rate revenue] x100									
<i>Loans and borrowings repayments compared to rates</i>	0.86%	9.55%	0.03%	0.03%	0.69%	1.16%	1.86%	20.44%	No material variance for the current year.





Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations
	2019	2020	2021	2022	2023	2024	2025	2026	
<b>Adjusted underlying surplus (or deficit)</b> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	8.39%	3.98%	-4.93%	-5.79%	2.53%	7.51%	5.53%	16.09%	The negative result is due to the reduction in own source revenue related to the slower than expected recovery from COVID-19, against increased expenses as the city recovers to pre COVID-19 levels. This is expected to return to the positive in the forward estimates as the city returns to a surplus position and revenue streams recover.
<b>Stability</b> <b>Rates concentration</b> <b>Rates compared to adjusted underlying revenue</b> [Rate revenue / Adjusted underlying revenue] x100	57.15%	59.90%	64.01%	64.52%	60.44%	62.54%	64.47%	58.01%	No material variation
<b>Rates effort</b> <b>Rates compared to property values</b> [Rate revenue / Capital improved value of rateable properties in the municipality ] x100	0.24%	0.24%	0.23%	0.23%	0.23%	0.23%	0.23%	0.23%	No material variation

#### Definitions

"adjusted underlying revenue" means total income other than:

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

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

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

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

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

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

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

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

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

"population" means the resident population estimated by council

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

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

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

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

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

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

## Other Information

For the year ended 30 June 2022

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### 1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 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 2020* 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 financial plan on 30 June 2022 and which forms part of the council plan. The financial 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 financial plan can be obtained by contacting council.

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# CERTIFICATION OF THE PERFORMANCE STATEMENT



In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2020.

Michael Tenace (FCPA)

**General Manager Finance and Corporate (Chief Financial Officer)**

**Melbourne**

**Dated:** 27.09.2022

In our opinion, the accompanying Performance Statement of the Melbourne City Council for the year ended 30 June 2022 presents fairly the results of council's performance in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 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 2020 to certify this Performance Statement in its final form.

Sally Capp

**Lord Mayor**

**Melbourne**

**Dated:** 27.09.2022

Philip Le Liu

**Councillor**

**Melbourne**

**Dated:** 27.09.2022

Justin Hanney

**Chief Executive Officer**

**Melbourne**

**Dated:** 27.09.2022

# FINANCIAL REPORT



## Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 2020*, the Local Government (Planning and Reporting) Regulations 2020, Australian Accounting Standards and other mandatory professional reporting requirements.

Michael Tenace (FCPA)

**General Manager Finance and Corporate (Chief Financial Officer)**

**Melbourne**

**Date:** 27.09.2022

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 2022 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 2020 to certify the financial statements in their final form.

Sally Capp

**Lord Mayor**

**Melbourne**

**Dated:** 27.09.2022

Philip Le Liu

**Councillor**

**Melbourne**

**Dated:** 27.09.2022

Justin Hanney

**Chief Executive Officer**

**Melbourne**

**Dated:** 27.09.2022

# CERTIFICATION OF THE PERFORMANCE STATEMENT



In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 2020.

Michael Tenace (FCPA)

**General Manager Finance and Corporate (Chief Financial Officer)**

**Melbourne**

**Dated:** 27.09.2022

In our opinion, the accompanying Performance Statement of the Melbourne City Council for the year ended 30 June 2022 presents fairly the results of council's performance in accordance with the *Local Government Act 2020* and the Local Government (Planning and Reporting) Regulations 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 2020 to certify this Performance Statement in its final form.

Sally Capp

**Lord Mayor**

**Melbourne**

**Dated:** 27.09.2022

Philip Le Liu

**Councillor**

**Melbourne**

**Dated:** 27.09.2022

Justin Hanney

**Chief Executive Officer**

**Melbourne**

**Dated:** 27.09.2022



**CITY OF MELBOURNE**

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16/09/2022

TO THE MELBOURNE CITY COUNCIL

**Representations by the Chief Executive Officer and Chief Financial Officer in relation to the consolidated financial report and performance statement of Melbourne City Council for the year ended 30 June 2022**

This representation letter is provided in connection with your audit of the financial report, being a consolidated financial report, and performance statement of Melbourne City Council for the year ended 30 June 2022. The audit is undertaken for the purpose of you being able to obtain sufficient and appropriate audit evidence on which to express an opinion as to whether the:

- financial report presents fairly, in all material respects in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 2020*.
- performance statement presents fairly in accordance with the requirements of the *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 2020*.

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

**Preparation of the financial report**

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 6 May 2021, for the preparation of the financial report in accordance with Australian Accounting Standards and the requirements of *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 2020* in particular the financial report presents fairly, in all material respects.

1. We have prepared the financial report as a not-for-profit entity for the purpose of reporting under Australian Accounting Standards.
2. All transactions have been recorded in the accounting records and are reflected in the financial report.<sup>1</sup>
3. Proper accounts and records of the transactions and affairs of the council and such other records as sufficiently explain the financial operations and financial position of the council have been kept in accordance with the *Local Government Act 2020*, where applicable.
4. There were no uncorrected misstatements, both individual and in the aggregate, to the financial report as a whole.

**Access to information**

5. We have provided you with:

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<sup>1</sup> [ASA 580 Written Representations](#)

- a. access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters
- b. any additional information that you have requested from us for the purpose of the audit
- c. unrestricted access to persons within the council from whom you determined it necessary to obtain audit evidence<sup>2</sup>

#### **Prior period errors/restatements**

6. We have disclosed to you all information related to our restatement of comparative information (including related notes) in the financial report because of a material misstatement in a prior period financial report.
7. We have disclosed to you the circumstances in which the prior period restatement was identified, provided you with documentation to support our quantification of the restatement and detailed the changes we have made to our internal control environment to ensure the circumstances giving rise to the restatement are not able to re-occur.

#### **Controlled entities**

8. We have undertaken a control assessment using the criteria outlined in AASB 10 *Consolidated Financial Statements*.
9. The consolidated financial report includes the value of all assets, liabilities, equity, revenue and expenses of Melbourne City Council and its controlled entities:
  - Citywide Service Solutions Pty Ltd, and its controlled entities.
  - Queen Victoria Market Pty Ltd
  - Enterprise Melbourne Pty Ltd
  - Melbourne Digital Enterprises Pty Ltd
10. The consolidated financial report has been prepared using uniform accounting policies as required by AASB 10 *Consolidated Financial Statements*.

#### **Joint arrangements**

11. We have undertaken an assessment of our contractual arrangements to determine whether they are joint arrangements as per the requirements of AASB 11 *Joint Arrangements*.
12. The financial report has accounted for the following joint arrangement:
  - Citywide Asphalt Group (Aus) Pty Ltd

#### **Investments in associates**

13. We have undertaken an assessment of our contractual arrangements to determine whether they are investments classified as associates as per the requirements of AASB 128 *Investments in Associates and Joint Ventures*.
14. The financial report has accounted for the following investments in associates:
  - Regent Management Company Pty Ltd
  - Procurement Australasia Ltd

#### **Fraud disclosure**

15. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.<sup>3</sup>
16. We are not aware of any actual or suspected fraud affecting Council that involves:

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<sup>2</sup> [ASA 580 Written Representations/ASA 210 Agreeing the Terms of Audit Engagements](#)

<sup>3</sup> [ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report](#)



- a. management
  - b. employees who have significant roles in internal control or
  - c. others where the fraud could have a material effect on the financial report.<sup>4</sup>
17. We are not aware of any allegations (to the extent we are legally able to disclose these to you in accordance with the requirements of the *Independent Broad-based Anti-Corruption Commission Act 2011*) of fraud, or suspected fraud, affecting Council's financial report communicated by employees, former employees, analysts, regulators or others<sup>5</sup>.

#### **Internal control**

18. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud and/or error<sup>6</sup>. We have established and maintained an adequate internal control structure to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. We have disclosed to you details of all deficiencies in internal control of which we are aware.

#### **Legal**

19. There are no known or suspected instances of non-compliance with laws or regulations whose effects should be considered when preparing the financial report.
20. There is no known actual or possible litigation and claims whose effects should be considered when preparing the financial report, except as disclosed in the report.
21. The council has satisfactory title to all assets (excluding those assets held in the name of the Crown), and there are no liens or encumbrances on such assets nor has any asset, with the exception of right of use assets under finance lease, been pledged as collateral.
22. The council has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of noncompliance.
23. Melbourne City Council has been properly managed in accordance with the requirements of the *Local Government Act 2020*.
24. We have complied with, in all material respects, the requirements of *Local Government Act 2020* for the establishment and keeping of relevant accounts, registers and other appropriate records.

#### **Accounting estimates**

25. We believe that the significant assumptions, judgements, methods and data we have used in making accounting estimates for inclusion in the financial report are reasonable, appropriately supported and, where required, disclosed to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework<sup>7</sup>.

#### **Financial statement disclosures**

26. The financial report discloses all significant accounting policies used in the preparation of the financial report. We considered the substance of the underlying transactions as well as their legal form in selecting the appropriate accounting policies and related disclosures for the financial report.

#### **Income and revenue**

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

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<sup>4</sup> [ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report](#)

<sup>5</sup> [ASA 240.39\(d\)](#)

<sup>6</sup> [ASA 240.39\(b\)](#)

<sup>7</sup> [ASA 540 Auditing Accounting Estimates and related disclosures](#)

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

28. We consider the measurement methods, including related assumptions, used to determine fair values relating to assets and liabilities to be appropriate based on the nature and purpose of the asset/liability. These have been consistently applied and appropriately disclosed in the financial report.
29. We have considered the requirements of AASB 13 *Fair Value Measurement* relating to the fair value of property, plant and equipment. These assets have been valued on the basis that the highest and best use of the asset is obtained from its current use, taking into consideration what is physically possible, legally permissible and financially feasible. Our fair value assessment did not identify any internal or external events that would trigger a reassessment of the assets' highest and best use. Further, we confirm that the assumptions used by us in the categorisation of observable and un-observable inputs within the fair value valuation hierarchy are reasonable and have been fully disclosed in accordance with the accounting standards and other applicable financial reporting requirements.
30. Management acknowledges the caveats/disclaimers on significant estimation uncertainty in the independent valuation reports provided for land assets. Management have determined that an appropriate to risk adjustment has been made to the carrying value of these assets for the significant uncertainty. The significant estimation uncertainty has been appropriately disclosed at 30 June 2022.
31. We have applied AASB 16 *Leases*. We have assessed whether our contracts are or contain a lease. For our leases we have recognised on the balance sheet a separate right of use asset (ROU) with an associated lease liability. We have applied the initial and subsequent measurement ROU asset and lease liability.
32. We have considered the requirements of AASB 136 *Impairment of Assets* when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
33. Asset useful lives have been reviewed and we are satisfied that they reflect the assets' expected period of use.
34. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

### **Related parties and key management personnel**

35. We have determined who are the key management personnel of Council in accordance with AASB 124 *Related Party Disclosures* and we are satisfied that our assessment is complete and appropriate.
36. We are satisfied that the compensation paid to key management personnel has been properly reported in note 7.1(c) to the financial report in accordance with AASB 124 *Related Party Disclosures*, and includes all required components of compensation.
37. We have not identified any significant transactions with government-related entities that would require disclosure in accordance with AASB 124 *Related Party Disclosures*.<sup>8</sup>
38. We have disclosed to you the identity of all non-government related parties (including any controlled entities), related party relationships and transactions of which we are aware.
39. We have appropriately accounted for and disclosed in the financial report all material related party relationships and transactions in accordance with AASB 124 *Related Party Disclosures*.
40. **Senior Officer remuneration**
41. We have disclosed the remuneration of all senior officers in note 7.1(d) as per the requirements of *Local Government (Planning and Reporting) Regulations 2020*. This includes all short-term, post-employment, other long-term benefits and any termination benefits.

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<sup>8</sup> [ASA 550 Related Parties](#)

### **Future plans**

42. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.
43. We have no plans or intentions that may materially affect the carrying values or classification of any assets and liabilities.

### **Going concern**

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

### **Subsequent events**

45. No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report<sup>9</sup>.

### **Preparation of the performance statement**

46. We have prepared and presented the performance statement in conformity with the requirements of *Local Government Act 2020* and *Local Government (Planning and Reporting) Regulations 2020*. We consider the indicators to present fairly the performance of the council.
47. All relevant matters have been recorded in the council's records and are reflected in the performance statement<sup>10</sup>.
48. There were no uncorrected misstatements, both individually and in aggregate, to the performance statement taken as a whole.
49. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and/or error. We have established and maintained an adequate internal control structure to facilitate the preparation of a reliable performance statement. We have disclosed to you details of all deficiencies in internal control of which we are aware<sup>11</sup>.

### **Publication of the financial report**

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

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<sup>9</sup> [ASA 560 Subsequent Events](#)

<sup>10</sup> [ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information](#)

<sup>11</sup> [ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information](#)

to prepare and issue such other information and that we expect to issue it by 31 October 2022 and will provide it to you to enable you to complete your required procedures.

53. We have provided you with a copy of the printers' proof of the annual report or will provide a copy to you on 30 September 2022. We plan to publish our annual report on our website on 31 October 2022.

**Other matters<sup>12</sup> - COVID 19 or other significant state emergencies**

54. We have provided you with all information related to the impact of COVID 19 pandemic (and or other state emergencies e.g. bushfires) on operating results, financial conditions and cash flows. This includes details of all government financial assistance received, information on rent holidays or concessions granted to lessees or received as a lessee. We have advised you of information on all procedures and controls arising as a result of the pandemic. We have notified you of all new programs that have been or will be implemented or that will permanently cease as a result of the pandemic. We have assessed significant ongoing COVID-19 impacts and have provided you with our most current mitigation plans and forecasts. We have considered the impact of COVID -19 and confirm the going concern basis is appropriate. All impacts from COVID-19 are properly reflected in the financial report.
55. We have provided you with all requested information, explanations and assistance for the purposes of the audit.
56. We have provided you with all information required by the *Local Government Act 2020*.

**Conclusion**

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

This letter is provided for and on behalf of Melbourne City Council.

Yours sincerely



Justin Hanney  
Chief Executive Officer  
16 September 2022



Michael Tenace  
Chief Financial Officer  
16 September 2022

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<sup>12</sup> [ASA 580 Written Representations](#)