

Management report to Council**Agenda item 6.3****2022-23 Draft Consolidated Financial Statements and Performance Statement****Council****Presenter:** Michael Tenace, Chief Financial Officer**26 September 2023****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 2023 in accordance with sections 98 and 99 of the *Local Government Act 2020* (the Act). It is also 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 2023. The draft Consolidated Statements are presented in Attachment 2. They 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 2022–23 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 15 September 2023.
7. The 2022–23 Performance Statement has also been considered by the ARC.
8. Following review, the ARC has recommended the approval of the 2022–23 Consolidated Financial Statements and Performance Statement (pending closure of items discussed at the meeting of 15 September 2023).
9. The 2022–23 audit by VAGO has resulted in an unqualified audit opinion.

Recommendation from management

10. That Council:
 - 10.1. Approves in principle the 2022–23 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 X of X)
2. Annual Financial Report (Page X of X)
3. Annual Performance Statement (Page X of X)
4. Annual Certifications of Annual Financial Report and Performance Statements (Page X of X)
5. Representation Letter - City of Melbourne

Supporting Attachment

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 2022–23 (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 15 September 2023.

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.

Melbourne City Council

Annual Financial
Report

2022-23

As at 18 September 2023

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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)
Chief Financial Officer
Melbourne
Dated: 26.09.2023

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 2023 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: 26.09.2023

Philip Le Liu
Councillor
Melbourne
Dated: 26.09.2023

Alison Leighton
Chief Executive Officer
Melbourne
Dated: 26.09.2023

Victorian Auditor-General's Office Audit Report

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FINANCIAL STATEMENTS

Comprehensive Income Statement

For the Year Ended 30 June 2023

	Consolidated			Council	
	2023	2022	Note	2023	2022
	\$'000	\$'000		\$'000	\$'000
Income/Revenue					
Rates and charges	348,912	325,615	3.1	349,162	325,868
Statutory fees and fines					
Parking fines	31,952	24,068	3.2	31,952	24,068
Other statutory fees and fines	16,755	12,397	3.2	16,756	12,398
User fees					
Parking fees	50,017	41,658	3.3	45,647	38,995
Other user fees	24,867	17,932	3.3	24,867	17,932
Grants - operating	32,089	50,222	3.4	32,089	50,222
Grants - capital	23,679	17,906	3.4	23,679	17,906
Contributions - monetary	24,005	7,203	3.5	24,005	7,193
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	1,699	2,693	3.6	(57)	2,177
Fair value adjustments for investment properties	5,713	5,223	6.3	5,713	5,223
Other income	317,617	304,000	3.7	13,551	17,192
Total Income/revenue	877,305	808,917		567,364	519,174
Expenses					
Employee costs	331,085	317,940	4.1	190,853	178,205
Materials and services	372,678	358,887	4.2	221,262	222,550
Depreciation	81,288	79,462	4.3	69,485	66,221
Amortisation/Impairment - intangible assets	12,202	13,160		11,085	11,874
Amortisation - right of use assets	7,305	7,343		2,327	2,349
Bad and doubtful debts - allowance for impairment losses	12,669	8,072	4.4	12,626	8,048
Borrowing costs	1,523	355		519	91
Finance costs - leases	643	756		165	189
Other expenses	11,733	9,943	4.5	8,660	7,563
Grants and contributions	22,968	28,900	4.6	25,418	36,600
Impairment loss on asset revaluation	-	608		-	608
Total Expenses	854,094	825,426		542,400	534,298
Surplus/(deficit) For The Year	23,211	(16,509)		24,964	(15,124)
Other Comprehensive Income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation increment	234,799	200,676	9.1(a)	188,499	200,676
Gain/(loss) on defined benefits plans	(1,062)	1,467	9.3	-	-
Total Other Comprehensive Income	233,737	202,143		188,499	200,676
Total Comprehensive Result	256,948	185,634		213,463	185,552

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

Balance Sheet

As at 30 June 2023

	Consolidated			Council	
	2023 \$'000	2022 \$'000	Note	2023 \$'000	2022 \$'000
Assets					
Current Assets					
Cash and cash equivalents	109,754	49,631	5.1 (a)	97,789	39,801
Trade and other receivables	69,746	67,819	5.1 (c)	31,981	32,145
Other financial assets	3,859	2,000	5.1 (b)	-	-
Inventories	2,046	2,795		-	-
Prepayments	21,302	13,312	5.2 (a)	15,810	6,542
Non-current assets classified as held for sale	31,070	436	6.1	31,070	-
Other assets	8,909	12,608	5.2 (b)	2,252	5,366
Total Current Assets	246,686	148,601		178,902	83,854
Non-Current Assets					
Other financial assets	34,749	33,717	5.1 (b)	34,749	33,717
Investment in subsidiaries and associates	9,871	7,750	6.3	28,477	26,356
Property, infrastructure, plant and equipment	4,879,880	4,596,956	6.2	4,729,712	4,488,466
Right-of-use assets	18,274	22,783	5.8	4,629	5,868
Investment property	230,751	227,978	6.4	230,751	227,978
Intangible assets	75,350	76,319	5.2 (c)	43,858	43,700
Net assets of City of Melbourne's Defined Benefits	15,584	16,511	9.3	-	-
Total Non-Current Assets	5,264,459	4,982,014		5,072,176	4,826,085
Total Assets	5,511,145	5,130,615		5,251,078	4,909,939
Liabilities					
Current Liabilities					
Trade and other payables	102,070	96,860	5.3 (a)	81,474	62,058
Trust funds and deposits	21,531	15,839	5.3 (b)	19,088	13,653
Unearned income/revenue	21,435	31,405	5.3 (c)	15,319	25,843
Provisions	60,856	58,365	5.5	42,695	41,099
Interest-bearing liabilities	-	13,200	5.4	-	-
Lease liability	5,353	5,898	5.8	1,631	1,649
Total Current Liabilities	211,245	221,567		160,207	144,302
Non-Current Liabilities					
Trust funds and deposits	2,649	1,617	5.3 (b)	2,649	1,617
Provisions	4,789	5,105	5.5	3,850	4,050
Interest-bearing liabilities	135,000	-	5.4	110,000	-
Lease liability	13,551	17,484	5.8	3,329	4,510
Total Non-Current Liabilities	155,989	24,206		119,828	10,177
Total Liabilities	367,234	245,773		280,035	154,479
Net Assets	5,143,911	4,884,842		4,971,043	4,755,460
Equity					
Accumulated surplus	2,251,773	2,245,695		2,175,910	2,167,018
Reserves	2,892,138	2,639,147	9.1	2,795,133	2,588,442
Total Equity	5,143,911	4,884,842		4,971,043	4,755,460

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

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

Statement of Changes in Equity

For the Year Ended 30 June 2023

Consolidated		Total Equity		Accumulated Surplus		Revaluation Reserve		Other Reserves	
	Note	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Balance at beginning of the financial year		4,884,842	4,699,208	2,245,695	2,258,962	2,551,332	2,350,656	87,815	89,590
Surplus/(deficit) for the year		23,211	(16,509)	23,211	(16,509)	-	-	-	-
Net asset revaluation increment	9.1	234,799	200,676	-	-	234,799	200,676	-	-
Investment in associates	9.1	2,121	-	-	-	-	-	2,121	-
Transfers to other reserves	9.1	-	-	(18,474)	(5,086)	-	-	18,474	5,086
Transfers from other reserves	9.1	-	-	2,403	6,861	-	-	(2,403)	(6,861)
Actuarial gain - City of Melbourne's Defined Benefits Superannuation Fund	9.3	(1,062)	1,467	(1,062)	1,467	-	-	-	-
Balance at the end of the financial year		5,143,911	4,884,842	2,251,773	2,245,695	2,786,131	2,551,332	106,007	87,815

Council		Total Equity		Accumulated Surplus		Revaluation Reserve		Other Reserves	
	Note	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Balance at beginning of the financial year		4,755,459	4,569,907	2,167,018	2,180,367	2,500,627	2,299,951	87,815	89,590
Surplus/(deficit) for the year		24,964	(15,124)	24,964	(15,124)	-	-	-	-
Net asset revaluation increment	9.1	188,499	200,676	-	-	188,499	200,676	-	-
Investment in associates	9.1	2,121	-	-	-	-	-	2,121	-
Transfers to other reserves	9.1	-	-	(18,474)	(5,086)	-	-	18,474	5,086
Transfers from other reserves	9.1	-	-	2,403	6,861	-	-	(2,403)	(6,861)
Balance at the end of the financial year		4,971,043	4,755,459	2,175,911	2,167,018	2,689,126	2,500,627	106,007	87,815

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 2023

Statement of Cash Flows

For the Year Ended 30 June 2023

	Consolidated			Council	
	2023	2022		2023	2022
	\$'000	\$'000	Note	\$'000	\$'000
Cash Flows from Operating Activities					
Rates and charges	352,407	325,710		352,658	325,963
Statutory fees and fines	47,069	42,220		47,070	42,221
User fees	70,175	46,553		66,987	60,604
Grants - operating	32,874	30,464		32,874	30,464
Grants - capital	17,082	26,496		17,082	26,496
Contributions - monetary	24,406	7,291		24,406	7,281
Interest received	1,457	404		1,234	392
Dividends received	38	25		38	25
Other receipts	310,848	333,817		12,237	14,072
Net GST refund	13,949	14,799		30,443	31,385
Trust funds and deposits taken	6,584	75		6,327	126
Employee costs	(327,525)	(325,791)		(187,794)	(186,215)
Materials and services	(425,338)	(411,698)		(248,769)	(267,414)
Short-term, low value and variable lease payments	(804)	(1,079)		(804)	(979)
Grants and contributions	11,640	(32,706)		(28,297)	(40,453)
Other payments	(12,399)	(10,388)		(9,019)	(7,880)
Net cash provided by/(used in) operating activities	122,463	46,191	9.2	116,674	36,087
Cash Flows from Investing Activities					
Proceeds from sale of property, infrastructure, plant and equipment	2,634	8,065		-	7,404
Payments for property, infrastructure, plant and equipment	(174,389)	(177,082)		(165,715)	(174,992)
Proceeds from sale of/(payments for) Investments	(1,859)	29,750		-	30,000
Payment to new business vendors as part of acquisition	(1,087)	(3,544)		-	-
Net cash provided by/(used in) investing activities	(174,701)	(142,811)		(165,715)	(137,588)
Cash Flows from Financing Activities					
Finance costs	(1,523)	(355)		(519)	(91)
Proceeds from borrowings	171,500	-		145,000	-
Repayment of borrowings	(49,700)	(5,000)		(35,000)	-
Interest paid - lease liability	(643)	(756)		(165)	(189)
Repayment of lease liability	(7,274)	(6,358)		(2,287)	(2,287)
Net cash provided by/(used in) financing activities	112,360	(12,469)		107,029	(2,567)
Net increase/(decrease) in cash and cash equivalents	60,122	(109,090)		57,988	(104,069)
Cash and cash equivalents at beginning of the financial year	49,631	158,721		39,801	143,870
Cash and cash equivalents at the end of the financial year	109,754	49,631		97,789	39,801
Financing arrangements			5.6		

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 2023

Statement of Capital Works

For the Year Ended 30 June 2023

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Property				
Land	-	5,086	-	5,086
Total Land	-	5,086	-	5,086
Buildings				
Buildings	29,742	56,558	29,742	56,558
Heritage buildings	536	3,847	536	3,847
Leasehold improvements	19	-	19	-
Building improvements	32,067	15,446	30,620	14,836
Total Buildings	62,364	75,851	60,917	75,241
Total Property	62,364	80,937	60,917	80,327
Plant & Equipment				
Plant, machinery and equipment	8,269	11,712	2,671	5,693
Fixtures, fittings and furniture	2,463	870	2,457	735
Computers and telecommunications	18,144	18,958	17,679	18,644
Library books	1,564	1,479	1,564	1,479
Total Plant & Equipment	30,440	33,019	24,371	26,551
Infrastructure				
Roads	8,241	7,101	8,241	7,101
Bridges	177	1,908	177	1,908
Footpaths and cycleways	24,676	14,222	24,676	14,222
Drainage	9,164	5,861	9,164	5,861
Recreational, leisure and community facilities	6,132	4,710	6,132	4,710
Waste management	1,441	492	1,441	492
Parks, open space and streetscapes	27,009	21,525	27,009	21,525
Other infrastructures	6,209	12,041	6,209	12,041
Total Infrastructure	83,049	67,860	83,049	67,860
Total Capital Works Expenditure	175,853	181,816	168,337	174,738
Represented by:				
New asset expenditure	90,983	108,512	85,036	102,136
Asset renewal expenditure	51,210	46,910	51,210	46,910
Asset expansion expenditure	3,809	4,231	3,809	4,231
Asset upgrade expenditure	29,851	22,163	28,282	21,461
Total Capital Works Expenditure	175,853	181,816	168,337	174,738

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. Melbourne City 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 (QVM), Enterprise Melbourne Pty Ltd and Melbourne Digital Enterprise Pty Ltd (non-operating entity). The results of the operations of these entities are included in the consolidated results of the Group. Refer to Note 6.3 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 Australian Specific (AUS) paragraphs applicable to a not-for-profit entity under the Australian Accounting Standards.

1.1 Basis of accounting

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Accounting policies applied are disclosed in sections where the related balance or financial statement matter is disclosed.

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.

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.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates to reflect 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 6.2)

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

- the determination of employee provisions (refer to Note 5.5)
- the determination of doubtful debts provisions (refer Note 4.4)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to Note 3)
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- the analysis of Council results by program (refer to Note 2)
- the measurement of fair values of investment property (Note 6.4)
- other areas requiring judgements.

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.

Goods and Services Tax (GST)

Income and expenses are recognised net of the amount of associated GST. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

1.2 Impact of COVID-19

Council has noted the following impacts on its financial operations in the 2022–23 financial year, and the financial operations of the Group (group information refer to note 6.3).

- Council and the Group's annual budgets for 2022–23 reflected further recovery and growth in the city. Council's own source revenue was just below budget in 2022–23 due to a mix in traffic volumes through the city. While the night-time and weekend economies have recovered to better than pre-COVID, daytime numbers are still below expectations. When compared to pre-COVID results, parking fees and fines are still \$15.4 million below 2018–19 levels, while other revenue is \$12.0 million below.
- Additional expense incurred by Council was minimal in 2022–23 (net \$2.6 million) and related to grant programs such as the Melbourne City Reactivation Fund and Melbourne City Revitalisation Fund that were initiated during the pandemic.
- COVID-19 has had an ongoing impact on the Group's cash position, due to direct support to ratepayers and businesses provided during the pandemic, and the projects put in place to recover and grow the city since. For the 2022–23 financial year Council has incurred borrowings due to the depletion of cash resources over the last three years.
- The total financial impact of COVID-19 on the consolidated Group result during 2022–23 is approximately \$27.4 million in lower revenue (when compared to 2018-19), and additional expense of \$3.0 million.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

NOTE 2 ANALYSIS OF OUR RESULTS

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/revenue and expenditure

Council	Budget	Actual	Variance		
	2023	2023	\$'000	%	Ref
	\$'000	\$'000			
Income/revenue					
Rates and charges	345,618	349,162	3,544	1%	
Statutory fees and fines					
Parking fines	41,060	31,952	(9,108)	(22%)	1
Other statutory fees and fines	11,634	16,756	5,122	44%	2
User fees					
Parking fees	47,111	45,647	(1,464)	(3%)	
Other user fees	29,566	24,867	(4,699)	(16%)	3
Grants - operating	44,965	32,089	(12,876)	(29%)	4
Grants - capital	33,192	23,679	(9,513)	(29%)	5
Contributions - monetary	16,854	24,005	7,151	42%	6
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	4,524	(57)	(4,581)	(101%)	7
Fair value adjustments for investment properties	-	5,713	5,713	100%	8
Other income	18,385	13,551	(4,834)	(26%)	9
Total Income/revenue	592,909	567,364	(25,545)	(4%)	
Expenses					
Employee costs	194,835	190,853	3,982	2%	
Materials and services	209,479	221,262	(11,783)	(6%)	10
Depreciation	72,429	69,485	2,944	4%	
Amortisation - intangible assets	11,518	11,085	433	4%	
Amortisation - right of use assets	2,572	2,327	245	10%	
Bad and doubtful debts - allowance for impairment losses	13,396	12,626	770	6%	
Borrowing costs	2,400	519	1,881	78%	11
Finance costs - leases	118	165	(47)	(40%)	
Other expenses	8,773	8,660	113	1%	
Grants and contributions	41,862	25,418	16,444	39%	12
Total Expenses	557,382	542,400	14,982	3%	
Surplus for the year	35,527	24,964	(10,563)	(30%)	

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Explanation of material variations

Ref.	Item	Explanation
1	<i>Parking fines</i>	The below budget result reflected lower than expected traffic volumes as the city continues to recover from COVID and the impacts of working from home.
2	<i>Other statutory fees and fines</i>	Other statutory fees and fines are above budget by \$5.1 million which was driven by higher than expected statutory planning fee volumes (mainly in construction zone and temporary occupancy permits), and increases in general and local law fines.
3	<i>Other user fees</i>	Other user fees are below budget by \$4.7 million due to lower than expected building service applications, reduced recreation centre fee income, and lower street trading and Kerbside cafe charges. This was offset by higher income from permits and fees associated with events.
4	<i>Grants - operating</i>	Grants – operating income is below budget by \$12.9 million due to an extension of delivery timelines on a number of initiatives agreed with the State Government on Melbourne City Revitalisation fund expenditure, and the timing of the Make Room affordable housing grant income which is associated with changes to the funding variation agreement executed between Council and Homes Victoria. This will be received in the 2023–24 financial year.
5	<i>Grants - capital</i>	Grants - capital is below budget by \$9.5 million due to a delay in receiving the expected funding for the Greenline project from State Government (\$20 million) in 2022-23. The short-fall was partially offset by funding received for the Local Roads and Community Infrastructure Project Fund.
6	<i>Contributions - monetary</i>	Contributions - monetary is above budget by \$7.1 million due to an increase in public open space contributions (subject to construction project activity) and higher development contributions.
7	<i>Net gain/(loss) on disposal of property, infrastructure, plant and equipment</i>	The net gain/(loss) on disposal was below budget by \$4.6 million due mainly to the delay of settlement on various property sales from 2022–23 to 2023–24.
8	<i>Fair value adjustments for investment properties</i>	Fair value adjustment for investment properties is the unbudgeted net result of annual valuations of investment properties (land and buildings) owned by Council.
9	<i>Other income</i>	Other income is below budget by \$4.8 million due to lower than expected dividends from subsidiaries. This was partially offset by an increase in interest revenue as a result of higher than expected cash balances through the year.
10	<i>Materials and services</i>	Materials and services costs were above budget by \$11.8 million due to a combination of: - agency expenses to backfill for staff vacancies (\$6.6 million) - \$3.0 million in write-off related to minor project expenditure (small projects) not capitalised.
11	<i>Borrowing costs</i>	Borrowing costs are below budget given the lower than budget capital expenditure completed during the year which translated to lower levels of borrowings required.
12	<i>Grants and contributions</i>	Grants and contributions were below budget by \$16.4 million given lower expenditure mainly associated with Melbourne City Revitalisation Funding arrangement changes with the State Government (see point 4 above).

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2.1.2 Capital works

Council	Budget	Actual	Variance		
	2023 \$'000	2023 \$'000	\$'000	%	Ref
Buildings					
Buildings	38,352	29,742	8,610	22%	1
Heritage buildings	915	536	379	41%	
Leasehold improvements	-	19	(19)	(100%)	
Building improvements	64,191	30,620	33,571	52%	2
Total Buildings	103,458	60,917	42,541	41%	
Total Property	103,458	60,917	42,541	41%	
Plant & Equipment					
Plant & equipment	3,652	2,671	981	27%	
Fixtures, fittings & furniture	1,734	2,457	(723)	(42%)	
Computers and telecommunications	21,566	17,679	3,887	18%	3
Library books	1,400	1,564	(164)	(12%)	
Total Plant & Equipment	28,352	24,371	3,981	14%	
Infrastructure					
Roads	9,062	8,241	821	9%	
Bridges	4,130	177	3,953	96%	4
Footpaths and cycleways	25,028	24,676	352	1%	
Drainage	11,803	9,164	2,639	22%	5
Recreational, leisure and community facilities	7,795	6,132	1,663	21%	6
Waste management	1,689	1,441	248	15%	
Parks, open space and streetscapes	68,371	27,009	41,362	60%	7
Other Structures	7,844	6,209	1,635	21%	8
Total Infrastructure	135,722	83,049	52,673	39%	
Total Capital Works Expenditure	267,532	168,337	99,195	37%	
Represented by:					
New asset expenditure	147,184	85,036	62,148	42%	
Asset renewal expenditure	53,043	51,210	1,833	3%	
Asset expansion expenditure	7,766	3,809	3,957	51%	
Asset upgrade expenditure	59,539	28,282	31,257	52%	
Total Capital Works Expenditure	267,532	168,337	99,195	37%	

From the \$99.2 million variance to budget in total capital works expenditure for 2022–23, \$34.5 million will be carried forward to 2023–24 (2022: \$34.8 million was carried forward to 2022–23). This leaves a balance of \$64.7 million not spent or carried forward.

The balance of budgeted funds not spent or carried forward to next financial year relates predominantly to the following major projects:

- Dodds Street Linear Park, Southbank
- Pump Station Upgrade – Stubbs Street
- Munro Library and Community Hub
- Princes Bridge Bluestone Repair Works
- Technology and Digital Innovation – New

The under spends on these projects for 2022–23 relate to a combination of planned deferrals and postponements as a result of approval delays, material and labour shortages in the construction industry, and

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other associated latent conditions. Although not carried forward, the balance of \$64.7 million will be included in future budgets.

Explanation of material variations

	Item	Explanation
1	Buildings	Expenditure on Buildings is below budget \$8.6 million due mainly to an underspend of \$11.7 million on the Kensington Community Recreation Precinct Redevelopment due to latent conditions and delays in external authority approvals.
2	Building improvements	Building improvements are \$33.6 million below budget due to: <ul style="list-style-type: none"> • An underspend of \$27.6 million on the Queen Victoria Market Precinct Renewal project relating to delays due to construction sector challenges, revised procurement approaches, external authority approvals and consultation undertaken with traders on the disruptions impacting their businesses. • An underspend of \$3.1 million on the Munro Library project due to delays in planning and building permits that have caused the completion date to be pushed back to November 2023. • An underspend of \$2.5 million on the Chilled Beams project which was discontinued at the start of the financial year as Council re-prioritised its property improvement projects, resulting in the budget being returned.
3	Computers and telecommunications	Computers and telecommunications are below budget by \$3.8 million due to: <ul style="list-style-type: none"> • Delays in hiring resources due to issues affecting the IT industry, • Issues in sourcing additional technology software licensing, and • Subsequent supply chain issues for sourcing IT hardware.
4	Bridges	There was a \$3.9 million underspend on the Princes Bridge Bluestone Repair Works project due to significant delays related to sourcing appropriate replacement bluestone to match the same visual appearance as the existing bluestone. This has resulted in delays to agreements being formed.
5	Drainage	Expenditure on drainage was below budget by \$2.6 million as the Pump Station Upgrade - Stubbs Street was delayed due to extended lead times on key materials and further impacts of power supply diversions. 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. Funds have been carried forward with construction expected to be completed during 2023–24.
6	Recreational, leisure & community facilities	Recreational, leisure and community facilities expenditure is below budget by \$1.7 million due to: <ul style="list-style-type: none"> • Ryder Pavilion Upgrade Works' initial design estimates being in excess of the allocated budget and therefore the project was delayed due to necessary value management to ensure construction costs were reduced (\$0.8 million under spent). • Melbourne City Baths urgent works (\$0.4 million underspent) has suffered from

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

		delays stemming from heritage permit approvals which subsequently caused issues with the procurement process. Funds have been carried forward to 2023–24 with construction expected to be completed by August 2023.
7	Parks, open space & streetscapes	<p>Expenditure on Parks, open spaces and streetscapes was under budget by \$41.4 million due to a combination of the following;</p> <ul style="list-style-type: none"> • An underspend on the Greenline project of \$32.9 million which has suffered setbacks due to advocacy to implement governance arrangements and timing of state government funding. This has impacted timelines as suitable sites for acquisition have been selected. • Delays in the North Melbourne, West Melbourne and Docklands Transport and Amenity Program which is a co-funded project with the Department of Transport in a matched funding arrangement. The projects have not been completed as endorsement was sought from the Department of Transport for the next three to four years of the program (\$2.4 million surplus funds). • An underspend of \$2.9 million on the Dodds Street linear park due to delays related to the deferral of detailed design of landscape works by Southbank Major Public Art commission. Funds have been carried forward with construction due to commence in December 2023, and completion expected by the end of the 2023–24 financial year. • An underspend of \$1.8 million on the City Road Masterplan due to negotiation delays with the Department of Transport and Planning surrounding the lease agreement for the Northern Undercroft as well as grant funding delays from the Federal Government. • The Southbank Promenade project was postponed at the request of the local traders to ensure their business operations would not be impacted during the high tourist season as they recover from the previous COVID-19 restrictions. • An underspend of \$0.9 million on the Southbank promenade which was put on hold upon the request of the local traders to ensure their business operations were not be impacted in the high tourist season, straight after the COVID-19 restrictions. A portion of the unspent funds were carried forward to close-off the project by August 2023.
8	Other Structures	<p>Expenditure on Other structures is under budget by \$1.6 million due to:</p> <ul style="list-style-type: none"> • An underspend on the Public Art project which has experienced delays as the budget relates to the commissioning of public artworks for the Dodd St linear park currently under construction, which has experienced delays itself. • An underspend of \$0.7 million on the Swanston Hostile Vehicle Mitigation project which previously represented unspent grant funding from the Department of Justice. The project has since been completed this financial year ahead of

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		schedule, with the surplus funds to be returned to the Department of Justice.
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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/revenue, expenses, assets and capital expenses by program

2023	Income /revenue \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in	
				Income/ revenue \$'000	Total assets \$'000
Executive Services	7,480	40,667	(33,187)	-	10
Finance and Corporate	358,780	70,068	288,712	6,958	503,383
Property, Infrastructure and Design	24,862	111,531	(86,669)	18,053	4,508,660
Strategy, Planning and Climate Change	47,561	119,584	(72,023)	4,572	183,947
Community and City Services	99,270	98,540	730	7,006	7,086
City Economy and Activation	29,411	102,010	(72,599)	19,179	47,992
Total	567,364	542,400	24,964	55,768	5,251,078

2022	Income /revenue \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in	
				Income/ revenue \$'000	Total assets \$'000
Executive Services	6,879	38,292	(31,413)	1,002	32
Finance and Corporate	339,230	69,337	269,893	5,816	375,911
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
Total	519,174	534,298	(15,124)	68,128	4,909,939

There was one change in the divisional structure during the 2022–23 year, with the Homes Melbourne branch moving out of Executive Services, and into the Community and City Services division.

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 2022–23 was \$7.5 billion (2021–22 \$7.2 billion).

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Residential	127,966	139,986	127,966	139,986
Non-residential	168,913	184,605	169,163	184,858
Culture & recreational	635	620	635	620
Supplementary rates and rate adjustments	3,837	246	3,837	246
Interest on Rates & Charges	983	158	983	158
Waste management charge*	46,578	-	46,578	-
	348,912	325,615	349,162	325,868

*Waste management charge has been separated from general rates revenue from 2022–23 financial year and includes supplementary waste charges.

The growth in supplementary rates and rate adjustments is predominately due to the completion of major unit developments within the city precinct.

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2023 and the valuation will be first applied in the rating year commencing 1 July 2023.

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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Infringements and costs				
Parking fines	31,952	24,068	31,952	24,068
Total parking fines	31,952	24,068	31,952	24,068
Infringements and costs				
General fines	2,271	1,167	2,271	1,167
Town planning fees	8,916	6,837	8,916	6,837
Land Information Certificates	264	283	264	283
Permits	2,145	1,847	2,145	1,847
Food and Health Act registration	3,159	2,263	3,160	2,264
Total other statutory fees and fines	16,755	12,397	16,756	12,398
Total statutory fees and fines	48,707	36,465	48,708	36,466

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.

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3.3. User fees

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Parking	50,017	41,658	45,647	38,995
Total parking fees	50,017	41,658	45,647	38,995
Aged and health services	89	122	89	122
Leisure centre and recreation	2,454	2,015	2,454	2,015
Child care/children's programs	1,505	1,275	1,505	1,275
Registration and other permits	2,068	1,296	2,068	1,296
Building services	13,867	10,842	13,867	10,842
Waste management services	753	373	753	373
Berthing	600	432	600	432
Other fees and charges	3,531	1,577	3,531	1,577
Total other user fees	24,867	17,932	24,867	17,932
Total user fees	74,884	59,590	70,514	56,927

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	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Summary of Grants				
Commonwealth funded grants	11,139	7,789	11,139	7,789
State funded grants	44,629	60,339	44,629	60,339
Total grants received	55,768	68,128	55,768	68,128

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(a) Operating grants

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Recurrent - Commonwealth Government				
Aging and Inclusion	857	1,104	857	1,104
Financial Assistance Grant	5,082	4,654	5,082	4,654
Other	737	79	737	79
Recurrent - State Government				
Aged care	343	310	343	310
Libraries	1,092	1,069	1,092	1,069
Maternal & Child Health	1,145	1,191	1,145	1,191
Pre School Services	112	229	112	229
Support Services for Families	1,023	852	1,023	852
Arts Programs	467	636	467	636
Event	183	51	183	51
Infrastructure projects	542	374	542	374
Other	330	595	330	595
Total Recurrent Operating Grants	11,913	11,144	11,913	11,144
Non-recurrent - State Government				
Infrastructure	1,343	1,380	1,343	1,380
Homeless Services support	1,312	1,000	1,312	1,000
Arts Programs	413	184	413	184
Melbourne City Recovery Fund	3,800	18,010	3,800	18,010
Melbourne City Reactivation Fund	11,056	12,588	11,056	12,588
Other COVID-19 related	614	3,068	614	3,068
CBD Business Support Impacted by COVID-19	-	925	-	925
Other	1,638	1,923	1,638	1,923
Total Non-recurrent Operating Grants	20,176	39,078	20,176	39,078
Total Operating Grants	32,089	50,222	32,089	50,222

(b) Capital grants

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Recurrent - Commonwealth Government				
Roads to recovery	451	469	451	469
Road & Streets	1,115	1,005	1,115	1,005
Recurrent - State Government				
Parking Levy	7,000	7,000	7,000	7,000
Total Recurrent Capital Grants	8,566	8,474	8,566	8,474
Non-recurrent - Commonwealth Government				
Local Roads and Community Infrastructure	2,897	478	2,897	478
Non-recurrent - State Government				
Public Security	-	2,615	-	2,615
Parks, gardens and infrastructure	4,944	2,927	4,944	2,927
Sports pavilion	1,000	2,000	1,000	2,000
Digital permits	1,838	1,162	1,838	1,162
Working for Victoria and City Recovery	-	250	-	250
Public Art	2,145	-	2,145	-
Library	1,180	-	1,180	-
Gateway to GMH site (Fisherman's Bend)	1,109	-	1,109	-
	12,216	8,954	12,216	8,954
Total Non-recurrent Capital Grants	15,113	9,432	15,113	9,432
Total Capital Grants	23,679	17,906	23,679	17,906

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(c) 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.

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
<i>Income recognised under AASB 1058 Income of Not-for-Profit Entities</i>				
General purpose grants	15,097	14,268	15,097	14,268
Specific purpose grants to acquire non-financial assets	11,163	8,699	11,163	8,699
Other specific purpose grants	19,115	33,051	19,115	33,051
<i>Revenue recognised under AASB 15 Revenue from Contracts with Customers</i>				
Specific purpose grants	10,393	12,110	10,393	12,110
Total grants income/revenue recognised	55,768	68,128	55,768	68,128

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.

3.5 Contributions

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Public Open Space	16,282	4,649	16,282	4,649
Child Care Benefit	1,953	1,669	1,953	1,669
Sponsorships	618	779	618	769
Non-Government Capital	4,887	51	4,887	51
Other Contributions	265	55	265	55
Total Contributions - Monetary	24,005	7,203	24,005	7,193

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

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

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Land and Buildings				
Proceeds of sales	516	7,348	-	7,339
Written down value of assets disposed	(92)	(5,094)	-	(5,073)
Gain/(Loss) on disposal	424	2,254	-	2,266
Plant and Equipment				
Proceeds of sales	2,118	717	-	65
Written down value of assets disposed	(843)	(278)	(57)	(154)
Gain/(Loss) on disposal	1,275	439	(57)	(89)
Proceeds of sale	2,634	8,065	-	7,404
Written down value of assets disposed	(935)	(5,372)	(57)	(5,227)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	1,699	2,693	(57)	2,177

The profit/(loss) on disposal of an asset is determined when control of the asset has been passed to the buyer.

3.7. Other income

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Interest	1,457	404	1,234	392
Dividends	38	25	38	4,025
Investment property/market rentals*	18,988	14,753	4,445	4,739
Intercompany revenue	-	-	580	2,635
Sales & recoveries**	296,854	288,399	6,936	4,973
Project income	280	419	318	428
Total Other Income	317,617	304,000	13,551	17,192

* Consolidated income includes QVM stall holder revenue of \$14.5 million for 2022–23 (2021–22: \$10.0 million).

** Consolidated income includes Citywide services of \$285.8 million for 2022–23 (2021–22: \$274.7 million). Services relate to waste management, infrastructure, open space and utilities.

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.

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NOTE 4 THE COST OF DELIVERING SERVICES

4.1. Employee costs

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Wages and salaries	267,602	261,929	151,082	142,173
WorkCover	5,625	6,050	1,471	2,049
Superannuation contributions	28,881	24,830	18,413	16,341
Fringe benefit tax	418	(185)	239	181
Annual leave and long service leave	28,559	25,316	19,648	17,461
	331,085	317,940	190,853	178,205

Wages and Salaries increased year on year due to the annual Enterprise Agreement increase of 1.5% and the recruitment of staff into vacant positions. Superannuation contributions increased to 10.5% for 2022–23. Group Fringe Benefits Tax (FBT) increased year on year as a result of an increase in support of events returning to the city, which incurs an FBT liability under entertainment expense.

Superannuation contributions

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Defined benefit fund				
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	89	100	89	100
Melbourne City Council Superannuation sub-plan (Vision Super)	729	923	565	709
	818	1,023	654	809
Accumulation funds				
Employer contributions to Vision Super	9,791	10,052	7,589	7,738
Employer contributions - other funds	18,272	13,755	10,170	7,794
	28,063	23,807	17,759	15,532
Total Superannuation contributions	28,881	24,830	18,413	16,341
Employer contributions payable at reporting date	947	879	-	-

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

4.2. Materials and services

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Contract payments				
Strategy, Planning and Climate Change	70,380	64,625	70,380	64,625
Property, Infrastructure and Design	51,259	38,736	23,269	23,485
City Economy and Activation	22,571	30,998	22,571	30,998
Finance and Corporate	5,362	4,992	5,362	4,992
Community and City Services	21,621	21,695	21,621	21,695
Other	7,482	13,100	7,482	6,905
Building maintenance	3,561	2,298	3,519	2,269
General maintenance	32,047	32,388	17,263	20,790
Utilities	11,397	10,885	8,574	7,849
Administration/Supplies	108,890	102,069	14,147	12,029
Information technology	13,430	11,831	9,665	8,355
Insurance	5,541	5,637	2,282	3,214
Consultants	19,127	19,633	15,127	15,344
	372,668	358,887	221,262	222,550

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

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4.3. Depreciation

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Property	13,045	10,601	11,849	9,374
Plant and equipment	18,741	19,287	8,134	7,273
Infrastructure	49,502	49,574	49,502	49,574
Total depreciation	81,288	79,462	69,485	66,221

Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4. Bad and doubtful debts – allowance for impairment losses

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Parking fine debtors	13,045	8,052	13,045	8,052
Trade debtors	(376)	20	(419)	(4)
Total bad and doubtful debts - allowance for impairment losses	12,669	8,072	12,626	8,048

Movement in allowance for impairment losses - parking infringements	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Balance at the beginning of the year	95,448	87,772	95,448	87,772
New provisions recognised during the year	13,045	8,052	13,045	8,052
Amounts already provided for and written off as uncollectible	(527)	(436)	(527)	(436)
Amounts provided for but recovered during the year	74	60	74	60
Balance at the end of the year	108,040	95,448	108,040	95,448

An allowance for impairment losses in respect of debtors is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.5. Other expenses

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Auditors remuneration - VAGO- audit of financial statements	348	304	188	163
Audit services - external acquittal and assessment	47	19	47	19
Audit services - internal audit	730	676	442	392
Fire brigade levy	210	215	210	215
Taxes & Levies	6,244	5,310	5,333	4,348
Other costs	4,154	3,419	2,440	2,426
	11,733	9,943	8,660	7,563

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

4.6. Grants and Contributions

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Arts grant	4,371	4,431	4,371	4,431
Tourism and events	4,066	2,719	4,066	2,719
Economic development	5,747	11,243	8,197	18,943
Community services	1,709	1,535	1,709	1,535
Other	7,075	8,972	7,075	8,972
	22,968	28,900	25,418	36,600

NOTE 5 OUR FINANCIAL POSITION

5.1. Financial assets

(a) Cash and cash equivalents

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Cash on hand	31	589	20	28
Cash at bank	109,723	49,042	97,769	39,773
Total Cash and cash equivalents	109,754	49,631	97,789	39,801

(b) Other financial assets

	Consolidated		Council	
	2023	5223	2023	5223
	\$'000	\$'000	\$'000	\$'000
Current				
Term deposits - current	3,859	2,000	-	-
Non-Current				
Term deposits - non current*	34,749	33,717	34,749	33,717
Total other financial assets	38,608	35,717	34,749	33,717
Total financial assets	148,362	85,348	132,538	73,518

* Term deposits – non-current is the Acquisition Trust funds created in relation to the compulsory sale of City Square assets to Rail Projects Victoria.

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.

Other financial assets are valued at fair value, 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.

(c) Trade and other receivables

Current	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Statutory receivables				
Rate debtors	15,513	18,678	15,513	18,678
Infringement debtors	109,082	99,863	109,082	99,863
Provision for doubtful debts - Infringements	(108,040)	(95,448)	(108,040)	(95,448)
Net GST receivable	1,143	2,174	4,136	4,478
Non statutory receivables				
Trade debtors*	52,806	43,781	11,634	5,336
Provision for doubtful debts - Trade debtors	(758)	(1,229)	(344)	(762)
Total current trade and other receivables	69,746	67,819	31,981	32,145

*Consolidated trade debtors includes Citywide trade receivables of \$36.9 million (2022: \$38.5 million), and QVM trade receivables of \$0.9 million (2022: \$0.4 million).

Short term receivables are carried at the invoice amount. A provision for doubtful debts is recognised

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current (not yet due)	39,693	33,503	8,332	1,780
Past due by up to 30 days	4,360	6,980	613	2,523
Past due between 31 and 180 days	6,143	2,408	593	583
Past due between 181 and 365 days	589	569	277	367
Past due by more than 1 year*	2,021	321	1,819	83
Total trade and other receivables	52,806	43,781	11,634	5,336

*The amount at "Past due by more than 1 year" includes \$1.8 million deposit held in trust for the sale of the Kavanagh Street property, due to be settled in 2023–24.

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$0.8 million (2022 \$1.2 million) were impaired. The amount of the provision raised against these debtors was \$0.5 million (2022: \$0.2 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 its debt collectors or are subject to payment arrangements.

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

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current (not yet due)	3	307	-	250
Past due between 31 and 180 days	160	285	64	100
Past due between 181 and 365 days	564	555	249	330
Past due by more than 1 year	31	82	31	82
Total	758	1,229	344	762

5.2. Non-financial assets**(a) Prepayments**

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Prepayments	21,302	13,312	15,810	6,542
Total prepayments	21,302	13,312	15,810	6,542

Includes \$11.5 million for the relocation of power lines at the Queen Victoria Market Southern Site project to be completed in the first half of 2023–24, and various software licence renewals.

(b) Other assets

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Accrued income	8,909	12,608	2,252	5,366
Total accrued income	8,909	12,608	2,252	5,366

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(c) Intangible assets

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Software	44,075	44,162	43,858	43,700
Goodwill	30,551	30,551	-	-
Customer relationships	724	1,606	-	-
Total intangible assets	75,350	76,319	43,858	43,700

Goodwill relates to City of Melbourne's subsidiary Citywide Service Solutions Pty Ltd and has been reviewed for impairment for the year ended 30 June 2023.

Consolidated	Software \$'000	Goodwill \$'000	Customer relationships \$'000	Total \$'000
Gross carrying amount				
Balance at 30 June 2022	116,201	39,890	4,567	160,658
Additions	5,362	-	-	5,362
WIP	5,432	-	-	5,432
Balance at 30 June 2023	126,995	39,890	4,567	171,452
Accumulated amortisation and impairment				
Balance at 30 June 2022	(72,039)	(9,339)	(2,961)	(84,339)
Amortisation expense	(10,881)	-	(882)	(11,763)
Balance at 30 June 2023	(82,920)	(9,339)	(3,843)	(96,102)
Net book value at 30 June 2022	44,162	30,551	1,606	76,319
Net book value at 30 June 2023	44,075	30,551	724	75,350

Council	Software \$'000	Goodwill \$'000	Customer relationships \$'000	Total \$'000
Gross carrying amount				
Balance at 30 June 2022	114,702	-	-	114,702
Additions	5,391	-	-	5,391
WIP	5,432	-	-	5,432
Balance at 30 June 2023	125,525	-	-	125,525
Accumulated amortisation and impairment				
Balance at 30 June 2022	(71,002)	-	-	(71,002)
Amortisation expense	(10,665)	-	-	(10,665)
Balance at 30 June 2023	(81,667)	-	-	(81,667)
Net book value at 30 June 2022	43,700	-	-	43,700
Net book value at 30 June 2023	43,858	-	-	43,858

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

5.3. Payables, trust funds and deposits, and unearned income/revenue**(a) Trade and other payables**

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current				
Trade payables	38,001	35,812	22,581	15,977
Accrued operating expenses	53,494	50,185	38,606	28,127
Accrued capital work expenses	10,575	10,863	20,287	17,954
Total current trade and other payables	102,070	96,860	81,474	62,058

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

(b) Trust funds and deposits

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current				
Refundable deposits	10,844	8,446	8,482	6,302
Fire services levy	6,865	7,025	6,865	7,025
Retention amount	159	82	159	82
Other refundable deposits*	3,663	286	3,582	244
Total current trust funds and deposits	21,531	15,839	19,088	13,653
Non-Current				
Refundable deposits	2,649	1,617	2,649	1,617
Total non-current trust funds and deposits	2,649	1,617	2,649	1,617
Total trust funds and deposits	24,180	17,456	21,737	15,270

*Other refundable deposits include \$3.3 million property sale deposits received during the year.

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, and 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.

(c) Unearned income/revenue

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current				
Grants received in advance - operating	5,044	6,203	5,044	6,203
Grants received in advance - capital	5,388	13,707	5,388	13,707
Other	11,003	11,495	4,887	5,933
Total current unearned income/revenue	21,435	31,405	15,319	25,843

Unearned income/revenue represents contract liabilities and reflect consideration received in advance from customers in respect of government grants. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer.

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5.4. Interest-bearing liabilities

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current				
Other borrowing - secured	-	13,200	-	-
Non-current				
Borrowing - secured	135,000	-	110,000	-
Total	135,000	13,200	110,000	-
Maturity profile for borrowing is:				
Not later than one year	-	13,200	-	-
Later than one year and not later than five years	135,000	-	110,000	-

Borrowings at 30 June 2023 relate to a long-term loan at the Council, and a long and short-term loan at Citywide Service Solutions Pty Ltd. Refer to Note 8.2 (d) for more details.

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

5.5. Provisions

Summary of current and non-current provisions:

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current provisions				
Employee provisions	56,323	55,134	39,932	38,433
Other provisions	4,533	3,231	2,763	2,666
	60,856	58,365	42,695	41,099
Non-current provisions				
Employee provisions	4,789	5,105	3,850	4,050
	4,789	5,105	3,850	4,050
Total provisions	65,645	63,470	46,545	45,149

Below is a summary of provisions by categories:

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Employee provisions				
Balance at the beginning of year	60,239	55,925	42,483	39,563
Additional provisions	28,559	25,316	19,648	17,461
Amounts used	(27,686)	(21,002)	(18,349)	(14,541)
Balance at the end of year	61,112	60,239	43,782	42,483
Insurance claims				
Balance at the beginning of year	2,666	1,742	2,666	1,742
Additional provisions	197	1,551	197	1,551
Amounts used	(100)	(627)	(100)	(627)
Balance at the end of year	2,763	2,666	2,763	2,666
Other provisions				
Balance at the beginning of year	565	564	-	-
Additional provisions	1,770	565	-	-
Amounts used	(565)	(564)	-	-
Balance at the end of year	1,770	565	-	-
Total provisions	65,645	63,470	46,545	45,149

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

(a) Employee provisions

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Current provisions expected to be wholly settled within 12 months				
Annual leave	23,559	23,914	13,664	13,466
Long service leave	2,711	8,034	1,836	1,861
	26,270	31,948	15,500	15,327
Current provisions expected to be wholly settled after 12 months				
Annual leave	69	80	-	-
Long service leave	29,984	23,106	24,432	23,106
	30,053	23,186	24,432	23,106
Total current employee provisions	56,323	55,134	39,932	38,433
Non-Current				
Long service leave	4,789	5,105	3,850	4,050
Total non-current employee provisions	4,789	5,105	3,850	4,050
Aggregate carrying amount of employee provisions				
Current	56,323	55,134	39,932	38,433
Non-current	4,789	5,105	3,850	4,050
Total aggregate carrying amount of employee provisions	61,112	60,239	43,782	42,483

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 twelve months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. 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	
	2023	2022	2023	2022
Discount rate	1.5%-4.4%	1.5%-3.7%	4.08%-4.37%	2.38%-3.66%
Inflation rate	2.0%-4.35%	1.5%-3.85%	2.0%-4.35%	1.5%-3.85%

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

5.6. Financing arrangements

The Group has the following funding arrangements in place as at 30 June 2023.

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Bank overdraft facility	2,500	2,500	-	-
Credit card facilities	1,010	590	500	300
Treasury Corporation of Victoria facilities	241,788	242,921	241,788	242,921
Bank loan facility*	36,200	111,200	-	75,000
Other financing facilities	19,500	18,000	-	-
Total facilities	300,998	375,211	242,288	318,221
Used facilities	(153,726)	(27,093)	(110,011)	(2)
Unused facilities	147,272	348,118	132,277	318,219

* Includes Citywide's \$36.2 million bank loan facility which has been extended to 27 July 2025 and \$2.5 million bank overdraft facility, and Council's \$241.8 million loan facility with TCV. Council's \$75 million loan facility with ANZ Bank expired on 30 June 2023. For full details refer to Note 8.3 (d).

5.7. Commitments

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

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

(a) Commitments for expenditure

Council 2023	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Operating					
Waste	24,082	24,082	17,732	-	65,895
Roads, Streets & Related Infrastructure	6,285	6,285	18,856	-	31,427
Parks & Gardens	18,153	82	-	-	18,235
Cleaning - Outdoor	10,811	-	-	-	10,811
Parking	4,253	2,091	-	-	6,344
Facilities & Maintenance	10,114	3,088	359	-	13,561
Community Services	4,982	3,248	-	-	8,231
Information Technology	1,933	605	94	-	2,632
Integrated Security Services, Infrastructure & Maintenance	2,476	-	-	-	2,476
Events	6,202	5,553	3	-	11,757
Cleaning - Indoor	4,188	4,188	4,188	-	12,565
Media & Advertising	583	175	-	-	759
Other categories	7,729	628	-	-	8,357
Total	101,792	50,026	41,232	-	193,051
Capital					
Building & Equipment	5,362	-	-	-	5,362
Parks & Gardens	9,271	-	-	-	9,271
Total	14,633	-	-	-	14,633

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
Operating					
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
Total	196,679	72,198	44,647	-	313,525
Capital					
Building & Equipment	73,535	42	-	-	73,577
Parks & Gardens	13,455	11	-	-	13,467
Roads	862	4	-	-	866
Total	87,852	58	-	-	87,910

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

The Group's leasing profile comprises of largely crown land and property for the Council, and property for Citywide, and QVM. QVM includes market stalls and standard enclosure rentals. Other inclusions in the portfolio include freehold or lease commitments. The Group has a number of leases varying from

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Not later than one year	16,313	7,690	4,575	3,212
Later than one year and not later than five years	30,001	18,941	11,514	9,174
Later than five years	17,717	20,957	14,324	17,390
	64,031	47,588	30,413	29,776

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 2021–22).

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

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

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

Under AASB 16 Leases, Council as a not-for-profit entity has elected not to measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms. Council

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currently has eight low value property leases (peppercorn) which are used in providing community services for parents, children and visitors to the city.

Right of Use Assets

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Property				
Balance at 1 July 2022	21,549	25,458	5,443	5,342
Additions	(1,075)	894	(1,075)	-
Modifications	2,652	778	2,069	2,069
Amortisation charges	(5,680)	(5,581)	(2,001)	(1,968)
Balance at 30 June 2023	17,446	21,549	4,436	5,443
Fleet Vehicles				
Balance at 1 July 2022	1,234	2,148	425	313
Additions	194	354	(45)	354
Modifications	1,025	494	139	139
Amortisation charges	(1,625)	(1,762)	(326)	(381)
Balance at 30 June 2023	828	1,234	193	425
Total Balance at 30 June 2023	18,274	22,783	4,629	5,868

Lease Liabilities

Maturity analysis – contractual undiscounted cash flows

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Less than one year	5,932	6,420	1,749	1,801
One year to five years	10,984	13,106	3,035	3,996
More than five years	8,576	6,166	480	815
Total undiscounted lease liabilities as at 30 June 2023	25,492	25,692	5,264	6,612

Lease liability included in the Balance Sheet at 30 June 2023

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Current				
Property lease	4,804	5,102	1,467	1,387
Fleet lease	549	796	164	262
	5,353	5,898	1,631	1,649
Non-current				
Property lease	13,349	17,114	3,310	4,355
Fleet lease	202	370	19	155
	13,551	17,484	3,329	4,510
Total Lease Liabilities	18,904	23,382	4,960	6,159

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.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

Expenses in relation to:	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Short-term leases	100	100	-	-
Leases of low value assets	804	979	804	979
Total	904	1,079	804	979

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

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Within one year	847	635	847	635
Later than one year but not later than five years	1,416	1,920	1,416	1,920
Total	2,263	2,555	2,263	2,555

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

NOTE 6 ASSETS WE MANAGE

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6.1 Non current assets classified as held for sale

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Carrying value as at 30 June	31,070	436	31,070	-
Total non current assets classified as held for sale	31,070	436	31,070	-

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

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6.2 Property, infrastructure, plant and equipment

a. Summary of Property, Infrastructure, Plant and Equipment

Consolidated	Carrying amount 30 June 2022	Additions	Asset Held for Sale	Revaluation	Depreciation	Disposal	Write-offs	Transfers	Carrying amount 30 June 2023
Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,787,240	1,411	(28,130)	203,109	(13,045)	(36)	-	17,083	2,967,632
Infrastructure	1,564,887	-	-	31,690	(49,504)	-	-	64,139	1,611,212
Plant & Equipment	67,318	5,169	-	-	(18,739)	(899)	-	7,076	59,925
Work in progress	177,511	155,341	-	-	-	-	(3,443)	(88,298)	241,111
Total	4,596,956	161,921	(28,130)	234,799	(81,288)	(935)	(3,443)	-	4,879,880

Council	Carrying amount 30 June 2022	Additions	Asset Held for Sale	Revaluation	Depreciation	Disposal	Write-offs	Transfers	Carrying amount 30 June 2023
Category	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	2,723,937	-	(28,130)	156,809	(11,850)	-	-	17,083	2,857,849
Infrastructure	1,564,887	-	-	31,690	(49,504)	-	-	64,139	1,611,212
Plant & Equipment	24,791	-	-	-	(8,131)	(57)	-	6,426	23,029
Work in progress	174,851	153,804	-	-	-	-	(3,385)	(87,648)	237,622
Total	4,488,466	153,804	(28,130)	188,499	(69,485)	(57)	(3,385)	-	4,729,712

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

b. Summary of Work in Progress

Consolidated	Balance 30 June 2022	Additions	Write offs	Transfers	Balance 30 June 2023
Category	\$'000	\$'000	\$'000	\$'000	\$'000
Property	103,987	68,004	(2,137)	(17,083)	152,771
Infrastructure	61,966	76,769	(682)	(64,139)	73,914
Plant & Equipment	11,557	10,568	(624)	(7,076)	14,425
Total	177,510	155,341	(3,443)	(88,298)	241,110

Council	Balance 30 June 2022	Additions	Write offs	Transfers	Balance 30 June 2023
Category	\$'000	\$'000	\$'000	\$'000	\$'000
Property	104,272	68,004	(2,137)	(17,083)	153,056
Infrastructure	61,966	76,769	(682)	(64,139)	73,914
Plant & Equipment	8,613	9,031	(566)	(6,426)	10,652
Total	174,851	153,804	(3,385)	(87,648)	237,622

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

c. Details of Property Category

Consolidated	Land			Buildings					Work In Progress	Property Total
	Specialised	Non-specialised	Total	Heritage	Specialised	Non-specialised	Leasehold improvements	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
At fair value 30 June 2022	2,135,406	183,503	2,318,909	250,562	117,763	94,879	14,679	477,883	103,987	2,900,779
Accumulated depreciation 30 June 2022	-	-	-	-	-	-	(9,552)	(9,552)	-	(9,552)
Carrying amount 30 June 2022	2,135,406	183,503	2,318,909	250,562	117,763	94,879	5,127	468,331	103,987	2,891,227
Movements in Fair Value										
Additions	-	-	-	-	-	-	1,411	1,411	68,004	69,415
Revaluations	122,020	37,988	160,008	16,024	12,798	14,279	-	43,101	-	203,109
Disposals	-	-	-	-	-	-	(47)	(47)	-	(47)
Write-offs	-	-	-	-	-	-	-	-	(2,137)	(2,137)
Transfers from WIP	3,617	-	3,617	8,014	4,636	816	-	13,466	(17,083)	-
Non-current assets classified as held for sale	-	(28,130)	(28,130)	-	-	-	-	-	-	(28,130)
Total	125,637	9,858	135,495	24,038	17,434	15,095	1,364	57,931	48,784	242,210
Movements in Accumulated Depreciation										
Depreciation and amortisation	-	-	-	(4,577)	(3,892)	(3,352)	(1,224)	(13,045)	-	(13,045)
Accumulated depreciation on disposals	-	-	-	-	-	-	11	11	-	11
Total	-	-	-	(4,577)	(3,892)	(3,352)	(1,213)	(13,034)	-	(13,034)
At fair value 30 June 2023	2,261,043	193,361	2,454,404	274,600	135,197	109,974	16,043	535,814	152,771	3,142,989
Accumulated depreciation 30 June 2023	-	-	-	(4,577)	(3,892)	(3,352)	(10,765)	(22,586)	-	(22,586)
Carrying amount 30 June 2023	2,261,043	193,361	2,454,404	270,023	131,305	106,622	5,278	513,228	152,771	3,120,403

Citywide Solutions Services Pty Ltd completed its triennial land valuation by independent valuers on 30 June 2023, resulting in an increment of \$46.3 million.

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

Council	Land			Buildings					Work In Progress	Property Total
	Specialised	Non-specialised	Total	Heritage	Specialised	Non-specialised	Leasehold improvements	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
At fair value 30 June 2022	2,089,309	172,680	2,261,989	250,562	115,744	94,878	3,286	464,470	104,272	2,830,731
Accumulated depreciation 30 June 2022	-	-	-	-	-	-	(2,522)	(2,522)	-	(2,522)
Carrying amount 30 June 2022	2,089,309	172,680	2,261,989	250,562	115,744	94,878	764	461,948	104,272	2,828,209
Movements in Fair Value										
Additions	-	-	-	-	-	-	-	-	68,004	68,004
Revaluations	122,020	(8,312)	113,708	16,024	12,798	14,279	-	43,101	-	156,809
Write-offs	-	-	-	-	-	-	-	-	(2,137)	(2,137)
Transfers from WIP	3,617	-	3,617	8,014	4,636	816	-	13,466	(17,083)	-
Non-current assets classified as held for sale	-	(28,130)	(28,130)	-	-	-	-	-	-	(28,130)
Total	125,637	(36,442)	89,195	24,038	17,434	15,095	-	56,567	48,784	194,546
Movements in Accumulated Depreciation										
Depreciation and amortisation	-	-	-	(4,577)	(3,722)	(3,352)	(199)	(11,850)	-	(11,850)
Total	-	-	-	(4,577)	(3,722)	(3,352)	(199)	(11,850)	-	(11,850)
Fair value 30 June 2023	2,214,946	136,238	2,351,184	274,600	133,178	109,973	3,286	521,037	153,056	3,025,277
Accumulated depreciation 30 June 2023	-	-	-	(4,577)	(3,722)	(3,352)	(2,721)	(14,372)	-	(14,372)
Carrying amount 30 June 2023	2,214,946	136,238	2,351,184	270,023	129,456	106,621	565	506,665	153,056	3,010,905

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

d. Details of Infrastructure Category

Consolidated	Roads	Bridges	Footpaths & cycleways	Drainage	Recreational, leisure and community	Parks open spaces and streetscapes	Other	Statues, sculptures & artworks	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	At fair value 30 June 2022	804,739	115,190	160,471	168,975	4,527	46,135	217,424	58,458	61,966
Accumulated depreciation 30 June 2022	-	-	-	-	-	-	-	(11,032)	-	(11,032)
Carrying amount 30 June 2022	804,739	115,190	160,471	168,975	4,527	46,135	217,424	47,426	61,966	1,626,853
Movements in Fair Value										
Additions	-	-	-	-	-	-	-	-	76,769	76,769
Revaluations	19,564	7,876	(3,663)	1,456	(1,791)	866	7,382	-	-	31,690
Write-offs	-	-	-	-	-	-	-	-	(682)	(682)
Transfers from WIP	13,695	122	19,870	9,525	2,411	1,440	17,044	32	(64,139)	-
Total	33,259	7,998	16,207	10,981	620	2,306	24,426	32	11,948	107,777
Movements in Accumulated Depreciation										
Depreciation and amortisation	(19,598)	(1,761)	(7,221)	(2,188)	(537)	-	(17,569)	(630)	-	(49,504)
Accumulated depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Total	(19,598)	(1,761)	(7,221)	(2,188)	(537)	-	(17,569)	(630)	-	(49,504)
At fair value 30 June 2023	837,998	123,188	176,678	179,956	5,147	48,441	241,850	58,490	73,914	1,745,662
Accumulated depreciation 30 June 2023	(19,598)	(1,761)	(7,221)	(2,188)	(537)	-	(17,569)	(11,662)	-	(60,536)
Carrying amount 30 June 2023	818,400	121,427	169,457	177,768	4,610	48,441	224,281	46,828	73,914	1,685,126

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

Council	Roads	Bridges	Footpaths & cycleways	Drainage	Recreational, leisure and community	Parks open spaces and streetscapes	Other	Statues, sculptures & artworks	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 30 June 2022	804,739	115,190	160,471	168,975	4,527	46,135	234,981	58,458	61,966	1,655,442
Accumulated depreciation 30 June 2022	-	-	-	-	-	-	(17,557)	(11,032)	-	(28,589)
Carrying amount 30 June 2022	804,739	115,190	160,471	168,975	4,527	46,135	217,424	47,426	61,966	1,626,853
Movements in Fair Value										
Additions	-	-	-	-	-	-	-	-	76,769	76,769
Revaluations	19,564	7,876	(3,663)	1,456	(1,791)	866	7,382	-	-	31,690
Write-offs	-	-	-	-	-	-	-	-	(682)	(682)
Transfers from WIP	13,695	122	19,870	9,525	2,411	1,440	17,044	32	(64,139)	-
Total	33,259	7,998	16,207	10,981	620	2,306	24,426	32	11,948	107,777
Movements in Accumulated Depreciation										
Depreciation and amortisation	(19,598)	(1,761)	(7,221)	(2,188)	(537)	-	(17,569)	(630)	-	(49,504)
Total	(19,598)	(1,761)	(7,221)	(2,188)	(537)	-	(17,569)	(630)	-	(49,504)
Fair value 30 June 2023	837,998	123,188	176,678	179,956	5,147	48,441	241,850	58,490	73,914	1,745,662
Accumulated depreciation 30 June 2023	(19,598)	(1,761)	(7,221)	(2,188)	(537)	-	(17,569)	(11,662)	-	(60,536)
Carrying amount 30 June 2023	818,400	121,427	169,457	177,768	4,610	48,441	224,281	46,828	73,914	1,685,126

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

e. Details of Plant & Equipment Category

Consolidated	Plant machinery & equipment	Fixtures fittings & furniture	Computers & telecomms	Library books	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 30 June 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)
Carrying amount 30 June 2022	53,711	2,243	7,874	3,491	11,557	78,876
Movements in Fair Value						
Additions	4,697	6	466	-	10,568	15,737
Disposals	(8,946)	(104)	-	-	-	(9,050)
Write-offs	-	-	-	-	(624)	(624)
Transfers from WIP	3,700	550	1,261	1,565	(7,076)	-
Total	(549)	452	1,727	1,565	2,868	6,063
Movements in Accumulated Depreciation						
Depreciation and amortisation	(13,863)	(474)	(3,030)	(1,372)	-	(18,739)
Accumulated depreciation on disposals	8,104	47	-	-	-	8,151
Total	(5,759)	(427)	(3,030)	(1,372)	-	(10,588)
At fair value 30 June 2023	169,896	11,585	43,509	20,838	14,425	260,253
Accumulated depreciation 30 June 2023	(122,493)	(9,317)	(36,938)	(17,154)	-	(185,902)
Carrying amount 30 June 2023	47,403	2,268	6,571	3,684	14,425	74,351

MELBOURNE CITY COUNCIL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

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

Council	Plant machinery & equipment	Fixtures fittings & furniture	Computers & telecomms	Library books	Work In Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 30 June 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)
Carrying amount 30 June 2022	12,244	1,973	7,083	3,491	8,613	33,404
Movements in Fair Value						
Additions	-	-	-	-	9,031	9,031
Write-offs	-	-	-	-	(566)	(566)
Transfers from WIP	3,096	536	1,229	1,565	(6,426)	-
Total	2,964	432	1,229	1,565	2,039	8,229
Movements in Accumulated Depreciation						
Depreciation and amortisation	(3,750)	(364)	(2,645)	(1,372)	-	(8,131)
Accumulated depreciation on disposals	132	47	-	-	-	179
Total	(3,618)	(317)	(2,645)	(1,372)	-	(7,952)
Fair value 30 June 2023	47,368	9,160	32,708	20,838	10,652	120,726
Accumulated depreciation 30 June 2023	(35,778)	(7,072)	(27,041)	(17,154)	-	(87,045)
Carrying amount 30 June 2023	11,590	2,088	5,667	3,684	10,652	33,681

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

f. Recognition

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value (refer to Note 8.4) is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

Where assets are constructed by 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

In accordance with Council's policy, the threshold limit for all categories of property, infrastructure, plant and equipment assets is \$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.

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 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 to Council's, which is not considered material for the consolidated report.

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

	Depreciation Period (Years)
Land & land improvement	
Land	0
Buildings	
Heritage buildings	100
Buildings	0-96
Leasehold improvements	10-17
Plant and equipment	
Plant, machinery and equipment	3-20
Fixtures, fittings and furniture	5-10
Computers and telecommunications	3-8
Library books	4-5
Infrastructure	
Road pavements and seals	12-20
Road substructure	50-90
Road kerb, channel and minor culverts	32-50
Bridge deck	15-25
Bridge substructure	25-130
Footpaths and cycleways	7-60
Drainage	90-120
Recreational, leisure and community facilities	12-50
Parks, open space and streetscapes	0-20
Off street car parks	4-15
Statues, sculptures and artworks	0-100
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

A valuation of land and buildings were undertaken by a qualified valuer (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. Mr O'Leary is an employee of Council. Date of the valuation (DoV) is 30/6/2023). The valuation of land and buildings is at fair value (refer to Note 8.4), being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. 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.

The date and type of the current valuation is detailed in the following table. Details of Council's land and buildings and other relevant information about the fair value hierarchy as at 30 June 2023 are as follows:

Council	Level 1	Level 2	Level 3	Total	DoV	Type of valuation
	\$'000	\$'000	\$'000	\$'000		
Non-specialised land	-	136,238	-	136,238	30/06/2023	Full
Specialised land	-	-	2,214,946	2,214,946	30/06/2023	Full
Total land	-	136,238	2,214,946	2,351,184		
Heritage Buildings	-	-	270,023	270,023	30/06/2023	Full
Buildings	-	106,621	129,456	236,077	30/06/2023	Full
Total buildings	-	106,621	399,479	506,100		

No transfers between levels occurred during the year.

i. Valuation of Infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Jian Zhao, Asset Engineer, Bachelor of Civil Engineering (1st Honours) who is employed by Council.

The date and type of valuation is detailed in the following table. The valuation is at fair value (refer Note 8.4) 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 2023 are as follows:

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	DoV	Type of valuation
Roads	-	-	818,400	818,400	30/06/2023	Full
Bridges	-	-	121,427	121,427	30/06/2023	Full
Footpaths and cycleways	-	-	169,457	169,457	30/06/2023	Full
Drainage	-	-	177,768	177,768	30/06/2023	Full
Recreational, leisure and community facilities	-	-	4,610	4,610	30/06/2023	Full
Parks, open space and streetscapes	-	-	48,441	48,441	30/06/2023	Full
Promenades and wharves	-	-	59,311	59,311	30/06/2023	Full
Other infrastructure	-	-	164,970	164,970	30/06/2023	Full
Total Infrastructure	-	-	1,564,384	1,564,384		

No transfers between levels occurred during the year.

j. Description of significant unobservable inputs into level 3 valuations

Council	2023 \$'000	2022 \$'000
Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$46 and \$27,966 per square meter of site area.	2,214,946	2,089,309
Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement cost is generally calculated on a square metre basis and ranges from \$94 to \$41,400 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and up to 94 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 occupier expectations and building standard requirements that could either shorten or extend the useful lives of buildings.	129,456	115,744
Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition and design lives of the assets and vary from 0 to 130 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.	1,564,384	1,517,461

k. Reconciliation of Specialised Land

Council	2023 \$'000	2022 \$'000
Land under roads	17,200	17,200
Parks and reserves	2,197,746	2,072,109
Total specialised land	2,214,946	2,089,309

6.3 Investment in Subsidiaries and Associates

Non-Current	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
a) Subsidiaries				
Citywide Service Solutions Pty Ltd	-	-	18,406	18,406
Queen Victoria Market Pty Ltd	-	-	200	200
Enterprise Melbourne*	-	-	-	-
	-	-	18,606	18,606
b) Associates				
Regent Management Company Pty Ltd	9,621	7,500	9,621	7,500
Procurement Australasia Ltd	-	250	-	250
	9,621	7,750	9,621	7,750
	9,621	7,750	28,227	26,356

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

Principles of consolidation

The consolidated financial statements incorporate all entities controlled by Council as at 30 June 2023 and the results of their operations for the year then ended.

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

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 (Aus) 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 physical services and quality Asphalt products.

Council has 100% voting rights which clearly demonstrate power over the investee and the ability to affect the amount of the investor's returns. Council is exposed to variable returns in the form of dividends and tax equivalent payments. A controlling interest is held by Council.

Citywide Service Solutions Pty Ltd	2023	2022
	\$'000	\$'000
Summarised statement of comprehensive income		
Total income	370,000	350,276
Total expenses	372,704	343,847
Surplus/(deficit) for the year	(2,704)	6,429
Income tax equivalent expense	805	(1,932)
Total comprehensive income/(loss)	(1,899)	4,497
Summarised balance sheet		
Current assets	83,295	75,725
Non-current assets	199,746	162,674
Total assets	283,041	238,399
Current liabilities	66,901	75,613
Non-current liabilities	68,990	46,147
Total liabilities	135,891	121,760
Net assets	147,150	116,639
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	5,367	19,355
Net cash provided/(used in) investing activities	(5,738)	(9,461)
Net cash provided/(used in) financing activities	1,425	(14,280)
Net increase / (decrease) in cash and cash equivalents	1,054	(4,386)

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.

Queen Victoria Market Pty Ltd	2023	2022
	\$'000	\$'000
Summarised statement of comprehensive income		
Total income	24,991	23,371
Total expenses	25,031	23,953
Surplus/(deficit) for the year	(40)	(582)
Income tax equivalent expense	48	55
Total comprehensive income/(loss)	8	(527)
Summarised balance sheet		
Current assets	5,527	3,788
Non-current assets	5,241	5,764
Total assets	10,768	9,552
Current liabilities	5,339	4,720
Non-current liabilities	4,518	3,929
Total liabilities	9,857	8,649
Net assets	911	903
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	2,310	148
Net cash provided/(used in) investing activities	(434)	(737)
Net cash provided/(used in) financing activities	(433)	(48)
Net increase / (decrease) in cash and cash equivalents	1,443	(637)

The financial results of QVM for the 2022–23 were positively impacted by the receipt of a grant of \$2.45 million (2022: \$7.7 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	2023	2022
	\$'000	\$'000
Summarised statement of comprehensive income		
Total income	-	-
Total expenses	400	342
Surplus/(deficit) for the year	(400)	(342)
Other comprehensive income	-	-
Total comprehensive result	(400)	(342)
Summarised balance sheet		
Current assets	56	68
Non-current assets	-	-
Total assets	56	68
Current liabilities	45	45
Non-current liabilities	-	-
Total liabilities	45	45
Net assets	11	23
Summarised statement of cash flows		
Net cash provided/(used in) operating activities	(399)	(342)
Net cash provided/(used in) investing activities	-	-
Net cash provided/(used in) financing activities	386	350
Net increase / (decrease) in cash and cash equivalents	(13)	8

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

b) Associates

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the cost method of accounting, as Council does not have significant influence or control over the associates.

Regent Management Company Pty Ltd (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 Company Pty Ltd reported an operating loss of \$550,614 (unaudited) for the year ended 30 June 2023 (2022: loss of \$893,703).
- Council's investment in Regent increased by \$2.1 million as at 30 June 2023 to align with 50% of the net assets of Regent as at 30 June 2022 (audited accounts).

Procurement Australasia 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 2022 of \$833,242 compared to a profit of \$585,183 for the previous year. The Company paid a dividend for the 30 September 2022 financial year of 16 cents per share. A dividend payment of \$37,500 was received in December 2022 by Council (2021: \$25,000). Net assets

are \$11.3 million as at 30 September 2022.

6.4 Investment property

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Land				
Balance at beginning of financial year	148,214	143,238	148,214	143,238
Additions	-	5,086	-	5,086
Disposals	(2,940)	(3,358)	(2,940)	(3,358)
Fair value adjustments	(9,317)	3,248	(9,317)	3,248
Balance at end of financial year	135,957	148,214	135,957	148,214
Buildings				
Balance at beginning of financial year	79,764	45,280	79,764	45,280
Additions	-	32,510	-	32,510
Fair value adjustments	15,030	1,974	15,030	1,974
Balance at end of financial year	94,794	79,764	94,794	79,764
Total investment properties	230,751	227,978	230,751	227,978

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 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 has been determined in accordance with a valuation 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. Mr O'Leary is an employee of 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 30/6/2023.

NOTE 7 PEOPLE AND RELATIONSHIPS

7.1 Council and key management remuneration

(a) Related Parties

Parent entity: Melbourne City Council is the parent entity.

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

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of the Council. The Councillors, Chief Executive Officer and General Managers 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	Name
Chief Executive Officer	Justin Hanney (1 July 2022 to 25 October 2022)
Acting Chief Executive Officer	Alison Leighton (26 October 2022 to 30 June 2023)
Deputy Chief Executive Officer	Alison Leighton (1 July 2022 to 25 October 2022)
Chief Financial Officer	Michael Tenace
General Manager Community and City Services	Linda Weatherson/Rushda Halith
General Manager City Economy and Activation	Katrina Mckenzie
General Manager Property, Infrastructure and Design	Roger Teale
General Manager Strategy Planning and Climate Change	Evan Counsel

Total number of Councillors	11
Total Chief Executive Officer and other Key Management Personnel	8
Total number of Key Management Personnel	19

(c) Remuneration of Key Management Personnel

Remuneration comprises employee benefits including all forms of consideration paid, payable or provided by Council, or on behalf of the Council, in exchange for services rendered. Remuneration of Key Management Personnel and Other senior staff is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Other long-term employee benefits include long service leave, other long service benefits or deferred compensation.

Post-employment benefits include pensions, and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Termination benefits include termination of employment payments, such as severance packages.

Total remuneration of key management personnel was as follows:

	2023 \$'000	2022 \$'000
Short-term employee benefits	3,170	3,815
Other long-term benefits	56	70
Post-employment benefits	386	389
Termination benefits	161	187
Total	3,773	4,461

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

	2023	2022
\$50,000 - \$59,999	1	9
\$60,000 - \$69,999	8	-
\$130,000 - \$139,999	1	-
\$140,000 - \$149,999	-	1
\$170,000 - \$179,999	-	1
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	-	1
\$240,000 - \$249,999	-	1
\$250,000 - \$259,999	1	-
\$260,000 - \$269,999	1	-
\$270,000 - \$279,999	-	1
\$310,000 - \$319,999	1	-
\$330,000 - \$339,999	-	1
\$350,000 - \$359,999	1	-
\$370,000 - \$379,999	1	-
\$380,000 - \$389,999	1	-
\$390,000 - \$399,999	-	2
\$400,000 - \$409,999	1	2
\$440,000 - \$449,999	-	1
\$530,000 - \$539,999	1	-
\$540,000 - \$549,999	-	1
	19	21
	\$'000	\$'000
Total remuneration for the financial year included above	3,773	4,461

(d) Remuneration of other senior staff

Other senior staff are officers of Council, other than Key Management Personnel, who:

- a) For Council, their total remuneration exceeds \$160,000 and they report directly to a member of the KMP; and
- b) For subsidiaries, are the Managing Director, Chief Executive Officers and executives, and officers whose total annual remuneration exceeds \$160,000.

Following a change to the definition of other senior staff, the comparative figures in this note for 2022 have been aligned to the new definition.

Total remuneration of other senior staff was as follows:

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Short-term employee benefits	17,486	16,564	7,522	7,224
Other long-term benefits	621	670	124	223
Post-employment benefits	1,777	1,538	849	738
Termination benefits	262	10	26	10
Total	20,146	18,782	8,521	8,195

The number of other senior staff is shown below in their relevant income bands:

Income Range	Consolidated		Council	
	2023	2022	2023	2022
\$100,000 - \$109,999	1	-	-	-
\$130,000 - \$139,999	1	-	-	-
\$160,000 - \$169,999	4	6	-	1
\$170,000 - \$179,999	4	6	3	3
\$180,000 - \$189,999	3	1	1	1
\$190,000 - \$199,999	5	4	2	1
\$200,000 - \$209,999	4	2	2	-
\$210,000 - \$219,999	5	6	4	4
\$220,000 - \$229,999	9	6	4	3
\$230,000 - \$239,999	7	4	4	3
\$240,000 - \$249,999	9	5	6	3
\$250,000 - \$259,999	3	9	3	7
\$260,000 - \$269,999	3	5	3	4
\$270,000 - \$279,999	3	4	1	1
\$280,000 - \$289,999	2	1	1	-
\$290,000 - \$299,999	2	2	-	-
\$300,000 - \$309,999	5	1	-	1
\$310,000 - \$319,999	1	1	-	-
\$320,000 - \$329,999	-	1	-	1
\$330,000 - \$339,999	1	1	-	-
\$340,000 - \$349,999	1	-	1	-
\$350,000 - \$359,999	-	1	-	-
\$360,000 - \$369,999	1	-	1	-
\$380,000 - \$389,999	-	1	-	-
\$390,000 - \$399,999	-	1	-	1
\$400,000 - \$409,999	-	1	-	-
\$420,000 - \$429,999	1	-	-	-
\$430,000 - \$439,999	-	1	-	-
\$440,000 - \$449,999	1	-	-	-
\$460,000 - \$469,999	-	1	-	-
\$480,000 - \$489,999	1	-	-	-
\$780,000 - \$789,999	-	1	-	-
\$800,000 - \$809,999	1	-	-	-
	78	72	36	34
	\$'000	\$'000	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to	20,146	18,782	8,521	8,195

7.2 Related party disclosure

(a) Transactions with related Parties

During the year Council entered into related party transactions totalling \$1,089,470 (2022: \$297,002). The nature of the transactions are related to the city's public liability insurance premium (Municipal Association of Victoria), subscriptions and memberships, sponsorship of events, venue hire, and conference costs.

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

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

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

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

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

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

(e) Wholly-Owned Group

Council is the ultimate parent entity in the wholly-owned group. Transactions with the controlled entities, Citywide Service Solutions Pty Ltd (and its subsidiaries), Queen Victoria Market Pty Ltd, 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.

\$'000	Citywide Service Solutions Pty Ltd		Queen Victoria Market Pty Ltd		Enterprise Melbourne Pty Ltd	
	2023	2022	2023	2022	2023	2022
Revenue from subsidiaries	523	523	828	374	-	-
Expenditure to subsidiaries	80,604	64,835	291	628	-	-
Funding to subsidiaries	-	-	2,450	7,700	400	342
Income Tax and Payroll Tax Equivalent payments from subsidiaries	104	2,168	-	-	-	-
Dividend payments from subsidiaries	-	4,000	-	-	-	-
Owing to subsidiaries	15,611	11,067	274	426	-	-
Owing by subsidiaries	-	48	51	-	-	-

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.

(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 has obligations under a defined benefit superannuation and accumulation fund that may result in the need to make additional contributions to the scheme. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Future superannuation contributions

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023.

Legal matters

As at balance date, there are no legal matters pending other than disclosed in “Other contingent liabilities” below.

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 2023 reporting period. The Group assesses the impact of these new standards. As at 30 June 2023 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2024 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 and Treasury Corporation of Victoria (TCV) 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 Council. 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 exposes 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 2022–23 year arises from the borrowings of Council and Citywide. All borrowing and overdraft facilities have been arranged with a major Australian bank and TCV. 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 Group's exposure to liquidity risk is deemed to be low given Council's and Citywide's borrowing levels and our current assessment of risk.

Council's \$75 million floating rate loan facility with ANZ bank expired on 30 June 2023, and it has continued its loan agreement with the Treasury Corporation of Victoria (TCV) for \$241.8 million during the 2022-23 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 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. Total loan amount drawn from TCV as at 30 June 2023 was \$110 million.

With respect to borrowings at Citywide, their facilities are comprised of a \$36.2m cash advance facility and a \$2.5m overdraft facility. The facilities were renewed during the 2022-23 year and are secured with a first ranking fixed and floating charge over the net assets of the Citywide group. There were \$25.0m of borrowings drawn at 30 June 2023 (2022: \$13.2m). 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' over the next 12 months are a parallel shift of +1.50% and -1.50% in market rates (AUD) from the year-end rate of 4.10% (2022: 0.85%).

It is expected these movements 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 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. (For plant and equipment carrying amount is considered to approximate fair value given short useful lives). At balance 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 at balance date, the class of asset is revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy can only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset.

In addition, the Group undertake a formal valuation of all 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 taken to the reserve to the extent of the

remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Group reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

Note 6.1 discloses that at 30 June 2023, \$31.07 million in property assets were moved to current assets and shown as "Non current assets classified as held for sale". At the signing of the financial statements, three of the five properties totalling \$20.90 million have settled.

Council has engaged with Lendlease Construction Company to develop the southern site at Queen Victoria Market, as part of the Queen Victoria Market Precinct Renewal project.

NOTE 9 OTHER MATTERS

9.1 Reserves

	Consolidated		Council	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Asset revaluation - property and infrastructure	2,786,131	2,551,332	2,689,126	2,500,627
Other Reserves				
Restricted				
Public Open Space reserve	91,239	77,360	91,239	77,360
Non-Restricted				
Developer Contribution Plan reserve	3,033	1,272	3,033	1,272
Investments revaluation reserve	6,846	4,725	6,846	4,725
Tree compensation reserve	4,889	4,458	4,889	4,458
	2,892,138	2,639,147	2,795,133	2,588,442

(a) Asset revaluation reserve

Consolidated	Balance at beginning of 1 July 2021 \$'000	Increment (Decrement) \$'000	Balance at end of 30 June 2022 \$'000	Increment (Decrement) \$'000	Balance at end of 30 June 2023 \$'000
Property					
Land	1,519,961	175,830	1,695,791	160,008	1,855,799
Buildings	122,475	41,959	164,434	43,101	207,535
Infrastructure					
Roads & Laneways	470,981	4,981	475,962	19,564	495,526
Bridges	24,940	1,904	26,844	7,876	34,720
Footpaths and cycleways	114,962	(18,662)	96,300	(3,663)	92,637
Drainage	31,889	2,458	34,347	1,455	35,802
Parks, open space and streetscapes	-	-	-	866	866
Other infrastructure	60,044	(7,794)	52,250	5,592	57,842
Artworks	5,404	-	5,404	-	5,404
	2,350,656	200,676	2,551,332	234,799	2,786,131

Council	Balance at beginning of 1 July 2021 \$'000	Increment (Decrement) \$'000	Balance at end of 30 June 2022 \$'000	Increment (Decrement) \$'000	Balance at end of 30 June 2023 \$'000
Property					
Land	1,469,257	175,830	1,645,087	113,708	1,758,795
Buildings	122,474	41,959	164,433	43,101	207,534
Infrastructure					
Roads & Laneways	470,981	4,981	475,962	19,564	495,526
Bridges	24,940	1,904	26,844	7,876	34,720
Footpaths and cycleways	114,962	(18,662)	96,300	(3,663)	92,637
Drainage	31,889	2,458	34,347	1,455	35,802
Parks, open space and streetscapes	-	-	-	866	866
Other infrastructure	60,044	(7,794)	52,250	5,592	57,842
Artworks	5,404	-	5,404	-	5,404
	2,299,951	200,676	2,500,627	188,499	2,689,126

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	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	87,815	89,590	87,815	89,590
Transfers from accumulated surplus	18,474	5,086	18,474	5,086
Transfers to accumulated surplus	(2,403)	(6,861)	(2,403)	(6,861)
Transfers from investment-non current asset	2,121	-	2,121	-
Balance at the end of the financial year	106,007	87,815	106,007	87,815

Other reserves – Reserve for Public Open Space

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	77,360	79,572	77,360	79,572
Transfers from accumulated surplus	16,282	4,649	16,282	4,649
Transfers to accumulated surplus	(2,403)	(6,861)	(2,403)	(6,861)
Balance at the end of the financial year	91,239	77,360	91,239	77,360

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	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	1,272	1,272	1,272	1,272
Transfers from accumulated surplus	1,761	-	1,761	-
Transfers to accumulated surplus	-	-	-	-
Balance at the end of the financial year	3,033	1,272	3,033	1,272

Other reserves – Investments Revaluation Reserve - Regent Management Pty Ltd

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	4,725	4,725	4,725	4,725
Transfers from investment-non current asset	2,121	-	2,121	-
Transfers to investment-non current asset	-	-	-	-
Balance at the end of the financial year	6,846	4,725	6,846	4,725

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

Other reserves – Tree Compensation reserve

	Consolidated		Council	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	4,458	4,021	4,458	4,021
Transfers from accumulated surplus	431	437	431	437
Transfers to accumulated surplus	-	-	-	-
Balance at the end of the financial year	4,889	4,458	4,889	4,458

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	
	2023	2022	2023	2022
	\$'000	\$'000	\$'000	\$'000
Surplus/(deficit) for the year	23,211	(16,509)	24,964	(15,124)
Depreciation/amortisation	100,795	99,965	82,897	80,444
(Profit)/Loss on disposal of property, plant and equipment	(1,699)	(2,693)	57	(2,177)
Fair value adjustments for investment property	(5,713)	(5,223)	(5,713)	(5,223)
Work in progress write off	6,385	4,233	6,385	4,233
Asset reserve revaluation impairment loss	-	608	-	608
Other	(168)	1,300	(1,649)	646
Changes in assets and liabilities in relation to operating activities:				
(Increase)/Decrease in trade and other receivables	(2,820)	6,220	(729)	7,301
(Increase)/Decrease in prepayment	(7,990)	(9,453)	(9,268)	(4,526)
(Increase)/Decrease in accrued income	3,699	(8,423)	3,114	(1,466)
(Decrease)/Increase in trade and other payables	6,297	(15,683)	19,416	(19,283)
(Decrease)/Increase in unearned income/revenue	(9,970)	(11,895)	(10,524)	(13,315)
(Increase) in Inventories	749	(1,185)	-	-
(Decrease)/Increase in provisions	1,302	925	97	924
(Decrease)/Increase in employee benefits	1,800	3,079	1,299	2,920
(Decrease)/Increase in trust funds and deposits	6,585	925	6,328	125
Net cash provided by operating activities	122,463	46,191	116,674	36,087

9.3 Superannuation

Local Authorities Superannuation Fund

The Group makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently.

Accumulation

The Group makes both employer and employee contributions to The Fund's accumulation category, Vision MySuper/Vision Super Saver, on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2023, this was 10.5% as required under Superannuation Guarantee (SG) legislation) (2022: 10.0%).

Defined Benefit

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

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

Funding arrangements

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

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

(a) Regular contributions

On the basis of the results of the 2022 interim actuarial investigation conducted by the Fund Actuary, the Group makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2023, this rate was 10.5% of members' salaries (10.0% in 2021–22). 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 2022 interim 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.

(b) Funding calls

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 2022 interim 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 2022 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 surplus (\$45.7 million 2022; \$214.7 million 2021)
- A total service liability surplus (\$105.8 million 2022; \$270.3 million 2021)
- A discounted accrued benefits surplus (\$112.9 million; \$285.2 million 2021)

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 2022. 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 2022. 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 2022.

Melbourne City Council Superannuation Sub Plan (CMSSP) Members

A separate plan is operated for 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 2023, the interim actuarial investigation determined the VBI to be 146.8% (30 June 2022: 143.7%).

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 2023.

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 2022 Interim actuarial investigations

An interim actuarial investigation of the CMSSP's liability for accrued benefits was carried out at 30 June 2022. The Group was notified of the 30 June 2022 VBI of 143.7%.

AASB 119 Disclosures for CMSSP in the Financial Statements

Melbourne City Council Superannuation Sub Plan	2023 000's	2022 000's
Asset/(Liability) recognised in Balance Sheet	15,584	16,511
Total amount recognised in Comprehensive Income Statement	(1,062)	1,467

Super contribution included in note 4.1

NOTE 10 CHANGE IN ACCOUNTING POLICY

There have been no changes to accounting policies in the 2022–23 year.

Performance Statement

For the year ended 30 June 2023

Description of municipality

Melbourne is Australia's fastest growing capital city. The Melbourne municipality is at the heart of greater Melbourne and covers an area of 37 square kilometres. It's made up of 14 inner city suburbs including the central city area. We have a diverse population of 159,813 people. 46 per cent of our residents speak a language other than English at home. More than 450,000 people travel to the municipality for work each week. Another 50,000 residents both live and work in the area. Our population is growing, with an anticipated population of over 300,000 by 2040.

The City of Melbourne's population decreased significantly as a result of population shifts during the COVID-19 pandemic including the absence of international students living in the city. This trend has reversed however the Estimated Resident Population figure used for many of the LGPRF indicators in the current year is from the end of the previous financial year based on data released by the Australian Bureau of Statistics.

PERFORMANCE STATEMENT

Sustainable Capacity Indicators

For the year ended 30 June 2023

Indicator / measure [formula]	Results				Comment
	2020	2021	2022	2023	
Population					
C1 Expenses per head of municipal population [Total expenses / Municipal population]	\$2,702.94	\$2,820.48	\$3,145.52	\$3,393.97	Expenses per head of population has increased by 7.9 per cent from the previous year. This is due to the decrease in municipal population in 2022-23 over the prior year.
C2 Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$11,883.27	\$11,727.30	\$26,411.19	\$14,883.19	The 2023 result reflects an increase in the number of capital works programs in progress and completed during the year. A decrease in the population of 10,047 between 2022 and 2023 has also contributed to the result.
C3 Population density per length of road [Municipal population / Kilometres of local roads]	736.56	755.27	696.43	655.62	The decrease in municipal population in 2022-23 over the prior year and no change in length of roads has resulted in a decrease in population density per length of road.
Own-source revenue					

C4	<i>Own-source revenue per head of municipal population</i>	\$2,640.02	\$2,283.44	\$2,613.05	\$3,051.01	The increase of 16.7 per cent in 2022–23 is mainly due to rate revenue increases relating to one-off impact of rebates provided in 2021-22 and increases associated with the waste levy charge, and a decrease in the 2022–23 municipal population.
	[Own-source revenue / Municipal population]					
	Recurrent grants					
C5	<i>Recurrent grants per head of municipal population</i>	\$107.66	\$98.92	\$115.50	\$128.14	Recurrent grants per head of population have increased by 11 per cent this year and is largely due to a reduction in the population, and a slight increase in recurrent grants.
	[Recurrent grants / Municipal population]					
	Disadvantage					
C6	<i>Relative Socio-Economic Disadvantage</i>	7.00	7.00	7.00	7.00	There is no change to this indicator. This information is updated every five years following the Australian Bureau of Statistics Census of Population and Housing. This will next take place in 2026.
	[Index of Relative Socio-Economic Disadvantage by decile]					
	Workforce turnover					
C7	<i>Percentage of staff turnover</i>	9.3%	9.6%	15.7%	13.0%	The staff turnover rate reduced by 17 per cent this year. This indicates a return to normal levels following an increase in the previous year.
	[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100					

Definitions

"adjusted underlying revenue" means total income other than:

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

"infrastructure" means non-current property, plant and equipment excluding land

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

"population" means the Estimated Resident Population as published by the Australian Bureau of Statistics

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

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website

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

Service Performance Indicators

For the year ended 30 June 2023

Service/ <i>indicator/measure</i> [formula]	Results				Comment
	2020	2021	2022	2023	
Aquatic Facilities Utilisation AF6 <i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	2.94	1.33	1.69	2.20	There were 352,178 visits to aquatic centres during 2022-23, an increase of 23 per cent from the previous year. Visitation is based on three facilities as the Kensington facility is closed for redevelopment.
Animal Management Health and safety AM7 <i>Animal management prosecutions</i> [Number of successful animal management prosecutions / Number of animal management prosecutions] x 100	75%	100%	100%	100%	In 2022-23 six animal prosecutions were finalised. Five related to serious dog attacks. The sixth related to an unregistered dog attack causing non-serious injury. As the dog remained unregistered Council initiated a prosecution. All six were successfully prosecuted.
Food Safety Health and safety					

FS4	<p><i>Critical and major non-compliance outcome notifications</i></p> <p>[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100</p>	100.00%	100.00%	100.00%	100.00%	There were 103 critical and major noncompliance notifications that required follow up in 2022. All were completed.
Governance						
Satisfaction						
G5	<p><i>Satisfaction with council decisions</i></p> <p>[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]</p>	65	68	64	58	Satisfaction with council decisions has decreased, however this result remains above the state-wide average of 51 per cent.
Libraries						
Participation						
LB4	<p><i>Active library borrowers in municipality</i></p> <p>[Number of active library borrowers in the last three years / The sum of the population for the last three years] x100</p>	26.84%	24.76%	20.62%	21.58%	The number of active library borrowers is consistent with previous years. Use of our digital collection is higher than pre-pandemic levels, and this has bolstered numbers. There is also a return to physical collection borrowing as seen in indicator LB1 for physical library collection usage.
Maternal and Child Health (MCH)						
Participation						

MC4	<p><i>Participation in the MCH service</i></p> <p>[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100</p>	82.35%	84.55%	82.97%	82.95%	<p>Participation in the Maternal and Child Health Service is voluntary. Regular reminders for missed visits are sent and followed up. Family participation can vary between years. This level of participation suggests a great commitment to MCH services and demonstrates our promotion of health outcomes for children and families.</p>
MC5	<p>Participation</p> <p><i>Participation in the MCH service by Aboriginal children</i></p> <p>[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</p>	78.79%	85.29%	92.00%	80.00%	<p>The City of Melbourne has a small Aboriginal community. Families can choose to attend Aboriginal Health Services for their Maternal and Child Health appointments. Many use both services depending on the age of the child.</p>
Roads						
Satisfaction						
R5	<p><i>Satisfaction with sealed local roads</i></p> <p>[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]</p>	67	70	68	66	<p>The level of community satisfaction with the condition of sealed local roads is consistent with previous years - despite high levels of traffic and construction activity in the city during this period.</p>
Statutory Planning						
Decision making						
SP4	<p><i>Council planning decisions upheld at VCAT</i></p> <p>[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</p>	80.95%	56.25%	70.83%	78.57%	<p>The number of VCAT outcomes that uphold council's decision has increased by 10 per cent. Only 14 appeals were included in this measure of a total 36 appeals. The low total number of appeals included leads to high year on year variability. 21 appeals, not included in the measure, were resolved with the consent of all parties through a mediated process.</p>
Waste Collection						

WC5	Waste diversion <i>Kerbside collection waste diverted from landfill</i>	20.80%	25.32%	28.98%	29.49%	We have increased recycling by 100 tonnes compared to last year. This is due to the introduction of Food Organics and Garden Organics (FOGO) services across an additional 11,000 residences in the municipality.
	[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

Definitions

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

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

"active library 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

"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 Estimated Resident Population as published by the Australian Bureau of Statistics

Financial Performance Indicators

For the year ended 30 June 2023

Dimension/ <i>indicator/measure</i>	Results				Forecasts				Material Variations and Comments
	2020	2021	2022	2023	2024	2025	2026	2027	
Efficiency									
Expenditure level									
E2 <i>Expenses per property assessment</i>	\$3,932.55	\$4,017.68	\$4,047.71	\$4,010.56	\$4,187.01	\$4,115.78	\$4,217.88	\$4,317.72	Expenses per property assessment is consistent with previous years. The slight reduction is due to an increase in the number of rateable properties in 2022–23.
[Total expenses / Number of property assessments]									
Revenue level									
E4 <i>Average rate per property assessment</i>	\$2,444.93	\$2,446.47	\$2,462.80	\$2,225.37	\$2,291.18	\$2,360.79	\$2,406.32	\$2,475.79	This result shows a 9.6 per cent reduction in the average rate per property assessment. This is due to waste charges being separated from rates for the first time in 2022–23.
[Total rate revenue (general rates and municipal charges) / Number of property assessments]									

Liquidity										
Working capital										
L1	<i>Current assets compared to current liabilities</i>	129.60%	128.26%	58.67%	109.62%	80.29%	83.25%	87.74%	98.90%	Current liabilities remained fairly stable, with a slight increase in trade payables at the end of the year. The increase is mainly attributable to an increase in current assets given higher cash holdings at 30 June to deliver on future year's capital works program. The forecast is for the current ratio to remain stable, and just below 100%, as the cash balances are used utilised in forecast years.
	[Current assets / Current liabilities] x100									
Unrestricted cash										
L2	<i>Unrestricted cash compared to current liabilities</i>	22.99%	18.57%	-43.67%	-37.10%	29.19%	43.74%	48.86%	54.04%	The negative ratio reflects the increase in monetary contributions to public open space received, against the timing of expenditure against the reserve. The forecast is a reduction in the reserve due to public open space acquisitions over the budget and forecast years.
	[Unrestricted cash / Current liabilities] x100									
Obligations										
Loans and borrowings										

O2	Loans and borrowings compared to rates	0.00%	0.00%	0.00%	31.50%	62.35%	68.88%	55.99%	58.02%	This result reflects the loan balance at 30 June 2023, which is within policy levels and within Treasury Corporation Victoria approved limits.
	[Interest bearing loans and borrowings / Rate revenue] x100									
O3	Loans and borrowings repayments compared to rates	9.55%	0.03%	0.03%	10.17%	0.82%	1.51%	10.49%	1.14%	This result reflects accrued interest and bank fees as at 30 June 2023. This is expected to increase over the budget and forecast years as the loan facility is used for major projects.
	[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									
	Indebtedness									
O4	Non-current liabilities compared to own source revenue	2.02%	2.25%	2.29%	24.58%	46.29%	48.66%	38.35%	42.91%	The increase in the 2022-23 ratio is solely related to the non-current loan balance as at 30 June 2023. This is expected to increase in the budget and forecast years as the loan facility is used for major projects.
	[Non-current liabilities / Own source revenue] x100									
	Asset renewal and upgrade									
O5	Asset renewal and upgrade compared to depreciation	117.67%	152.37%	103.25%	114.40%	174.12%	166.67%	177.73%	85.08%	This result reflects the increase in capital works expenditure on renewal and upgrade projects over the prior year. This is expected to increase over the budget and

									forecast years as major projects move further into the building stages.	
	[Asset renewal and asset upgrade expense / Asset depreciation] x100									
	Operating position									
	Adjusted underlying result									
OP1	<i>Adjusted underlying surplus (or deficit)</i>	3.98%	-4.93%	-5.79%	-1.20%	-1.15%	4.73%	9.92%	3.81%	The lower negative result reflects an improvement on the prior year. This is due to a significant increase in own source revenue, and only a marginal increase in expenses. We expect the result to improve further and move back into a positive ratio in the forecast years.
	[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100									
	Stability									
	Rates concentration									
S1	<i>Rates compared to adjusted underlying revenue</i>	59.90%	64.01%	64.52%	65.15%	65.27%	64.92%	62.46%	66.90%	This result is consistent with previous years. The slight increase is due to the increase in total rate revenue in 2022-23.
	[Rate revenue / Adjusted underlying revenue] x100									
	Rates effort									
S2	<i>Rates compared to property values</i>	0.24%	0.23%	0.23%	0.23%	0.24%	0.24%	0.25%	0.25%	This result is consistent with previous years. The increase in total rates is

[Rate revenue / Capital improved value of rateable properties in the municipality] x100

in line with movement in property values.

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 Estimated Resident Population as published by the Australian Bureau of Statistics

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

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

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

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

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

Other Information

For the year ended 30 June 2023

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.

The forecast figures included in the performance statement are those adopted by council in the *Budget 2023–24* on 28 June 2022 and which forms part of the council plan. The budget 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 *Budget 2023–24* can be viewed on the City of Melbourne website or obtained by contacting council.

Certification of the Performance Statement

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

Michael Tenace FCPA

Chief Financial Officer

Dated: *(Date)*

In our opinion, the accompanying performance statement of the *Melbourne City Council* for the year ended 30 June 2023 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.

(Councillor 1 Name)

Councillor

Dated:

(Councillor 2 Name)

Councillor

Dated:

Alison Leighton

Chief Executive Officer

Dated:

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: 26.09.2023

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 2023 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: 26.09.2023

Philip Le Liu

Councillor

Melbourne

Dated: 26.09.2023

Alison Leighton

Chief Executive Officer

Melbourne

Dated: 26.09.2023

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: 26.09.2023

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: 26.09.2023

Philip Le Liu

Councillor

Melbourne

Dated: 26.09.2023

Alison Leighton

Chief Executive Officer

Melbourne

Dated: 26.09.2023



CITY OF MELBOURNE

26 September 2023

GPO Box 1603

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DX210487

TO THE MELBOURNE CITY COUNCIL

ABN 55 370 219 287

Representations by the Chief Executive Officer and Chief Financial Officer in relation to the financial report and performance statement of Melbourne City Council for the year ended 30 June 2023

This representation letter is provided in connection with your audit of the financial report and performance statement of Melbourne City Council for the year ended 30 June 2023. 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 the *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 31 March 2023, 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.¹
3. Proper accounts and records of the transactions and affairs of the council and such other records as sufficiently explain the financial operations and financial position of the council have been kept in accordance with the *Local Government Act 2020*, where applicable.
4. There were no effects of uncorrected misstatements, both individual and in the aggregate, to the financial report as a whole².

¹ ASA 580 Written Representations

² ASA 450 Evaluation of Misstatements Identified During the Audit

Access to information

5. We have provided you with:
 - 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 evidence³

Controlled entities

6. We have undertaken a control assessment using the criteria outlined in AASB 10 *Consolidated Financial Statements*
7. 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
8. The consolidated financial report has been prepared using uniform accounting policies as required by AASB 10 Consolidated Financial Statements.

Joint arrangements

9. 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*.
10. The financial statements have accounted for the following joint arrangements:
 - Citywide Asphalt Group (Aus) Pty Ltd

Investments in associates

11. 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*. Our assessment has not identified any joint arrangements that require accounting as per AASB 128 *Investments in Associates and Joint Ventures*.
12. The financial report has accounted for the following investments in associates:
 - Regent Management Company Pty Ltd
 - Procurement Australasia Ltd

Fraud disclosure

13. 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.⁴
14. We are not aware of any actual or suspected fraud affecting Melbourne City Council that involves:
 - a. management
 - b. employees who have significant roles in internal control or
 - c. others where the fraud could have a material effect on the financial report.⁴
15. 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*

³ ASA 580 Written Representations/ASA 210 Agreeing the Terms of Audit Engagements

⁴ ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

2011) of fraud, or suspected fraud, affecting Melbourne City Council's financial report communicated by employees, former employees, analysts, regulators or others⁴.

Internal control

16. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud and/or error⁴. 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

17. There are no known or suspected instances of non-compliance with laws or regulations whose effects should be considered when preparing the financial report.
18. There is no known actual or possible litigation and claims whose effects should be considered when preparing the financial report.
19. 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.
20. 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.
21. The Council has been properly managed in accordance with the requirements of the *Local Government Act 2020*.
22. We have complied with, in all material respects, the requirements of the *Local Government Act 2020* for the establishment and keeping of relevant accounts, registers and other appropriate records.

Accounting estimates

23. 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 framework⁵.

Financial statement disclosures

24. 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.
25. The following have been properly recorded and disclosed in the financial report:
 - a. arrangements involving restrictions on cash balances and line-of-credit or similar arrangements

Income and revenue

26. 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.

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

27. 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

⁵ ASA 540 Auditing Accounting Estimates and related disclosures

asset/liability. These have been consistently applied and appropriately disclosed in the financial report.

28. We have considered the requirements of AASB 13 *Fair Value Measurement* relating to the fair value of property, plant and equipment. These assets have been valued on the basis that the highest and best use of the asset is obtained from its current use, taking into consideration what is physically possible, legally permissible and financially feasible. Our fair value assessment did not identify any internal or external events that would trigger a reassessment of the assets' highest and best use. Further, we confirm that the assumptions used by us in the categorisation of observable and unobservable inputs within the fair value valuation hierarchy are reasonable and have been fully disclosed in accordance with the accounting standards and other applicable financial reporting requirements.
29. 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.
30. 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.
31. Asset useful lives have been reviewed and we are satisfied that they reflect the assets' expected period of use.
32. 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

33. We have determined who are the key management personnel of Melbourne City Council in accordance with AASB 124 *Related Party Disclosures*, and we are satisfied that our assessment is complete and appropriate.
34. We are satisfied that the compensation paid to key management personnel has been properly reported in Note 7.1(c) to the financial statements in accordance with AASB 124 *Related Party Disclosures*, and includes all required components of compensation.
35. We have not identified any significant transactions with government-related entities that would require disclosure in accordance with AASB 124 *Related Party Disclosures*.⁶
36. We are not aware of any non-government related parties (including any controlled entities), related party relationships or transactions which would require disclosure under AASB 124 *Related Party Disclosures*.⁶

Remuneration of other senior staff

37. We have disclosed the remuneration of all other senior staff 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.

Future plans

38. 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.

⁶ ASA 550 Related Parties

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

Going concern

40. 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

41. No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report⁷.

Preparation of the performance statement

42. 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.
43. All relevant matters have been recorded in the council's records and are reflected in the performance statement⁸.
44. There were no uncorrected misstatements, both individually and in aggregate, to the performance statement taken as a whole⁸.
45. 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 aware⁹.

Publication of the financial report and performance statement

46. 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 reports are reproduced accurately and in full.
47. 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 reports presented on the website are the same as the final signed version of the financial report, the performance statement and independent auditor's reports.
48. 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 reports (referred to as 'other information'). With respect to other information that is included in the council's Annual Report, we have informed the Victorian Auditor General's Office (VAGO) 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 VAGO prior to the date of their auditor's report, that we intend to prepare and issue such other information and that we expect to issue it by 31 October 2023 and will provide it to VAGO to enable them to complete their required procedures.⁹

⁷ ASA 560 Subsequent Events

⁸ ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information

⁹ ASA 720 The Auditor's Responsibilities Relating to Other Information

49. We will provide VAGO with a copy of the printers' proof of the annual report on 30 September 2023. We plan to publish our annual report on our website on 31 October 2023.

Other matters¹⁰

50. We have provided VAGO with all requested information, explanations and assistance for the purposes of the audit.
51. We have provided VAGO with all information required by the *Local Government Act 2020*.

Conclusion

We understand that VAGO's 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 financial report and performance statement of the council taken as a whole, and that their tests of the financial records and other auditing procedures were limited to those which they considered necessary for that purpose.

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

Yours sincerely



Alison Leighton
Chief Executive Officer
26 September 2023



Michael Tenace
Chief Financial Officer
26 September 2023

¹⁰ ASA 580 Written Representations