

Annual Financial Report for the Year Ended 30 June 2023


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Certification of the Consolidated 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*, the Australian Accounting Standards and other mandatory professional reporting requirements.



Michelle Hansen CPA
Principal Accounting Officer

Date: 25 September 2023
Dandenong

In our opinion the accompanying financial statements present fairly the consolidated financial transactions of the Greater Dandenong City Council for the year ended 30 June 2023 and the consolidated financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances that 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.



Eden Foster
Mayor

Date: 25 September 2023
Dandenong



Rhonda Garad
Councillor

Date: 25 September 2023
Dandenong



Jacqui Weatherill
Chief Executive Officer

Date: 25 September 2023
Dandenong

Independent Auditor's Report

To the Councillors of Greater Dandenong City Council

Opinion	<p>I have audited the consolidated financial report of Greater Dandenong City Council (the council) and its controlled entities (together the consolidated entity), which comprises the:</p> <ul style="list-style-type: none"> • consolidated balance sheet as at 30 June 2023 • consolidated comprehensive income statement for the year then ended • consolidated statement of changes in equity for the year then ended • consolidated statement of cash flows for the year then ended • consolidated statement of capital works for the year then ended • notes to the financial statements, including significant accounting policies • certification of the consolidated financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2023 and the consolidated entity's financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 4 of the <i>Local Government Act 2020</i>, the <i>Local Government (Planning and Reporting) Regulations 2020</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the <i>Local Government Act 2020</i> and the <i>Local Government (Planning and Reporting) Regulations 2020</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's and the consolidation entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's and consolidated entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
 - conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's and consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council and consolidated entity to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
 - obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the council and consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the council and the consolidated entity. I remain solely responsible for my audit opinion.
-

**Auditor's
responsibilities
for the audit of
the financial
report
(continued)**

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



MELBOURNE
3 October 2023

Travis Derricott
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement For the year ended 30 June 2023

	Note	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Income / Revenue			
Rates and charges	3.1	163,528	156,711
Statutory fees and fines	3.2	8,917	7,633
User fees	3.3	11,771	6,812
Grants – operating	3.4	41,913	40,225
Grants – capital	3.4	9,763	13,919
Contributions – monetary	3.5	2,393	8,069
Contributions – non-monetary	3.5	14,804	3,685
Net gain on disposal of property, infrastructure, plant and equipment	3.6	719	482
Fair value adjustments for investment property	6.4	228	–
Other income	3.7	22,358	11,947
Total income / revenue		276,394	249,483
Expenses			
Employee costs	4.1	(93,472)	(86,252)
Materials and services	4.2	(100,788)	(85,892)
Depreciation	4.3	(32,849)	(32,416)
Amortisation – intangible assets	4.4	(111)	(103)
Amortisation – right-of-use assets	4.5	(726)	(664)
Bad and doubtful debts – allowance for impairment losses	4.6	(2,818)	(1,487)
Borrowing costs	4.7	(2,687)	(2,803)
Finance costs – leases	4.8	(52)	(30)
Fair value adjustments for investment property	6.4	–	(99)
Other expenses	4.9	(9,515)	(5,802)
Total expenses		(243,018)	(215,548)
Surplus for the year		33,376	33,935
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment (decrement)	9.1(a)	57,669	(39,021)
Total other comprehensive income		57,669	(39,021)
Total comprehensive result		91,045	(5,086)

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

Balance Sheet

As at 30 June 2023

	Note	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1(a)	75,993	33,343
Trade and other receivables	5.1(c)	31,161	30,180
Other financial assets	5.1(b)	122,869	150,504
Inventories	5.2(a)	62	19
Prepayments	5.2(b)	3,098	2,003
Other assets	5.2(b)	5,355	5,904
Total current assets		238,538	221,953
Non-current assets			
Trade and other receivables	5.1(c)	273	281
Property, infrastructure, plant and equipment	6.2	2,508,343	2,431,765
Investment property	6.4	6,575	6,336
Right-of-use assets	5.8	1,554	1,846
Intangible assets	5.2(c)	84	195
Total non-current assets		2,516,829	2,440,423
Total assets		2,755,367	2,662,376
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	25,988	24,629
Trust funds and deposits	5.3(b)	6,473	4,980
Unearned income / revenue	5.3(c)	58,880	55,822
Provisions	5.5(c)	21,277	21,864
Other interest-bearing liabilities	5.4(b)	92	–
Interest-bearing liabilities	5.4(a)	3,597	3,484
Lease liabilities	5.8	548	524
Total current liabilities		116,855	111,303
Non-current liabilities			
Trust funds and deposits	5.3(b)	2,112	2,409
Provisions	5.5(c)	1,321	1,120
Other interest-bearing liabilities	5.4(b)	373	–
Interest-bearing liabilities	5.4(a)	46,182	49,779
Lease liabilities	5.8	1,038	1,324
Total non-current liabilities		51,026	54,632
Total liabilities		167,881	165,935
Net assets		2,587,486	2,496,441
Equity			
Accumulated surplus		969,354	955,457
Reserves	9.1(c)	1,618,132	1,540,984
Total equity		2,587,486	2,496,441

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

Statement of Changes in Equity For the year ended 30 June 2023

2023	Note	Consolidated			
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,496,441	955,457	1,472,583	68,401
Surplus for the year		33,376	33,376	–	–
Net asset revaluation increment	9.1(a)	57,669	–	57,669	–
Transfers to other reserves	9.1(b)	–	(26,874)	–	26,874
Transfers from other reserves	9.1(b)	–	7,395	–	(7,395)
Balance at end of the financial year		2,587,486	969,354	1,530,252	87,880

2022	Note	Consolidated			
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,501,527	924,709	1,511,604	65,214
Surplus for the year		33,935	33,935	–	–
Net asset revaluation increment	9.1(a)	(39,021)	–	(39,021)	–
Revaluation reversal – disposed assets	9.1(a)	–	–	–	–
Impairment (loss) reversal of previous revaluation	9.1(a)	–	–	–	–
Transfers to other reserves	9.1(b)	–	(22,197)	–	22,197
Transfers from other reserves	9.1(b)	–	19,010	–	(19,010)
Balance at end of the financial year		2,496,441	955,457	1,472,583	68,401

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

Statement of Cash Flows

For the year ended 30 June 2023

	Note	Consolidated 2023 Inflows/ (Outflows) \$'000	Consolidated 2022 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		162,903	154,253
Statutory fees and fines		7,007	5,795
User fees		11,268	6,600
Grants – operating		44,697	43,187
Grants – capital		6,499	4,483
Contributions – monetary		5,189	9,065
Interest received		5,520	358
Trust funds and deposits taken		29,580	31,586
Other receipts		20,063	13,389
Net GST refund		11,534	10,462
Employee costs		(93,612)	(86,710)
Materials and services		(104,901)	(98,870)
Short-term, low value and variable lease payment		(756)	(730)
Trust funds and deposits repaid		(28,560)	(30,651)
Other payments		(6,289)	(4,849)
Net cash provided by operating activities	9.2	70,142	57,368
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(49,214)	(46,205)
Proceeds from sale of property, infrastructure, plant and equipment		794	551
Proceeds (payments) for investments		27,912	(150,504)
Net cash used in investing activities		(20,508)	(196,158)
Cash flows from financing activities			
Finance costs		(2,706)	(2,815)
Proceeds from borrowings		–	–
Repayment of borrowings		(3,484)	(3,373)
Repayment of other interest-bearing liabilities		(45)	–
Interest paid – lease liability		(53)	(26)
Repayment of lease liabilities		(696)	(674)
Net cash used in financing activities		(6,984)	(6,888)
Net increase (decrease) in cash and cash equivalents		42,650	(145,678)
Cash and cash equivalents at the beginning of the financial year		33,343	179,021
Cash and cash equivalents at the end of the financial year	5.1(a)	75,993	33,343
Financing arrangements	5.6		

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

Statement of Capital Works

For the year ended 30 June 2023

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Property		
Land	–	6,155
Total land	–	6,155
Buildings	15,784	14,573
Leasehold improvements	393	528
Total buildings	16,177	15,101
Total property	16,177	21,256
Plant and equipment		
Plant, machinery and equipment	2,235	1,313
Fixtures, fittings and furniture	124	186
Computers and telecommunications	642	80
Library books	817	761
Total plant and equipment	3,818	2,340
Infrastructure		
Roads	10,923	10,983
Bridges	84	60
Footpaths and cycleways	1,833	1,586
Drainage	3,704	1,574
Recreational, leisure and community facilities	8,329	3,300
Parks, open space and streetscapes	3,548	10,741
Off street car parks	449	122
Total infrastructure	28,870	28,366
Sub-total capital works expenditure (Property, infrastructure, plant and equipment)	48,865	51,962
Investment property	11	5
Intangibles – software	–	80
Total capital works expenditure (This includes Property, infrastructure, plant and equipment, Investment property and Intangibles)	48,876	52,047
Represented by:		
New asset expenditure	6,666	12,176
Asset renewal expenditure	20,207	16,509
Asset upgrade expenditure	19,564	19,209
Asset expansion expenditure	2,439	4,153
Total capital works expenditure	48,876	52,047

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

Notes to the Financial Report

Note 1 Overview

The Greater Dandenong City Council was established in December 1994 with the amalgamation of the former City of Springvale and former City of Dandenong, and is a body corporate. The Council's main office is located at 225 Lonsdale Street, Dandenong, 3175.

Statement of compliance

These consolidated 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, the *Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

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

Significant accounting policies

1.1 Basis of accounting

These consolidated financial statements for the year ended 30 June 2023 comprise the results of operations for both Council and its wholly owned subsidiaries, namely the Dandenong Market Pty Ltd and South East Leisure Pty Ltd. South East Leisure Pty Ltd was established on 7 July 2021 and commenced operations on 1 July 2022. The 2022–23 financial year is the first full year of operations for South East Leisure (for further details refer to Note 6.3).

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.

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

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

Revisions to accounting estimates are recognised in the period in which the estimate is 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 value of land, buildings and infrastructure (refer to note 6.2 and 8.4).
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 6.2).
- the determination of employee provisions (refer to note 5.5(a)).
- the determination of landfill provisions (refer to note 5.5(b)).
- 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).
- 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. Disclosure has been made of any material changes to comparatives (refer to note 10). It is noted that there have been no 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 COVID-19

During 2022–23 the COVID-19 pandemic has not had any significant impacts on Council's financial operations and service obligations.

NOTE 2 Analysis of our results

2.1 Performance against budget

The budget comparison 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 greater than 10 per cent and greater than \$1 million or where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 27 June 2022. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

2.1.1 Income / Revenue and expenditure

	Consolidated Actual 2023 \$'000	Council Actual 2023 \$'000 (note 6.3)	Council Budget 2023 \$'000	Council Variance \$'000 Fav (Unfav)	Council Variance % Fav (Unfav)	Note 2.1.1 Ref
Income / Revenue						
Rates and charges	163,528	163,630	162,081	1,549	1.0%	
Statutory fees and fines	8,917	8,918	9,696	(778)	(8.0%)	
User fees	11,771	8,270	9,389	(1,119)	(11.9%)	(a)
Grants – operating	41,913	41,894	33,940	7,954	23.4%	(b)
Grants – capital	9,763	9,763	3,518	6,245	177.5%	(c)
Contributions – monetary	2,393	2,393	3,447	(1,054)	(30.6%)	(d)
Contributions – non-monetary	14,804	14,804	10,000	4,804	48.0%	(e)
Net gain on disposal of property, infrastructure, plant and equipment	719	719	445	274	61.6%	
Fair value adjustments for investment property	228	228	–	228	100.0%	
Other income	22,358	12,415	4,849	7,566	156.0%	(f)
Total income / revenue	276,394	263,034	237,365	25,669	10.8%	
Expenses						
Employee costs	(93,472)	(85,195)	(91,636)	6,441	7.0%	
Materials and services	(100,788)	(96,364)	(75,427)	(20,937)	(27.8%)	(g)
Depreciation	(32,849)	(32,732)	(33,943)	1,211	3.6%	
Amortisation – intangible assets	(111)	(91)	(60)	(31)	(51.7%)	
Amortisation – right of use assets	(726)	(726)	(604)	(122)	(20.2%)	
Bad and doubtful debts – allowance for impairment losses	(2,818)	(2,802)	(1,953)	(849)	(43.5%)	
Borrowing costs	(2,687)	(2,665)	(2,667)	2	0.1%	
Finance costs – leases	(52)	(52)	(22)	(30)	(136.4%)	
Other expenses	(9,515)	(9,184)	(4,489)	(4,695)	(104.6%)	(h)
Total expenses	(243,018)	(229,811)	(210,801)	(19,010)	(9.0%)	
Surplus for the year	33,376	33,223	26,564	6,659	25.1%	

2.1.1 Income / Revenue and expenditure (continued)

Explanation of material variations

Ref	Item	Explanation
(a)	User fees	<p>User fee income was \$1.12 million lower than the Original Budget due to:</p> <ul style="list-style-type: none"> – lower car park ticket machine and parking meter income (\$871,000) due to reduced activity in the central business districts. – lower than anticipated income from Building permits / inspections and Planning permits (\$420,000) mostly due to economic impacts contributing to lower construction activity levels.
(b)	Grants – operating	<p>Operating grant income was \$7.95 million higher than the Original Budget due to:</p> <ul style="list-style-type: none"> – the early distribution of 100% of Council's 2023–24 Financial Assistance grant allocation via the Victorian Local Government Grants Commission (VLGGC) (\$4.14 million). – higher than anticipated Family Day Care grant income due to increased service delivery during COVID (\$2.19 million). – unbudgeted grant income for various projects which were either advised after the adoption of Council's Original Budget or relate to grant-funded projects carried over from 2021–22 including Refugee Immunisation PRIME (\$513,000), Waste Management (\$369,000), Child First (\$398,000) and Market Street Occasional Child Care Centre (\$218,000). <p>These favourable variances were partly offset by \$1.64 million lower than anticipated Home and Community Care grant funding recognised based on target achievement, restricted due to staff shortages.</p>
(c)	Grants – capital	<p>Capital grant income was \$6.25 million favourable to the Original Budget due to several grant funded projects carried over from the previous financial year (Local Roads Community Infrastructure – \$2.66 million, Ross Reserve Soccer Pitch – \$1.01 million, Noble Park Aquatic Centre gym redevelopment – \$940,000 and Burden Park Reserve – \$484,000) and funding advised after the adoption of Council's budget (Noble Park Revitalisation projects \$1.25 million and Black Spot Works Program \$828,000).</p> <p>These favourable variances were partly offset by a delay in the Keysborough South Community Hub project to 2023–24 which means that the grant funding received is not able to be recognised in the Income Statement yet (\$2.39 million).</p>
(d)	Contributions – monetary	<p>Monetary contributions were \$1.45 million unfavourable to the Original Budget mainly due to a delay in the Perry Road project to 2023–24 which means that the Development Contribution Plan (DCP) income related to this DCP project is not yet able to be recognised in the Income Statement (recognised on completion).</p>
(e)	Contributions – non-monetary	<p>These contributions represent assets that are transferred to Council's ownership from developers upon completion of subdivisions. Refer to Note 6.2(a) for further details about contributed assets. In 2022–23, they relate mainly to land titles transferred to Council. The number of subdivisions that are completed vary from year to year and the timing of these asset transfers is outside of Council's control and difficult to predict. This item does not impact the cash result.</p>
(f)	Other income	<p>Other income is \$7.57 million favourable to the Original Budget due to:</p> <ul style="list-style-type: none"> – \$5.26 million higher interest return on investments as a result of economic conditions (transferred to reserves). – \$1.94 million in higher than anticipated recovery income relating to legal costs (\$565,000), partner council contributions to works at the Spring Valley Landfill (\$244,000), a contract dispute (\$296,000) and reimbursement of the debt recovery actions taken in relation to outstanding rate debtors (\$221,000).

2.1.1 Income / Revenue and expenditure (continued)

Explanation of material variations (continued)

Ref	Item	Explanation
(g)	Materials and services	<p>The unfavourable variance of \$20.94 million is attributable to:</p> <ul style="list-style-type: none">– \$15.14 in capital expenditure that was not able to be capitalised to the asset register because it was not capital in nature, it did not meet the capitalisation threshold or it related to non-Council owned assets (\$6.16 million relating to current year capital expenditure and \$8.98 million relating to prior year capital expenditure in work in progress).– higher than anticipated Family Day Care contract services expenditure as a result of an expanded program (\$2.17 million).– higher park maintenance contract costs particularly for playgrounds, trees and roadside mowing (\$870,000).– higher than anticipated legal costs (\$864,000), mainly in Health (\$509,000) and Property Revenue for debt recovery of outstanding rates which are recovered (\$218,000).– increased insurance claims (\$682,000) relating to seven claims where the cost exceeded Council's excess and were referred to Council's insurer.– a delay in completion of the Noble Park Aquatic Centre gym redevelopment project resulting in a lower operational result for leisure centres (\$380,000).
(h)	Other expenses	<p>The unfavourable variance of \$4.70 million to the Original Budget is due to:</p> <ul style="list-style-type: none">– \$3.43 million in asset write offs which are not budgeted for as they are difficult to predict and do not impact the cash result. The asset write offs mainly relate to the renewal and replacement of off street car parks, recreational, leisure and community facilities, footpaths and cycleways and buildings.– \$834,000 in capital improvement program costs relating to non-Council-owned assets (mainly contributions to Rosewood Downs Primary School Maternal and Child Health). These costs are not able to be capitalised to Council's asset register.

2.1.2 Capital works

	Consolidated Actual 2023 \$'000	Council Actual 2023 \$'000	Council Budget 2023 \$'000	Council Variance \$'000 <i>Fav (Unfav)</i>	Council Variance % <i>Fav (Unfav)</i>	Note 2.1.2 Ref
Property						
Buildings	15,784	15,784	16,590	806	4.86%	
Leasehold improvements	393	393	871	478	54.88%	
Total buildings	16,177	16,177	17,461	1,284	7.35%	
Total property	16,177	16,177	17,461	1,284	7.35%	
Plant and equipment						
Plant, machinery and equipment	2,235	2,211	0	(2,211)	100.00%	(a)
Fixtures, fittings and furniture	124	116	45	(71)	(157.78%)	
Computers and telecommunications	642	642	124	(518)	(417.74%)	
Library books	817	817	878	61	6.95%	
Total plant and equipment	3,818	3,786	1,047	(2,739)	(261.60%)	
Infrastructure						
Roads	10,923	10,923	21,935	11,012	50.20%	(b)
Bridges	84	84	270	186	68.89%	
Footpaths and cycleways	1,833	1,833	2,000	167	8.35%	
Drainage	3,704	3,704	4,137	433	10.47%	
Recreational, leisure and community facilities	8,329	8,329	6,350	(1,979)	(31.17%)	(c)
Parks, open space and streetscapes	3,548	3,548	2,390	(1,158)	(48.45%)	(d)
Off street car parks	449	449	–	(449)	(100.00%)	
Total infrastructure	28,870	28,870	37,082	8,212	22.15%	
Sub-total	48,865	48,833	55,590	6,757	12.16%	
<i>(Property, infrastructure, plant and equipment)</i>						
Investment property	11	11	–	(11)	(100.00%)	
Total capital works expenditure	48,876	48,844	55,590	6,746	12.14%	
<i>(Property, infrastructure, plant & equip, Investment property & Intangibles)</i>						
Represented by:						
New asset expenditure	6,666	6,634	13,780	7,146	51.86%	(e)
Asset renewal expenditure	20,207	20,207	26,374	6,167	23.38%	(f)
Asset upgrade expenditure	19,564	19,564	15,436	(4,128)	(26.74%)	(g)
Asset expansion expenditure	2,439	2,439	–	(2,439)	(100.00%)	(h)
Total capital works expenditure	48,876	48,844	55,590	6,746	12.14%	

2.1.2 Capital works (continued)

Explanation of material variations

Ref	Item	Explanation
(a)	Plant, machinery and equipment	The unfavourable variance of \$2.21 million to the Budget is due to \$2 million in the fleet renewal program budget carried over from 2021–22. This carry over was caused by the COVID-19 impact on the manufacturing and supply of automotive plant and equipment in the prior year. There were a number of fleet items on order at 30 June 2022 that were delayed to 2022–23. Carry overs are not included in the Budget.
(b)	Roads	The favourable variance of \$11.01 million to the Budget is mainly due to: <ul style="list-style-type: none"> – projects not complete at 30 June 2023 which will be carried over to the 2023–24 financial year, including Ordish Road reconstruction caused by a lengthy process of geotechnical investigation and pavement design (\$3.12 million) and Perry Road (\$4.23 million) caused by requirement for service authorities' approval and materials availability (supply of concrete pipes). – an underspend in the Road Resurfacing / Reconstruction / Rehabilitation programs as a result of limited availability of contractors to complete works within the required timeframe (\$4.12 million).
(c)	Recreational, leisure and community facilities	The unfavourable variance of \$1.98 million to the Budget is due mainly to the Ross Reserve Athletic Soccer Pitch (\$1.21 million) and Burden Park Reserve (\$650,000) projects that were carried over from the 2021–22 year. Carry overs are not included in the Budget.
(d)	Parks, open space and streetscapes	Capital expenditure on parks, open space and streetscapes was \$1.16 million higher than the Budget due to a combination of factors including: <ul style="list-style-type: none"> – Noble Park Revitalisation grant funded projects included in the Mid-Year Budget such as Frank Street, Ian Street and Leonard Avenue Streetscape projects (\$697,000) – \$409,000 of capital works transferred from operating expenditure because it satisfied asset recognition criteria but was budgeted in operating expenditure in the Original Budget, mainly open space furniture such as tree grates, guards and pits. – three projects carried over from the 2021–22 financial year including Ross Reserve Landscaping project (\$223,000), Local Roads Community Infrastructure Phase 3 project for Railway Parade Shopping Centre (\$320,000) and Tatterson Park Oval 1 project (\$164,000). Carry overs are not included in the Budget. <p>These unfavourable variances are partly offset by a delay in the Vanity Lane project (\$795,000) awaiting demolition of a fire damaged building combined with detailed design refinements informed by additional feature survey work and engineering advice on site conditions. This project will be carried over to the 2023–24 financial year.</p>
(e)	New asset expenditure	New asset expenditure was \$7.15 million lower than anticipated in the Budget due to the deferral of \$10.38 million in capital expenditure budget for the Keysborough South Community Hub major project to 2023–24 (adjusted in the Mid-Year Budget), partly offset by three projects carried over from the 2021–22 financial year including Ross Reserve Soccer Pitch (\$1.21 million), 8 Balmoral Avenue Car Park (\$1.08 million) and Local Roads and Community Infrastructure Optical Fibre various locations (\$488,000). Carry overs are not included in the Budget.
(f)	Asset renewal expenditure	Asset renewal expenditure was \$6.17 million lower than anticipated in the Budget due to the favourable variance in the Road Resurfacing / Rehabilitation / Reconstruction programs detailed in 2.1.2 (b) above, partly offset by the unfavourable variance in the fleet renewal program (detailed in 2.1.2 (a) above) and \$1.61 million of capital works transferred from operating expenditure because it satisfied asset recognition criteria but was budgeted in operating expenditure in the Budget.

2.1.2 Capital works (continued)

Explanation of material variations (continued)

Ref	Item	Explanation
(g)	Asset upgrade expenditure	<p>Asset upgrade expenditure was \$4.13 million higher than anticipated in the Budget due to unfavourable variances caused by carry overs from 2021–22 for the Thomas Carroll pavilion (\$3.57 million), Ross Reserve pavilion (\$2.85 million) and Local Roads Community Infrastructure Callander Road (\$1.23 million) projects. Carry overs are not included in the Budget.</p> <p>These unfavourable variances are partly offset by favourable variances caused by delays in the Perry Road (\$4.2 million), Drainage Catchment 38A (\$1.2 million) and Ross Reserve Athletics Track (\$1.03 million) projects. Perry Road and Ross Reserve Athletics Track will be carried over to 2023–24, while Drainage Catchment 38A will be partly carried over (\$425,000) with the remaining balance representing savings as the project needs to be re-scoped.</p>
(h)	Asset expansion expenditure	<p>Asset expansion expenditure was \$2.44 million higher than anticipated in the Budget due to the Noble Park Aquatic Centre gym redevelopment project (\$2.44 million) which was carried over from the 2021–22 financial year. Carry overs are not included in the Budget.</p>

Note 2.2 Analysis of Council results by program

2.2.1 Council delivers its functions and activities through the following programs.

Chief Executive Office (CEO)

The Office of the Chief Executive has overall responsibility for the operations of the organisation, and carriage of the Strategic Risk Register. Each member of the executive management team reports to the CEO.

Corporate Services

The Corporate Services directorate is responsible for a broad range of organisational functions including financial planning, marketing and communications, governance, information and telecommunications, organisational development and corporate planning. The departments which make up this directorate include Financial Services, Information Technology, Governance, Customer Service and Civic Facilities, Media and Communications and People Culture and Innovation Services.

Business, Engineering and Major Projects

Greater Dandenong Business

Greater Dandenong Business is responsible for Council's major activity centres, economic development, investment attraction and future growth. Attracting investment and showcasing business are key roles in establishing Greater Dandenong as a regional capital. The departments which make up Greater Dandenong Business include Economic Development, Business and Revitalisation, Major Projects and South East Business Networks (SEBN).

Engineering Services

Engineering Services is primarily focused on roads and footpaths, transport, parks and gardens, waste services, recreational and sporting facilities and Council's capital works program. It includes the departments of City Improvement, Infrastructure Services and Planning and Transport and Civil Development.

City Planning Design and Amenity

The City Planning, Design and Amenity directorate is focused on the development of our built and natural environments and ensuring that Council's activities match the community's future needs for facilities, housing, and sustainability. It oversees the functions of Building and Compliance Services, Statutory Planning, Strategic and Environmental Planning and Regulatory Services.

Community Strengthening

Community Strengthening provides direct services to the community across a wide range of programs such as sport and recreation, libraries, youth and families, children's services, festivals and events, support for older people and community advocacy. This directorate manages Community Care, Community Arts, Culture and Libraries, Community Wellbeing and Community Development, Sport and Recreation. This Directorate was previously named Community Services in 2021–22.

Non-attributable

The items that cannot be reliably attributable to a directorate. For example furniture, fixtures and fittings that cannot be identified by a location or work in progress that cannot be easily allocated across directorate.

2.2 Analysis of Council results by program (continued)

2.2.2 Summary of income / revenue, expenses, assets and capital expenses by program

	Income / Revenue \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in income / revenue \$'000	Total assets \$'000
2023					
CEO Services	–	(813)	(813)	–	5
Corporate Services	166,602	(30,231)	136,371	16,434	332,132
Business, Engineering & Major Projects	54,433	(106,661)	(52,228)	11,184	1,660,960
City Planning, Design & Amenity	14,792	(20,241)	(5,449)	670	117,237
Community Strengthening	27,207	(62,884)	(35,677)	23,369	738,077
Non-attributable*	–	(8,981)	(8,981)	–	134
Council Total	263,034	(229,811)	33,223	51,657	2,848,545
Dandenong Market Pty Ltd	6,146	(6,017)	129	–	2,138
South East Leisure Pty Ltd	11,464	(11,440)	24	19	3,344
Consolidated elimination	(4,250)	4,250	–	–	(1,335)
Consolidated Total	276,394	(243,018)	33,376	51,676	2,852,692

	Income / Revenue \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in income / revenue \$'000	Total assets \$'000
2022					
CEO Services	–	(668)	(668)	–	–
Corporate Services	156,834	(28,708)	128,126	15,800	307,128
Business, Engineering & Major Projects**	46,791	(97,666)	(50,875)	15,033	1,539,605
City Planning, Design & Amenity	14,723	(19,320)	(4,597)	801	113,537
Community Strengthening**	26,422	(62,205)	(35,783)	22,510	699,374
Non-attributable*	–	(2,597)	(2,597)	–	139
Total for Council	244,770	(211,164)	33,606	54,144	2,659,783
Dandenong Market Pty Ltd	4,846	(4,870)	(24)	–	1,897
South East Leisure Pty Ltd	1,680	(1,327)	353	–	1,915
Consolidation elimination	(1,813)	1,813	–	–	(1,219)
Consolidated Total	249,483	(215,548)	33,935	54,144	2,662,376

*Non-attributable represents income and expense items that are not specifically attributable to one of the directorates.

**Prior year comparatives have been amended to more accurately classify operating income and expenditure for the Capital Improvement Program from Community Strengthening to Business, Engineering and Major Projects.

NOTE 3 Funding for the delivery of our services

3.1 Rates and charges

Council uses the Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all improvements on it, and is determined by independent valuers and certified by the Valuer General Victoria. The valuation base used to calculate general rates for 2022–23 was \$59.36 billion (\$50.10 billion in 2021–22).

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Residential	58,243	58,613
Commercial	12,242	12,424
Industrial	62,298	57,848
Farm	458	478
Cultural and recreational	558	437
Waste management charge – residential	24,829	23,187
Supplementary rates and rates adjustment	1,963	1,472
Maintenance levy	1,697	1,647
Interest on rates and charges	1,240	605
Total rates and charges	163,528	156,711

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2022 and the valuation is first applied to the rating period commencing 1 July 2022.

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

3.2 Statutory fees and fines

Infringements and costs	4,933	3,571
Court recoveries	1,661	1,260
Building and town planning fees	1,818	2,122
Subdivision	146	233
Land information certificates	112	136
Election fines	10	83
Permits	237	228
Total statutory fees and fines	8,917	7,633

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.

3.3 User fees

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Aged and health services	941	1,090
Leisure centre and recreation	3,504	–
Child care/children's programs	1,749	1,565
Parking	2,530	1,632
Registration and other permits	2,018	1,624
Asset protection fees	472	444
Other fees and charges	557	457
Total user fees	11,771	6,812
User fees by timing of revenue recognition		
User fees recognised over time	281	313
User fees recognised at point in time	11,490	6,499
Total user fees	11,771	6,812

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:		
Summary of grants		
Commonwealth funded grants	34,361	33,602
State funded grants	17,296	20,511
Other grant sources	19	31
Total grants received	51,676	54,144
a) Operating grants		
Recurrent – Commonwealth Government		
Financial Assistance Grants (via Victoria Local Government Grants Commission)*	16,258	15,107
Family Day Care	6,534	5,976
General Home Care	6,247	5,807
Family, Youth and Children Services	352	343
Libraries	261	170
Immunisation	18	10
Volunteer Services	13	18
	29,683	27,431

*Payments for Financial Assistance Grants received via the Victorian Local Government Grants Commission can vary year on year. Due to early distributions, 2022–23 reflects 125% of funding received (100% of 2023–24 and 25% of 2022–23) and the 2021–22 financial year reflects 125% of funding received (75% of 2022–23 and 50% of 2021–22).

3.4 Funding from other levels of government (continued)

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
a) Operating grants (continued)		
Recurrent – State Government		
Aged Care	1,018	1,650
Maternal and Child Health	2,374	2,456
Family, Youth and Children Services	2,658	2,012
Libraries	1,178	1,126
General Home Care	492	–
Community Health	232	238
Immunisation	138	135
COVID Safety and Support	192	620
School Crossing Supervisors	524	441
Emergency Management	87	138
Education and Employment	350	350
Open Space and Environment	213	324
Volunteer Services	8	8
	9,464	9,498
Total recurrent operating grants	39,147	36,929
Non-recurrent – Commonwealth Government		
Family, Youth and Children Services	110	70
Libraries	–	72
Immunisation	126	–
COVID Safety and Support	–	20
	236	162
Non-recurrent – State Government		
Community Development	488	55
Immunisation	513	–
Aged Care	92	107
Waste Management	369	167
Emergency Management	–	46
COVID Safety and Support	90	1,085
Family, Youth and Children Services	284	371
Maternal and Child Health	41	234
Community Health	–	207
Community Safety	200	280
Libraries	–	60
Transport and Access	–	27
Sports and Recreation	–	90
Open Space and Environment	398	80
Education and Employment	–	133
Arts and Culture	3	161
South East Leisure	19	–
Other	14	–
	2,511	3,103

3.4 Funding from other levels of government (continued)

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
a) Operating grants (continued)		
Non-recurrent – Other		
Community Development	–	31
Transport and Access	19	–
	–	31
Total non-recurrent operating grants	2,766	3,296
Total operating grants	41,913	40,225
b) Capital grants		
Recurrent – Commonwealth Government		
Roads to Recovery	929	1,512
Non-recurrent – Commonwealth Government		
Local Roads Community Infrastructure Program	2,657	3,376
Black Spot Program	828	1,109
Sports and Recreation	28	12
	3,513	4,497
Non-recurrent - State Government		
Sports and recreation	2,903	5,688
Parks, Open Space and Streetscapes	1,681	1,737
Community Safety	-	186
Noble Park Revitalisation Program	400	183
Footpaths and Cycleways	-	49
Community Facilities	337	67
	5,321	7,910
Total non-recurrent capital grants	8,834	12,407
Total capital grants	9,763	13,919

3.4 Funding from other levels of government (continued)

(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
- 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 of 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 2023 \$'000	Consolidated 2022 \$'000
<i>Income recognised under AASB 1058 Income of Not-for-Profit Entities</i>		
General purpose	16,258	15,107
Specific purpose grants to acquire non-financial assets	9,763	13,919
Other specific purpose grants	15,505	15,823
<i>Revenue recognised under AASB 15 Revenue from Contracts with Customers</i>		
Specific purpose grants	10,150	9,295
	51,676	54,144

d) Unspent grants received on condition that they be spent in a specific manner

The unspent grant income disclosed below relate to contracts that do not have sufficiently specific performance obligations. The income for these contracts are recognised when Council obtains control of the contribution, which is normally upon receipt. For details of grant funding relating to unsatisfied performance obligations and transfers to construct a recognisable non-financial to be controlled by Council, please refer to Note 5.3(c) for further details.

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
<i>Operating</i>		
Balance at start of the year	16,449	12,684
Received during the financial year and remained unspent at balance date	18,672	14,725
Received in prior years and spent during the financial year	(14,255)	(10,960)
Balance at year end*	20,866	16,449

Unspent grants are determined and disclosed on a cash basis.

*The large balance of unspent operating grants in the 2023 and 2022 years relates to the early distribution by the Victoria Local Government Grants Commission of 100% and 75% respectively of the Financial Assistance Grants funding for the following financial year (2023: \$12.94 million and 2022: \$9.15 million).

3.5 Contributions

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Monetary		
Community contributions (for capital works)	197	47
Level Crossing Removal Maintenance	–	4,685
Other contributions	25	277
Total non-developer contributions	222	5,009
Open space contributions (for future capital works) (note 3.5(a))	2,171	3,060
Total developer contributions	2,171	3,060
Total monetary contributions	2,393	8,069
Non-monetary	14,804	3,685
Total contributions	17,197	11,754
<i>Contributions of non-monetary assets were received in relation to the following asset classes:</i>		
Land	14,000	192
Infrastructure	804	3,493
Total non-monetary contributions	14,804	3,685

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

Additional note:

(a) Public open space contributions received during the financial year are transferred to the Open Space Planning, Development and Improvements Reserve. Refer note 9.1(b).

3.6 Net gain on disposal of property, infrastructure, plant and equipment

Proceeds of sale	794	551
Less carrying amount of assets sold	(75)	(69)
	719	482
Total net gain on disposal of property, infrastructure, plant and equipment	719	482

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

3.7 Other income

Interest on investments	5,760	615
Dandenong Market revenue from operations	5,967	4,813
Investment property rental	1,553	1,513
Other rent	3,598	648
Recoveries	3,431	4,066
Other	2,049	292
Total other income	22,358	11,947

Interest is recognised as it is earned.

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

Note 4 The cost of delivering services

4.1 a) Employee costs

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Wages and salaries	74,770	68,510
WorkCover	1,435	2,582
Casual staff	1,062	962
Superannuation	7,871	6,838
Long service leave oncost	1,707	981
Fringe benefits tax	528	281
Other	6,099	6,098
Total employee costs	93,472	86,252
b) Superannuation		
Council made contributions to the following funds:		
<u>Defined benefit fund</u>		
Employer contribution to Local Authorities Superannuation Fund (Vision Super)	321	342
	321	342
Employer contributions payable at reporting date	–	–
<u>Accumulation funds</u>		
Employer contribution to Local Authorities Superannuation Fund (Vision Super)	3,610	3,512
Employer contribution – other funds	3,908	2,963
	7,518	6,475
Employer contributions payable at reporting date	284	–

Contributions made exclude amounts accrued at balance date. Refer note 9.3 for further information relating to Council's superannuation obligation.

4.2 Materials and services

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Waste management	20,040	17,343
Other contract payments	10,264	9,028
Works in progress (unable to be capitalised)	8,978	2,593
Park maintenance	8,637	7,476
Office administration	6,993	6,671
General maintenance	6,670	3,862
Cleaning services	6,740	4,515
Educator services	6,559	6,001
Consultants and professional services	6,271	6,645
Information technology	4,797	3,378
Utilities	4,970	3,850
Building maintenance	3,640	3,405
Insurance	2,343	1,523
Security services	1,911	1,584
Springvalley landfill rehabilitation and monitoring costs	724	3,045
Library resources	542	550
Meals for delivery	348	424
Cash collection services	201	178
Property valuation services	108	128
Leisure centre contract*	52	3,693
Total materials and services	100,788	85,892

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

*South East Leisure (Council's wholly owned entity) now manages Council's leisure and aquatic facilities with the 2022–23 being the first full year of operations.

4.3 Depreciation

Property	6,845	7,065
Plant and equipment	3,903	3,855
Infrastructure	22,101	21,496
Total depreciation	32,849	32,416

Refer to 6.2 for a more detailed breakdown of depreciation charges.

4.4 Amortisation – intangible assets

Software	111	103
Total amortisation – intangible assets	111	103

4.5 Amortisation – right-of-use assets

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Property	416	387
Vehicles	71	54
IT and office equipment	239	223
Total Amortisation – right-of-use assets	726	664

Refer to 5.8 for a more detailed breakdown of amortisation charges on right of use assets.

4.6 Bad and doubtful debts – allowance for impairment losses

Parking fine debtors	1,544	1,180
Other debtors	1,258	307
Dandenong Market Pty Ltd	(6)	–
South East Leisure Pty Ltd	22	–
Total bad and doubtful debts – allowance for impairment losses	2,818	1,487

Movement in allowance for impairment losses in respect of debtors

Balance at the beginning of the year	1,376	1,734
New provisions recognised during the year	2,818	1,485
Amounts already provided for and written off as uncollectible	(1,934)	(1,843)
Amounts provided for but recovered during the year	–	–
Balance at end of year	2,260	1,376

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.

4.7 Borrowing costs

Interest – borrowings	2,665	2,800
Interest – other interest-bearing liabilities	22	–
Interest – other	–	3
Total borrowing costs	2,687	2,803

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and interest on borrowings.

4.8 Finance costs – leases

Interest – lease liabilities	52	30
Finance costs – leases	52	30

4.9 Other expenses

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals	124	85
Auditors' remuneration – Internal Audit	32	75
Auditors' remuneration – Other	4	9
Councillors' allowances	516	487
Council election	2	20
Operating lease / rentals	742	574
Assets written-off	3,427	991
Landfill provision	144	(184)
Other expenses	1,566	1,142
Community grants and contributions	2,958	2,603
Total other expenses	9,515	5,802

Note 5 Our financial position

5.1 Financial assets

(a) Cash and cash equivalents		
Cash on hand*	5,053	5,772
Cash at bank*	20,884	14,056
Term deposits	50,056	13,515
Total cash and cash equivalents	75,993	33,343
(b) Other financial assets		
Current		
Term deposits – current	122,869	150,504
Total current other financial assets	122,869	150,504
Total other financial assets	122,869	150,504
Total financial assets	198,862	183,847

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, being market value, at balance date. Term deposits are measured at amortised 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 three to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

*The prior year comparatives for cash on hand and cash at bank have been restated to reflect the correct classification.

5.1 Financial assets (continued)

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	15,325	13,432
Infringement debtors	10,342	10,350
Provision for doubtful debts – infringements	(1,035)	(1,035)
Other statutory debtors	539	707
Provision for doubtful debts – other statutory debtors	(69)	(37)
Net GST receivable	2,012	2,322
<i>Non statutory receivables</i>		
Other debtors	5,203	4,745
Provision for doubtful debts – other debtors	(1,156)	(304)
Total current trade and other receivables	31,161	30,180
Non-current		
<i>Non statutory receivables</i>		
Narre Warren landfill – financial contribution	200	208
Other debtors – refundable deposit	73	73
Total non-current trade and other receivables	273	281
Total trade and other receivables	31,434	30,461
Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised on an expected credit loss model per <i>AASB 9 Financial Instruments</i> . This model considers both historic and forward looking information in determining the level of impairment. Long term receivables are carried at amortised cost using the effective interest rate method.		
i) Ageing of receivables		
The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:		
Current (not yet due)	1,610	1,287
Past due by up to 30 days	307	185
Past due between 31 and 180 days	526	854
Past due between 181 and 365 days	792	616
Past due by more than 1 year	1,085	1,780
Total trade and other receivables (excluding statutory receivables)	4,320	4,722

5.1 Financial assets (continued)

(c) Trade and other receivables (continued)

ii) Ageing of individually impaired receivables

At balance date, trade and other receivables (excluding statutory receivables) representing financial assets with a nominal value of \$1.02 million (2022 \$213,500) were impaired. The amount of the provision raised against these debtors was \$1.02 million (2022 \$213,500). They have been individually impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Ageing of all impaired trade and other receivables (excluding statutory receivables)		
Current (not yet due)	63	19
Past due by up to 30 days	4	4
Past due between 31 and 180 days	37	19
Past due between 181 and 365 days	372	7
Past due by more than 1 year	680	254
Total trade and other receivables (excluding statutory receivables)	1,156	303

5.2 Non-financial assets

a) Inventories		
Inventories held for distribution	62	19
Total inventories	62	19
Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.		
b) Other assets		
Prepayments	3,098	2,003
Accrued income	4,796	5,345
Other	559	559
Total other assets	8,453	7,907

5.2 Non-financial assets (continued)

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
(c) Intangible assets		
Software	84	195
Total intangible assets	84	195
<i>Software</i>		
Gross carrying amount		
Balance at 1 July	3,050	2,954
Transfer from work in progress	–	12
Other additions	–	84
Balance at 30 June	3,050	3,050
Accumulated amortisation and impairment		
Balance at 1 July	(2,855)	(2,752)
Amortisation expense	(111)	(103)
Balance at 30 June	(2,966)	(2,855)
Net book value at start of year	195	202
Net book value at end of year	84	195

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life (3 years for Computer Software). 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

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
(a) Trade and other payables		
Current		
<i>Non-statutory payables</i>		
Trade payables	16,756	17,736
Accrued expenses	9,051	6,766
<i>Statutory payables</i>		
Net GST payable	181	127
Total current trade and other payables	25,988	24,629
(b) Trust funds and deposits		
Current		
Fire services property levy	932	816
Road deposits	576	394
Landscape deposits	1,167	1,124
Open space contributions	446	270
Other refundable deposits	3,352	2,376
Total current trust funds and deposits	6,473	4,980
Non-current		
Other refundable deposits	2,112	2,409
Total non-current trust funds and deposits	2,112	2,409
Total trust funds and deposits	8,585	7,389

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

Purpose and nature of items

Fire Services Property Levy – Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the State Government in line with that process.

Road and landscape deposits – are taken by Council as a form of surety during the maintenance period of a development or held due to outstanding works identified after the maintenance period which have not been addressed by the contracted builder or developer.

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

5.3 Payables, trust funds and deposits and unearned income / revenue (continued)

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
(c) Unearned income / revenue		
Current		
Grants received in advance – operating grants*	10,012	8,253
Grants received in advance – capital grants*	3,568	5,550
Unearned income / revenue – Development Contribution Plans (DCP)*	43,256	40,460
Other	2,044	1,559
Total current unearned income / revenue	58,880	55,822

*Movement reconciliations for 2023 provided on the following pages.

Unearned income / revenue represents contract liabilities and reflect consideration received in advance from customers, mostly in respect of operating and capital grants. Also, relates to relevant parking permits and hall hire income received in advance of service provision. Unearned income / revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer.

Revenue from contracts (AASB 15)	Consolidated			
	2022	2023	2023	2023
	Opening balance	Income received during current year	Income recognised due to satisfied obligations	Closing balance of unsatisfied obligations
	\$'000	\$'000	\$'000	\$'000
Operating grants				
Home and Community Care*	7,513	9,026	(7,349)	9,190
Families and Children	624	2,866	(2,694)	796
Parks and Open Space	107	8	(107)	8
Other	9	9	–	18
	8,253	11,909	(10,150)	10,012

Performance obligations under the above operating grants are based on the contract agreement and generally relate to the number of service hours or meals provided.

*The most significant item above relates to grants received by Council's Community Care department from the Commonwealth Government for the Commonwealth Home Support Program (CHSP) and the Victorian Government for the HACC Program for Younger People (PYP). The \$9.19 million relates to unsatisfied performance obligations from 2019–20, 2020–21, 2021–22 and 2022–23. These funds were received under an agreement that was initially to end in 2019 but due to delays in implementing the new Aged Care Reform Agenda Council has been receiving one year contract extensions for the 2019–20, 2020–21, 2021–22 and 2022–23 years. The current contract extension now finishes 30 June 2024. The Commonwealth Government recently announced that they are delaying the implementation of the new In Home Support Program until 1 July 2024.

The closing balance of transfers received to construct a recognisable non-financial asset to be controlled by Council represents a liability (unearned income) arising from the transfer at balance date.

5.3 Payables, trust funds and deposits and unearned income / revenue (continued)

(c) Unearned income / revenue (continued)

Transfers to construct a recognisable non-financial asset to be controlled by Council (AASB 1058)	Consolidated			2023 Closing balance of unsatisfied obligations \$'000
	2022 Opening balance \$'000	2023 Income received or accrued \$'000	2023 Income recognised due to satisfied obligations \$'000	
Capital grants				
Black Spot Works Program	45	852	(828)	69
Burden Park Tennis Redevelopment	384	100	(484)	–
Frank Street Open Space Redevelopment	389	–	(389)	–
Frederick Wachter Reserve Playground	–	300	(300)	–
George Andrews Reserve – Pitch 1 Lighting	–	180	(27)	153
Hemmings Street Precinct	128	–	(109)	19
Herbert Street Pocket Park	19	136	(155)	–
Home and Community Care Minor Equipment	–	50	–	50
Ian Street Streetscape	606	68	(457)	217
Keysborough South Community Hub	1,132	–	(106)	1,026
Keysborough Tennis Facility Lighting	165	19	(184)	–
Local Roads Community Infrastructure (LRCl)	297	2,850	(2,657)	490
Noble Park Aquatic Centre redevelopment (gym)	890	50	(940)	–
Noble Park Revitalisation	308	649	(400)	557
Parkfield Reserve Cricket Net	15	13	(28)	–
Police Paddocks – Grandstand (Frank Holohan Soccer Complex) and Infrastructure	153	–	(1)	152
Redevelopment of former Precinct Energy Plant (PEP)	–	800	(73)	727
Roads to Recovery	2	1,035	(929)	108
Ross Reserve Oval 2 LED Lighting	–	230	(230)	–
Ross Reserve Playground, Plaza, Path and Oval	79	80	(159)	–
Ross Reserve Synthetic Soccer Pitch	834	175	(1,009)	–
Safety, Security and Space Activation	–	158	(158)	–
Thomas Carroll Reserve Pavilion and Lighting	104	36	(140)	–
	5,550	7,781	(9,763)	3,568

Council's obligations under the above transfers are to construct a Property, Infrastructure, Plant and Equipment asset and this obligation is considered to be satisfied as the capital project expenditure to construct the asset is progressively incurred.

5.3 Payables, trust funds and deposits and unearned income / revenue (*continued*)

(c) Unearned income / revenue (*continued*)

Transfers to construct a recognisable non-financial asset to be controlled by Council (AASB 1058)	2022	Consolidated		2023
	Opening balance	2023 Income deferred during current year	2023 Developer reimbursements	Closing balance of unsatisfied obligations
	\$'000	\$'000	\$'000	\$'000
Development Contribution Plans (DCP)				
Keysborough Residential DCP	26,522	2,303	–	28,825
Dandenong Industrial DCP (Keysborough & Lyndhurst)	13,938	493	–	14,431
	40,460	2,796	–	43,256

The satisfaction of DCP obligations depends on development activity and the construction of assets by developers. Income / revenue is recognised on practical completion of the asset.

5.4 Interest-bearing liabilities

	Consolidated 2023	Consolidated 2022
	\$'000	\$'000
(a) Interest-bearing loans and borrowings		
<i>Current</i>		
Other borrowings – secured	3,597	3,484
	3,597	3,484
<i>Non-current</i>		
Other borrowings – secured	46,182	49,779
	46,182	49,779
Total interest-bearing liabilities	49,779	53,263
Borrowings are secured over the general rates of Council.		
(b) Other Interest-bearing loans and borrowings		
<i>Current</i>		
Other borrowings – secured	92	–
	92	–
<i>Non-current</i>		
Borrowings – secured	373	–
	373	–
Total other interest-bearing loans and borrowings	465	–

Other interest-bearing loans and borrowings relates to a finance lease entered into by South East Leisure to lease and subsequently purchase gym equipment. Council is guarantor to this finance lease.

5.4 Interest-bearing liabilities (continued)

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
(c) Maturity profile		
The maturity profile for Council's borrowings is:		
Not later than one year	3,689	3,484
Later than one year and not later than five years	16,139	15,196
Later than five years	30,416	34,583
	50,244	53,263

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 the 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

	Employee \$'000	Consolidated Landfill restoration \$'000	Total \$'000
2023			
Balance at beginning of the financial year	22,114	870	22,984
Additional provisions	8,083	324	8,407
Amounts used	(8,290)	(158)	(8,448)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(323)	(22)	(345)
Balance at the end of the financial year	21,584	1,014	22,598
<i>Provisions – current</i>	20,983	294	21,277
<i>Provisions – non-current</i>	601	720	1,321
	21,584	1,014	22,598
2022			
Balance at beginning of the financial year	22,908	1,054	23,962
Additional provisions	7,599	85	7,684
Amounts used	(7,418)	(250)	(7,668)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(975)	(19)	(994)
Balance at the end of the financial year	22,114	870	22,984
<i>Provisions – current</i>	21,680	184	21,864
<i>Provisions – non-current</i>	434	686	1,120
	22,114	870	22,984

5.5 Provisions (continued)

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
(a) Employee provisions		
<i>Current provisions expected to be wholly settled within 12 months</i>		
Annual leave	7,924	8,029
Long service leave	1,124	905
Other	533	545
	9,581	9,479
<i>Current provisions expected to be wholly settled after 12 months</i>		
Annual leave	538	624
Long service leave	10,864	11,577
	11,402	12,201
Total current employee provisions	20,983	21,680
<i>Non-current</i>		
Long service leave	601	434
Total non-current employee provisions	601	434
<i>Aggregate carrying amount of employee provisions:</i>		
Current	20,983	21,680
Non-current	601	434
Total aggregate carrying amount of employee provisions	21,584	22,114

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

Annual leave

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

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

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

5.5 Provisions (continued)

(a) Employee provisions (continued)

	Consolidated 2023	Consolidated 2022
Key assumptions:		
– discount rate	4.05%	2.48%
– index rate	3.50%	3.50%
– settlement rate long service leave (years)		
long service leave (years)	7	7
annual leave (days)	260	260
(b) Landfill restoration	\$'000	\$'000
Current	294	184
Non-current	720	686
Total provision for landfill restoration	1,014	870

The former Springvalley landfill has been closed to the receipt of refuse since December 1998. The former landfill is located between Clarke Road and Springvale Road and the premises was used as a landfill for disposal of waste from 1993 to 1999 under a licence issued by the Environmental Protection Authority (EPA). The landfill is owned by the Greater Dandenong City Council and is used as recreational open space. Under the terms of a licence agreement with the Environment Protection Authority (EPA) and Pollution Abatement notices, Council is required to monitor, progressively rehabilitate and conduct rectification works.

Council is obligated to restore the former Springvalley landfill site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken including site aftercare and monitoring costs. The expected cost of works has been estimated based on current understanding of work required to progressively rehabilitate the sites to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Council reviews the landfill restoration provision on an annual basis, including the key assumptions listed below.

The Greater Dandenong City Council shares the commitment for rehabilitation and aftercare management of the landfill with other stakeholder Council's. Council's interest or share of the costs is 19.88%. In the financial report for 30 June 2023, Council has an amount of \$1 million (30 June 2022 \$871,000) as a provision for the restoration of the Springvalley Road landfill site which includes aftercare costs to meet EPA obligations.

	Consolidated 2023	Consolidated 2022
Key assumptions:		
– discount rate	4.05%	3.50%
– index rate	3.50%	3.50%
– settlement rate	15 years	15 years

5.6 Financing arrangements

Bank overdraft	2,500	2,500
Credit card facilities	200	200
Interest-bearing liabilities – secured	49,779	53,263
Other interest-bearing liabilities – secured	465	–
Total facilities	52,944	55,963
Used facilities	51,188	53,269
Unused facilities	1,756	2,694

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 by way of note and presented inclusive of the GST payable.

(a) Commitments for expenditure

	Consolidated				Total \$'000
	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	
2023					
Operating					
Animal pound services	290	–	–	–	290
Building maintenance services	5,234	3,972	–	–	9,206
Cleaning services	2,949	801	107	–	3,857
Dandenong Market Pty Ltd commitments	2,486	2,569	4,257	–	9,312
Garbage collection (incl. garden waste)	6,936	7,144	18,421	3,839	36,340
Hard waste and dumped rubbish	925	–	–	–	925
Meals for delivery	440	–	–	–	440
Open space management	1,117	–	–	–	1,117
Other contracts	859	95	–	–	954
Parking management	70	30	–	–	100
Recycling	2,384	1,900	4,477	–	8,761
Renewable electricity	610	610	1,830	120	3,170
South East Leisure commitments	1,054	1,078	1,096	72	3,300
Works (roads and drains) services	617	601	222	–	1,440
Total Operating Commitments	25,971	18,800	30,410	4,031	79,212
Capital					
Buildings	891	120	190	–	1,201
Drainage	92	–	–	–	92
Parks, open space and streetscapes	2,797	4,475	–	–	7,272
Roads	5,224	621	–	–	5,845
Total Capital Commitments	9,004	5,216	190	–	14,410
Total Commitments 2023	34,975	24,016	30,600	4,031	93,622

5.7 Commitments (continued)

(a) Commitments for expenditure (continued)

	Consolidated				Total \$'000
	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	
2022					
Operating					
Animal pound services	300	–	–	–	300
Building maintenance services	3,192	3,116	–	–	6,308
Cleaning services	2,725	2,337	–	–	5,062
Dandenong Market Pty Ltd commitments	2,409	2,465	6,803	–	11,677
Garbage collection (incl. garden waste)	6,293	2,065	6,836	2,510	17,704
Hard waste collection	2,368	–	–	–	2,368
Meals for delivery	560	–	–	–	560
Open space management	2,841	522	–	–	3,363
Other contracts	939	199	92	–	1,230
Parking management	175	75	75	–	325
Recycling	3,807	588	–	–	4,395
Renewable electricity	610	610	1,830	610	3,660
Works (roads and drains) services	143	–	–	–	143
Total Operating Commitments	26,362	11,977	15,636	3,120	57,095
Capital					
Buildings	14,631	170	190	–	14,991
Drainage	2,267	–	–	–	2,267
Parks, open space and streetscapes	5,774	–	–	–	5,774
Roads	4,102	–	–	–	4,102
Total Capital Commitments	26,774	170	190	–	27,134
Total Commitments 2022	53,136	12,147	15,826	3,120	84,229

(b) Operating lease receivables

The Council has entered into commercial property leases on selected properties. These properties are held under operating leases and have remaining non-cancellable lease terms of between 1 and 50 years. All leases include a CPI based revision of the rental charge annually.

Future undiscounted minimum rentals receivable under non-cancellable operating leases are as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Not later than one year	1,306	1,408
Later than one year and not later than five years	1,555	2,150
Later than five years	51	140
	2,912	3,698

5.8 Leases

At inception of a contract, Council 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;
- Council has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- Council 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 a lessee, Council 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, Council uses an appropriate incremental borrowing rate as the discount rate.

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 Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council 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.

5.8 Leases (continued)

<i>Right-of-use Assets</i>	Consolidated			Total \$'000
	Property \$'000	Vehicles \$'000	IT and Office Equip. \$'000	
Balance at 1 July 2022	1,185	60	601	1,846
Additions/lease modifications	190	79	165	434
Amortisation charge	(416)	(71)	(239)	(726)
Balance at 30 June 2023	959	68	527	1,554
Balance at 1 July 2021	294	20	249	563
Additions/lease modifications	1,278	94	575	1,947
Amortisation charge	(387)	(54)	(223)	(664)
Balance at 30 June 2022	1,185	60	601	1,846
			Consolidated 2023 \$'000	Consolidated 2022 \$'000
Lease Liabilities				
Maturity analysis – contractual undiscounted cash flows:				
Less than one year			586	570
One to five years			1,079	1,392
More than five years			–	–
Total undiscounted lease liabilities as at 30 June			1,665	1,962
Lease liabilities included in the Balance Sheet at 30 June:				
Current			548	524
Non-current			1,038	1,324
Total lease liabilities			1,586	1,848

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases 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 \$10,000). This includes IT and office related equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5.8 Leases (continued)

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Expenses relating to:		
Leases of low value assets	742	574
Total	742	574
Variable lease payments (not included in measurement of lease liabilities)		
Variable lease payments	–	–
Total	–	–
Variable lease payments are those that depend on an index or a rate, for example payments linked to the consumer price index, a benchmark interest rate or changes in market rental rates.		
Non-cancellable lease commitments – short-term and low-value leases		
Commitments for minimum lease payments for short-term and low-value leases are payable as follows:		
Within one year	657	680
Later than one year but not later than five years	864	595
Total lease commitments	1,521	1,275

Note 6 Assets we manage

Note content:

- 6.1 Non-current assets classified as held for sale
- 6.2 Property, infrastructure, plant and equipment
 - (a) Summary of Property, Infrastructure, Plant and Equipment
 - (b) Summary of Work in Progress (WIP)
 - (c) Property
 - (d) Plant and Equipment
 - (e) Infrastructure
 - (f) Recognition
 - (g) Depreciation
 - (h) Valuation
 - (i) Reconciliation of Specialised Land

8.4* Fair value measurement

**This note includes additional details about the fair value hierarchy and impairment of assets.*

6.1 Non-current assets classified as held for sale

Non-current assets classified as held for sale 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 and related liabilities 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 is expected to be completed within 12 months from the date of classification.

There are no non-current assets classified as held for sale at 30 June 2023.

Note 6.2 Property, infrastructure, plant and equipment

Consolidated

(a) SUMMARY OF PROPERTY, INFRASTRUCTURE, PLANT AND EQUIPMENT (net carrying amount)

	Carrying amount 1 July 2022	Acquisitions	Contributions	Revaluation	Depreciation	Impairment (loss) / reversal*	Disposals	Write Offs	Transfers	Carrying amount 30 June 2023
(Related FS note)	Stmnt Cap Works	(Note 3.5)	(Note 9.1(a))	(Note 4.3)	(Note 4.9 and 9.1(a))	(Note 3.6)	(Note 4.2 & 4.9)			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,325,926	–	14,000	–	–	–	–	–	–	1,339,926
Buildings	287,010	7,147	–	34,839	(6,845)	–	(386)	13,220		334,985
Plant and equipment	11,817	4,284	–	–	(3,903)	–	(75)	–	215	12,338
Infrastructure	751,148	7,156	804	22,830	(22,101)	–	(3,041)	15,771		772,567
Work in progress (WIP)	55,864	30,847	–	–	–	–	(8,978)	(29,206)		48,527
Total carrying amount	2,431,765	49,434	14,804	57,669	(32,849)	–	(75)	(12,405)	–	2,508,343

(b) SUMMARY OF WORK IN PROGRESS

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	23,197	8,395	(13,654)	(1,361)	16,577
Plant and equipment	175	316	(132)	(43)	316
Infrastructure	32,492	22,136	(15,420)	(7,574)	31,634
Total	55,864	30,847	(29,206)	(8,978)	48,527

Note 6.2 Property, infrastructure, plant and equipment
(c) PROPERTY

Consolidated

	*Land – specialised	*Land – specialised – Land under roads	Land – non-specialised	Total land	Buildings – specialised	Leasehold improvements	Total buildings	Work in progress	TOTAL PROPERTY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2022									
At cost	–	47,019	–	47,019	–	3,709	3,709	23,197	73,925
At fair value	1,094,492	–	184,415	1,278,907	492,202	–	492,202	–	1,771,109
Accumulated depreciation	–	–	–	–	(207,116)	(1,785)	(208,901)	–	(208,901)
	1,094,492	47,019	184,415	1,325,926	285,086	1,924	287,010	23,197	1,636,133
Movements in fair value/cost									
Additions at cost	–	1,100	–	1,100	–	31	31	8,395	8,426
Additions at fair value	–	–	–	–	7,116	–	7,116	–	7,116
Contributed assets at cost	–	–	–	–	–	–	–	–	1,100
Contributed assets at fair value	8,630	–	4,270	12,900	–	–	–	–	12,900
Revaluation increments (decrements)	–	–	–	–	59,695	–	59,695	–	59,695
Fair value/cost of assets written off	–	–	–	–	(2,602)	–	(2,602)	(1,361)	(3,963)
Transfers in (out)	–	–	–	–	13,220	–	13,220	(13,654)	(434)
	8,630	1,100	4,270	14,000	77,429	31	77,460	(6,620)	84,840
Movements in accumulated depreciation									
Depreciation	–	–	–	–	(6,722)	(123)	(6,845)	–	(6,845)
Accumulated depreciation of write offs	–	–	–	–	2,216	–	2,216	–	2,216
Revaluation (increments) decrements	–	–	–	–	(24,856)	–	(24,856)	–	(24,856)
	–	–	–	–	(29,362)	(123)	(29,485)	–	(29,485)
Closing balance at 30 June 2023									
At cost	–	48,119	–	48,119	–	3,740	3,740	16,577	68,436
At fair value	1,103,122	–	188,685	1,291,807	569,631	–	569,631	–	1,861,438
Accumulated depreciation	–	–	–	–	(236,478)	(1,908)	(238,386)	–	(238,386)
Carrying amount	1,103,122	48,119	188,685	1,339,926	333,153	1,832	334,985	16,577	1,691,488

*Refer to note 6.2(i) for a reconciliation of specialised land at fair value.

Note 6.2 Property, infrastructure, plant and equipment

Consolidated

(d) PLANT AND EQUIPMENT

	Plant, machinery and equipment	Fixtures, fittings and furniture	Computers and telecomm's	Library books	Work in progress	TOTAL PLANT AND EQUIPMENT
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2022						
At cost	15,561	8,977	7,398	10,152	175	42,263
Accumulated depreciation	(9,563)	(7,479)	(5,390)	(7,839)	–	(30,271)
	5,998	1,498	2,008	2,313	175	11,992
Movements in cost						
Acquisition of assets at cost	2,880	187	407	810	316	4,600
Cost of assets disposed	(1,562)	(6)	–	–	–	(1,568)
Cost of assets written off	–	–	–	–	(43)	(43)
Transfers in (out)	–	179	28	8	(132)	83
	1,318	360	435	818	141	3,072
Movements in accumulated depreciation						
Depreciation	(1,969)	(423)	(700)	(811)	–	(3,903)
Accumulated depreciation of disposals	1,487	6	–	–	–	1,493
	(482)	(417)	(700)	(811)	–	(2,410)
Closing balance at 30 June 2023						
At cost	16,879	9,337	7,833	10,970	316	45,335
Accumulated depreciation	(10,045)	(7,896)	(6,090)	(8,650)	–	(32,681)
Carrying amount	6,834	1,441	1,743	2,320	316	12,654

Note 6.2 Property, infrastructure, plant and equipment

Consolidated

(e) INFRASTRUCTURE

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Parks, open space and streetscapes	Off street car parks	Work in progress	TOTAL INFRA-STRUCTURE	GRAND TOTAL PROPERTY, PLANT & EQUIP, INFRAST.
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2022										
At cost	-	-	-	-	46,528	55,887	-	32,492	134,917	251,105
At fair value	514,456	75,336	97,561	475,794	-	-	20,572	-	1,183,709	2,954,818
Accumulated depreciation	(245,326)	(24,276)	(35,845)	(167,446)	(24,240)	(31,663)	(6,190)	-	(534,986)	(774,158)
	269,130	51,060	61,716	308,348	22,288	24,224	14,382	32,492	783,640	2,431,765
Movements in fair value/cost										
Acquisition of assets at cost	-	-	-	-	2,861	1,204	-	22,136	26,201	39,227
Acquisition of assets at fair value	1,334	278	808	487	-	-	184	-	3,091	10,207
Contributed assets at cost	-	-	-	-	-	-	-	-	-	1,100
Contributed assets at fair value	420	-	58	343	-	-	-	-	821	13,721
Revaluation increments (decrements)	41,505	-	7,172	-	-	-	247	-	48,924	108,619
Fair value/cost of assets disposed	-	-	-	-	-	-	-	-	-	(1,568)
Fair value/cost of assets written off	(1,880)	(305)	(962)	(321)	(1,737)	(6,997)	(1,300)	(7,574)	(21,076)	(25,082)
Transfers in (out)	3,931	333	1,906	1,661	4,124	3,737	79	(15,420)	351	-
	45,310	306	8,982	2,170	5,248	(2,056)	(790)	(858)	58,312	146,224
Movements in accumulated depreciation										
Depreciation	(9,528)	(961)	(2,161)	(4,801)	(2,318)	(1,999)	(333)	-	(22,101)	(32,849)
Accumulated depreciation of contributed assets	(12)	-	(1)	(4)	-	-	-	-	(17)	(17)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	1,493
Accumulated depreciation of write offs	1,492	198	209	147	1,235	6,794	386	-	10,461	12,677
Revaluation (increments) decrements	(21,917)	-	(3,455)	-	-	-	(722)	-	(26,094)	(50,950)
	(29,965)	(763)	(5,408)	(4,658)	(1,083)	4,795	(669)	-	(37,751)	(69,646)
Closing balance at 30 June 2023										
At cost	-	-	-	-	51,776	53,831	-	31,634	137,251	251,022
At fair value	559,766	75,642	106,543	477,964	-	-	19,782	-	1,239,687	3,101,125
Accumulated depreciation	(275,291)	(25,039)	(41,253)	(172,104)	(25,323)	(26,868)	(6,859)	-	(572,737)	(843,804)
Carrying amount	284,475	50,603	65,290	305,860	26,453	26,963	12,923	31,634	804,201	2,508,343

6.2 Property, infrastructure, plant and equipment (continued)

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

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

In accordance with Council's policy, the threshold limits detailed in note 6.2(g) have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Land under roads

In accordance with options available under Australian Accounting Standards, Council has opted to recognise all land under roads acquired after 30 June 2008 using the cost basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

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 5 to 21 year period.

(g) Depreciation

All asset classes except land, land under roads and art works, having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are depreciated on the basis that they are assessed as having a limited useful life.

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

6.2 Property, infrastructure, plant and equipment (*continued*)

(g) Depreciation (*continued*)

Asset recognition thresholds and depreciation periods

Depreciation periods used are listed below and are consistent with the prior year.

Council has also set a threshold limit for all classes of assets, which means that all assets with a value equal or greater than this threshold are recognised in these financial statements.

	Depreciation period (years)	Threshold limit \$'000
<i>Property</i>		
Land		
Land	N/A	–
Land under roads	N/A	–
Buildings	50-100	5
Leasehold improvements	Lease term	5
<i>Plant and equipment</i>		
Plant and equipment		
Heavy plant and equipment	7	3
Buses, quads and trailers	10	3
Light plant and equipment, passenger and light commercial vehicles	5	3
Fixtures, fittings and furniture		
Fixtures, fittings, furniture and equipment	6	3
Musical instruments	20	3
Art works	N/A	3
<i>Computers and telecommunications</i>		
Computers and telecommunications		
Hand held devices / mobile phones	5	3
Hardware and equipment	5	3
Library resources	5	–
<i>Infrastructure</i>		
Roads		
Seal	12-20	20
Substructure	100	20
Kerb and channel	15-80	5
Local Area Traffic Management (LATM) devices	5-30	2
On-street car parks	20-100	5
Bridges	20-100	5
Footpaths and cycleways	10-50	5
Drainage		
Pipes	100	5
Pits	100	2
Gross pollutant traps	50	5

6.2 Property, infrastructure, plant and equipment (continued)

(g) Depreciation (continued)

Asset recognition thresholds and depreciation periods

	Depreciation period (years)	Threshold limit \$'000
<i>Infrastructure (continued)</i>		
Recreational, leisure and community facilities		
Recreational equipment and facilities, minor outdoor electronic screens, signs and scoreboards. Sportsgrounds, grass (turf), courts, hardstand, other ground surfaces. Minor structures (sporting, shade structures and retaining walls), irrigation, sportsfield drainage, controllers, sensors, water tanks/pumps.	10-20	3
Major outdoor LED screens	5	3
Playgrounds	15	3
Outdoor pools	50	3
Parks, open space and streetscapes		
Open space furniture, fencing, bollards and gates.	10-50	3
Flood prevention – retarding/detention basins	20	3
Surface drainage – unformed open drains, water quality devices – wetlands, rain gardens and bioretention swales.	10	3
Surface drainage – formed open drains. Public art.	50	3
Signs, parking meters, ticket machines and equipment.	10-20	3
Lighting, landscaping, passive grass/surface and gardens.	10-20	3
Off street car parks	20-100	5

(h) Valuation

Subsequent to the initial recognition of assets, non-current physical assets, other than land under roads, leasehold improvements, recreational, leisure and community facilities, parks, open space and streetscapes and plant and equipment are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction. Subsequent to the initial recognition of assets, non-current physical assets (other than the asset classes detailed directly above) 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. At reporting date each year, Council reviews the carrying value of the individual classes of assets to ensure that each asset class materially approximates its fair value. Where the carrying value materially differs from the fair value, the class of assets is revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in

changes to the permissible or practical highest and best use of the asset. Further details of the fair value hierarchy are included in Note 8.4 and are explained below for each asset class.

In addition, Council undertakes a formal revaluation of land, buildings and infrastructure assets on a regular basis ranging from two to five years. The valuation is performed either by appropriately experienced Council officers or independent experts.

Where assets are revalued, the revaluation increments 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 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 are 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.

6.2 Property, infrastructure, plant and equipment (continued)

(h) Valuation (continued)

Valuation of land and buildings

The last formal valuation of land and buildings at 1 January 2022 was undertaken by qualified independent valuers, Patel Dore Valuers Pty Ltd. The valuation of land and buildings is at fair value, 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.

Given the economic environment of high inflation and rising construction costs, the buildings asset class was subject to an indexed revaluation at 31 May 2023 which recognised an increment of \$34.84 million (11.78%) based on indexation provided by ProVal Pty Ltd valuers.

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 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. An indexed based revaluation was conducted in the current year for buildings. This valuation was based on an assessment by Patel Dore Valuers of information contained in Rawlinsons Australian Construction Handbook 2023, construction costs of local and state government projects and their property industry experience. A full revaluation of building assets will be conducted in 2023–24.

Details of the written down value of Council's land and buildings and information about the fair value hierarchy** as at 30 June 2023 are as follows:

	Level 1	Non-specialised Level 2	Specialised Level 3	Date of last valuation	Type of valuation
	\$'000s	\$'000s	\$'000s		
Land*	–	188,685	1,103,122	1-Jan-22	Full
Buildings*	–	–	333,153	31-May-23	Index
Total written down value	–	188,685	1,436,275		

*Land at fair value excludes land under roads which are valued at cost and buildings at fair value excludes leasehold improvements which are valued at cost.

**Additional details about the fair value hierarchy can be found in Note 8.4.

Land under roads

Land under roads is valued at cost based on Council valuation for acquisitions after 30 June 2008. Deemed cost valuations have been undertaken 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. The acquisitions for the year include new assets from subdivision activity.

Valuation of Infrastructure

Valuation of infrastructure assets at fair value (except 'Parks, open space and streetscapes' and 'Recreational, leisure and community facilities' which are valued at cost, and bridges which are independently valued) has been determined in accordance with a Council valuation.

The fair value of infrastructure is valued using the current replacement cost method. This cost represents the replacement cost of the asset after applying depreciation rates on a useful life basis. Where condition data was available for assets, remaining useful life was revised based on condition. 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 of the asset and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

6.2 Property, infrastructure, plant and equipment (continued)

(h) Valuation (continued)

Valuation of Infrastructure (continued)

The date and type of the current valuation is detailed in the following table.

Details of the written down value of Council's infrastructure and information about the fair value hierarchy as at 30 June 2023 are as follows:

	Level 1	Non-specialised Level 2	Specialised Level 3	Date of last valuation	Type of valuation
	\$'000s	\$'000s	\$'000s		
Roads	–	–	284,475	May-23	Full
Bridges	–	–	50,603	Jan-22	Full
Footpaths and cycleways	–	–	65,290	May-23	Full
Drainage	–	–	305,860	May-22	Full
Off street car parks	–	–	12,923	May-23	Full
Total written down value	–	–	719,151		

Infrastructure assets valued at fair value are subject to an annual review of replacement rates. This review uses several inputs which are mainly sourced from the February 2023 update of the Rawlinsons Australian Construction Handbook. At balance date, adjustments have not been made to the fair value valuation of bridges and drainage assets as the fair value valuation has not moved materially, by 10% or more, since the last revaluation. The Roads, Footpaths and Cycleways and Off-Street Car Park asset classes were subject to a Council valuation and revalued at 31 May 2023 based on the unit rate review indicating a material movement since the last revaluation. The revaluation movements comprised: Roads (increment of \$19.59 million or 7.3%), Footpaths and Cycleways (increment of \$3.72 million or 6%) and Off-Street Car Parks (decrement of \$475,000 or -3.3%). These assets are specialised assets classified at level three under AASB 13. This means that the fair value valuations are based on techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Description of significant unobservable inputs into level 3 valuations

Specialised land is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restrictions 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 93%. Where there is an assessed advantage, land values have been increased by 5% to 45%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently, land values range between \$197 and \$1,739 per square metre.

Specialised buildings are valued using a current replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and range from \$320 to \$58,500 per square metre. The remaining useful lives of specialised buildings are determined on the basis of the current condition of buildings and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current 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 of the asset and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Note – Infrastructure assets at fair value excludes 'Recreational, leisure and community facilities', 'Parks, open space and streetscapes' and 'Work in progress' which are valued at cost.

6.2 Property, infrastructure, plant and equipment (continued)

(i) Reconciliation of specialised land at fair value*

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Parks and reserves	711,740	711,740
Floodway	7,000	7,000
Public use	23,550	23,550
Industrial	52,080	46,665
Other	308,752	305,537
Total specialised land	1,103,122	1,094,492

*Excludes land under roads which represents specialised land valued at cost.

6.3 Investments in associates, joint arrangements and subsidiaries

a) Principles of consolidation

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the 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 control is transferred to the Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered 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.

Entities consolidated into Council include Dandenong Market Pty Ltd and South East Leisure Pty Ltd.

Reconciliation of Council, its subsidiaries and consolidated accounts

Dandenong Market Pty Ltd

Dandenong Market Pty Ltd (DMPL) is a wholly owned subsidiary company of the Greater Dandenong City Council, established in 2012. DMPL is managed in accordance with the terms set out in a Management Service Agreement which was updated and approved by Council on the 25 August 2021. This Agreement supersedes and replaces the November 2012 agreement and took effect from 1 July 2021 and continues until 30 June 2026. The Management Service Agreement runs concurrently with the Lease Agreement (50 years) and provides for annual agreement extensions at Council's discretion.

In recognition of the substantial resources to rebuild DMPL following disrupted trading during the pandemic, Council continued to waive the requirement for DMPL to pay a return to Council in 2022–23. The economic impacts of the pandemic including higher interest rates and cost of living pressures have driven confidence

down, particularly for Market traders. Revenues continue to be under pressure and costs continue to inflate.

Council provided DMPL with a letter of support ensuring the long-term viability of the Market given the concerns that the economic environment may continue to curb revenue growth and costs increases. A return is budgeted for in 2023–24, however is not at previous return levels.

South East Leisure Pty Ltd

South East Leisure Pty Ltd (SEL) is another wholly owned subsidiary company of the Greater Dandenong City Council, established in 2021 and commenced operations from 1 July 2022. SEL manages and operates four leisure centres on the terms set out in a Management Services Agreement dated September 2021 from 1 July 2022 through to 30 June 2032:

- Dandenong Oasis
- Noble Park Aquatic Centre (NPAC)
- Springers Leisure Centre
- Dandenong Stadium.

Council also granted a lease to SEL in respect of each of the four major leisure facilities which runs concurrently with the Management Services Agreement for the next 10 years.

During the 2022–23 financial year, Council provided funding of \$831,000 (GST exclusive) representing Quarter 1 of the 2023–24 Management Services Fee in advance of 30 June 2023 to assist SEL with working capital.

Council provided SEL with a letter of support ensuring the long-term viability of the leisure centre operations.

The following Comprehensive Income Statement, Balance Sheet and Statement of Cash Flows has been provided to show the individual financial positions of the Council, The Dandenong Market Pty Ltd, South East Leisure Pty Ltd and consolidated accounts for the 2022–23 financial year. These financial statements should be read in conjunction with the accompanying notes in the financial report.

6.3 Investments in associates, joint arrangements and subsidiaries (continued)

Comprehensive Income Statement For the year ended 30 June 2023 Consolidated

	Council 2023 \$'000	DMPL 2023 \$'000	SEL 2023 \$'000	Consolidation Adjustment 2023 \$'000	Consolidated Accounts 2023 \$'000
Income / revenue					
Rates and charges	163,630	–	–	(102)	163,528
Statutory fees and fines	8,918	–	–	(1)	8,917
User fees	8,270	–	3,514	(13)	11,771
Grants – operating	41,894	–	19	–	41,913
Grants – capital	9,763	–	–	–	9,763
Contributions – monetary	2,393	–	–	–	2,393
Contributions – non-monetary	14,804	–	–	–	14,804
Net gain on disposal of property, infrastructure, plant and equipment	719	–	–	–	719
Fair value adjustments for investment property	228	–	–	–	228
Other income	12,415	6,146	7,931	(4,134)	22,358
Total income / revenue	263,034	6,146	11,464	(4,250)	276,394
Expenses					
Employee costs	(85,195)	(1,533)	(6,744)	–	(93,472)
Materials and services	(96,364)	(4,140)	(4,384)	4,100	(100,788)
Depreciation	(32,732)	(29)	(88)	–	(32,849)
Amortisation – intangible assets	(91)	–	(20)	–	(111)
Amortisation – right of use assets	(726)	–	–	–	(726)
Bad and doubtful debts – allowance for impairment losses	(2,802)	6	(22)	–	(2,818)
Borrowing costs	(2,665)	–	(22)	–	(2,687)
Finance costs – leases	(52)	–	–	–	(52)
Net loss on disposal of property, infrastructure, plant and equipment	–	–	–	–	–
Fair value adjustments for investment property	–	–	–	–	–
Other expenses	(9,184)	(321)	(160)	150	(9,515)
Total expenses	(229,811)	(6,017)	(11,440)	4,250	(243,018)
Surplus for the year	33,223	129	24	–	33,376
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation increment	155,171	–	–	–	155,171
Total comprehensive result	188,394	129	24	–	188,547

6.3 Investments in associates, joint arrangements and subsidiaries (continued)

Balance Sheet

As at 30 June 2023

Consolidated

	Council 2023 \$'000	DMPL 2023 \$'000	SEL 2023 \$'000	Consolidation Adjustment 2023 \$'000	Consolidated Accounts 2023 \$'000
Assets					
Current assets					
Cash and cash equivalents	72,244	1,928	1,821	–	75,993
Trade and other receivables	30,705	136	741	(421)	31,161
Other financial assets	122,869	–	–	–	122,869
Inventories	–	–	62	–	62
Prepayments	3,965	11	36	(914)	3,098
Other assets	5,345	10	–	–	5,355
Total current assets	235,128	2,085	2,660	(1,335)	238,538
Non-current assets					
Trade and other receivables	273	–	–	–	273
Property, infrastructure, plant and equipment	2,507,665	53	625	–	2,508,343
Investment property	6,575	–	–	–	6,575
Right-of-use assets	1,554	–	–	–	1,554
Intangible assets	25	–	59	–	84
Total non-current assets	2,516,092	53	684	–	2,516,829
Total assets	2,751,220	2,138	3,344	(1,335)	2,755,367
Liabilities					
Current liabilities					
Trade and other payables	24,505	596	1,307	(420)	25,988
Trust funds and deposits	5,959	514	–	–	6,473
Unearned income / revenue	58,816	44	934	(914)	58,880
Provisions	20,954	110	213	–	21,277
Other interest-bearing liabilities	–	–	92	–	92
Interest-bearing liabilities	3,597	–	–	–	3,597
Lease liabilities	548	–	–	–	548
Total current liabilities	114,379	1,264	2,546	(1,334)	116,855
Non-current liabilities					
Trust funds and deposits	2,112	–	–	–	2,112
Provisions	1,258	16	47	–	1,321
Other interest-bearing liabilities	–	–	373	–	373
Interest-bearing liabilities	46,182	–	–	–	46,182
Lease liabilities	1,038	–	–	–	1,038
Total non-current liabilities	50,590	16	420	–	51,026
Total liabilities	164,969	1,280	2,966	(1,334)	167,881
Net assets	2,586,251	858	378	(1)	2,587,486
Equity					
Accumulated surplus	968,119	858	378	(1)	969,354
Reserves	1,618,132	–	–	–	1,618,132
Total equity	2,586,251	858	378	(1)	2,587,486

6.3 Investments in associates, joint arrangements and subsidiaries (continued)

Statement of Cash Flows For the year ended 30 June 2023 Consolidated

	Council 2023 \$'000	DMPL 2023 \$'000	SEL 2023 \$'000	Consolidation Adjustment 2023 \$'000	Consolidated Accounts 2023 \$'000
Cash flows from operating activities					
Rates and charges	163,005	–	–	(102)	162,903
Statutory fees and fines	7,008	–	–	(1)	7,007
User fees	7,767	–	3,514	(13)	11,268
Grants – operating	44,678	–	12	7	44,697
Grants – capital	6,499	–	–	–	6,499
Contributions – monetary	5,189	–	–	–	5,189
Interest received	5,504	16	–	–	5,520
Trust funds and deposits taken	29,464	116	–	–	29,580
Other receipts	8,557	7,008	6,984	(2,486)	20,063
Net GST refund / (payment)	12,363	(206)	(623)	–	11,534
Employee costs	(85,580)	(1,515)	(4,176)	(2,341)	(93,612)
Materials and services	(99,875)	(4,847)	(5,480)	5,301	(104,901)
Short-term, low value and variable lease payments	(731)	(25)	–	–	(756)
Trust funds and deposits repaid	(28,499)	(61)	–	–	(28,560)
Other payments	(5,924)	–	–	(365)	(6,289)
Net cash provided by operating activities	69,425	486	231	–	70,142
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(49,182)	(16)	(16)	–	(49,214)
Proceeds from sale of property, infrastructure, plant and equipment	794	–	–	–	794
Payments for investments	27,912	–	–	–	27,912
Net cash used in investing activities	(20,476)	(16)	(16)	–	(20,508)
Cash flows from financing activities					
Finance costs	(2,684)	–	(22)	–	(2,706)
Repayment of other interest-bearing liabilities	–	–	(45)	–	(45)
Repayment of borrowings	(3,484)	–	–	–	(3,484)
Interest paid – lease liability	(53)	–	–	–	(53)
Repayment of lease liabilities	(696)	–	–	–	(696)
Net cash used in financing activities	(6,917)	–	(67)	–	(6,984)
Net increase in cash and cash equivalents	42,032	470	148	–	42,650
Cash and cash equivalents at the beginning of the financial year	30,212	1,458	1,673	–	33,343
Cash and cash equivalents at the end of the financial year	72,244	1,928	1,821	–	75,993

6.3 Investments in associates, joint arrangements and subsidiaries (continued)

(b) Community Asset Committee

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

At balance date there were no committees of management controlled by the Council.

6.4 Investment property

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Balance at beginning of financial year	6,336	10,860
Additions	11	15
Transfers to property, infrastructure, plant and equipment	–	(4,440)
Fair value adjustments	228	(99)
Balance at end of financial year	6,575	6,336

Valuation of investment property

Investment property, comprising retail complexes, are held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Comprehensive Income Statement in the period that they arise. Investment property are not subject to depreciation. Rental income from the leasing of investment properties is recognised in the Comprehensive Income Statement on a straight line basis over the lease term.

Valuation of investment property has been determined in accordance with an independent valuation by Patel Dore Valuers who have recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related parties

Parent entity

City of Greater Dandenong

Subsidiaries

Dandenong Market Pty Ltd – detailed in note 6.3

South East Leisure Pty Ltd – 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 City of Greater Dandenong. The Councillors, Chief Executive Officer, Directors and Executive Managers are deemed KMP.

Details of KMP at any time during the year are:

Councillors	Consolidated 2023 \$'000	Consolidated 2022 \$'000
From 1 July 2022 to Current		
Councillor Eden Foster Mayor, 10 November 2022 – Current and Deputy Mayor 20 November 2021 – 10 November 2022		
Councillor Lana Formoso Deputy Mayor 10 November 2022 – current		
Councillor Jim Memeti Mayor, 11 November 2021 – 10 November 2022)		
Councillor Sophie Tan		
Councillor Angela Long		
Councillor Sean O'Reilly		
Councillor Loi Truong		
Councillor Tim Dark		
Councillor Bob Milkovic		
Councillor Rhonda Garad		
Councillor Richard Lim		
Total number of Councillors	11	11
Other key management personnel		
Jody Bosman – Director City Planning, Design and Amenity		
Paul Kearsley – Director Business, Engineering and Major Projects		
Michelle Hansen – Executive Manager Finance and Information Technology		
Kylie Sprague – Executive Manager Media and Communications		
Marcus Foster – Acting Director Community Strengthening (part year)		
Jim Davine – Acting Director Community Strengthening (part year)		
Martin Fidler – Director Community Strengthening		
Peta Gillies – Director Community Strengthening (17 April 2023 – Current)		
Total number of other Key Management Personnel	8	6
Chief Executive Officer		
Jacqui Weatherill (19 December 2022 – current)	1	–
John Bennie PSM (1 July 2022 – 30 November 2022)	1	1
Total key management personnel	21	18

7.1 Council and key management remuneration (continued)

(b) Key Management Personnel (continued)

Councillors	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Dandenong Market Board Members		
Board Members	5	5
Executives	4	3
Total number of Dandenong Market Board Members	9	8
South East Leisure Board Members		
Board Members	5	5
General Managers	4	3
Chief Executive Officer	1	1
Total number of South East Leisure Board Members	10	9

(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.

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	4,028	3,218
Long-term benefits	64	45
Post employment benefit	334	276
Termination benefits	–	–
	4,426	3,539

7.1 Council and key management remuneration (continued)

(c) Remuneration of Key Management Personnel (continued)

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

	Consolidated 2023 No.	Consolidated 2022 No.
\$10,000 – \$19,999	–	1
\$20,000 – \$29,999	8	8
\$30,000 – \$39,999	8	10
\$40,000 – \$49,999	2	1
\$50,000 – \$59,999	1	1
\$60,000 – \$69,999	3	1
\$70,000 – \$79,999	1	3
\$80,000 – \$89,999	1	–
\$100,000 – \$109,999	–	1
\$110,000 – \$119,999	2	–
\$120,000 – \$129,999	1	1
\$150,000 – \$159,999	2	–
\$170,000 – \$179,999	1	1
\$180,000 – \$189,999	3	–
\$220,000 – \$229,999	1	–
\$230,000 – \$239,999	1	–
\$240,000 – \$249,999	1	2
\$270,000 – \$279,999	–	2
\$280,000 – \$289,999	1	–
\$300,000 – \$309,999	–	1
\$310,000 – \$319,999	1	–
\$330,000 – \$339,999	1	1
\$400,000 – \$409,999	1	–
\$440,000 – \$449,999	–	1
Total	40	35

7.1 Council and key management remuneration (continued)

(d) Senior Officers remuneration

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

- a) whose total annual remuneration exceeds \$160,000 and
- b) who report directly to a member of the KMP.

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

	Consolidated 2023 No.	Consolidated 2022 No.
Income range:		
\$160,000 – \$169,999	1	1
\$170,000 – \$179,999	1	2
\$180,000 – \$189,999	4	3
\$190,000 – \$199,999	4	1
\$200,000 – \$209,999	4	2
\$210,000 – \$219,999	–	2
\$220,000 – \$229,999	2	2
\$230,000 – \$239,999	1	2
	17	15
	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to:	3,347	3,029

*Due to a definitional change the comparative figures in this note may not align with the previous year's annual report, which included disclosure of senior officers as defined in the *Local Government Act 1989*.

7.2 Related party disclosure

(a) Transactions with related parties

(i) During 2022–23 Council entered into the following transactions with related parties Dandenong Market Pty Ltd (DMPL) and South East Leisure Pty Ltd (SEL).

	Consolidated 2023 Excl GST \$'000	Consolidated 2022 Excl GST \$'000
Dandenong Market Pty Ltd		
Received from DMPL		
Other charges	103	102
Total received	103	102
Paid to DMPL		
Contributions for festival/events	130	–
Payment for gift vouchers	24	17
Payment for other items	22	9
Total paid	176	26

Councillor Memeti has a financial interest in a stall at Dandenong Market. The financial arrangements are at arms length based on commercial terms. A number of related parties have minority shareholdings in public companies, which have dealings with the Council from time to time.

7.2 Related party disclosure (continued)

(a) Transactions with related parties (continued)

	Consolidated 2023 Excl GST \$'000	Consolidated 2022 Excl GST \$'000
South East Leisure Pty Ltd		
Received from SEL		
Other reimbursements	8	3
Total received	8	3
Paid to SEL		
Establishment funding	–	1,680
Management fee*	3,161	1,207
Payment for other items	45	2
Total paid	3,206	2,889

*The Management Fee includes advanced payments relating to the following financial year to assist SEL with working capital requirements (\$830,000 in 2022–23 and \$1.2 million 2021–22).

(ii) During the financial year ended 30 June 2023, John Bennie CEO (until 30 November 2022) was a non-executive board member of the following organisations to which Council has paid the following amounts;

- MAV Insurance (which operates under the umbrella of Municipal Association of Victoria, noting that the MAV Workcare Insurance Scheme ceased operation on 30 June 2021). A value of \$1.2 million (2021–22 \$871,000) was paid for the provision of Local Government Liability insurance and claim excesses paid. A further value of \$33,500 was paid as contribution to the ceased MAV Insurance Scheme fund (2021–22 \$1.3 million was paid as a wind down payment of the MAV Insurance Scheme).
- Chisholm Institute \$34,000 (2021–22 \$69,000) for the provision of external training courses.

(b) Outstanding balances with related parties

The following transaction was outstanding at 30 June		
Refund of gift vouchers not redeemed by the Council	–	–
Other reimbursements	2	3
	2	3

(c) Loans to/from related parties

On the 26 September 2022, Council resolved to serve as a guarantor for the finance lease facility in favour of South East Leisure Pty Ltd. The amount outstanding at 30 June 2023 is \$630,494.

7.2 Related party disclosure (continued)

(d) Commitments to/from related parties

Dandenong Market Pty Ltd

Under the Management Services Agreement with Dandenong Market Pty Ltd (DMPL) an extension has been exercised up to 30 June 2026.

	Consolidated 2023 Excl GST \$'000	Consolidated 2022 Excl GST \$'000
A commitment for rent of the Market premises is as follows*	238	–
	238	–

Whilst the pandemic restrictions eased during the previous financial year, macro issues continued to impact the economy during 2022–23. These issues, including but not limited to higher interest rates and cost of living pressures, drove down business confidence, particularly for Dandenong Market Traders. In response Council waived the requirement for DMPL to pay a return to Council in 2022–23 (2021–22 \$nil) to allow the Market to re-establish its business in the current environment. Council is expecting a return from the Dandenong Market in 2022–23.

South East Leisure Pty Ltd

Under the Management Services Agreement Council appoints South East Leisure Pty Ltd to provide management services to Council, Council is required to pay a Management Fee under the terms and conditions of the Management Services Agreement which ends 30 June 2032.

A commitment to pay a Management Fee to South East Leisure Pty Ltd	2,492	2,662
	2,492	2,662

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 by way of a note 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.

The following are potential contingent asset to be considered by Council.

Developer contributions

Greater Dandenong acquires infrastructure assets, such as local roads, footpaths, kerb and channel and drains etc, from developers, as subdivisional contributions. The amount and value of assets acquired depends on the size of the development and the level of growth within the municipality. Developers construct infrastructure assets which are vested with Council when Council issues a Statement of Compliance. These assets are brought to account as revenue (Contributions – Non Monetary Assets) and capitalised. At reporting date, developers had commenced construction of assets that will eventually be transferred to the Council subject to Council issuing a Statement of Compliance. Council cannot reliably measure the value of the assets involved prior to completion and the timing of recognition.

(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.

The following are potential contingencies to be considered by Council.

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Development Contribution Plans (DCP)

Council has three sites that are subject to formal development contribution plans, two are in Keysborough and one in Lyndhurst. All three sites are covered by a DCP.

A DCP provides the framework for the provision and funding of infrastructure to facilitate the set development area and the purpose of a DCP is to provide a “fair distribution of costs for works and services, including roads, traffic management and community facilities to all the proper servicing in the area”.

New development in each of the areas is required to meet its share of the total cost of delivering the required infrastructure works – as measured by its projected share of usage – through development contributions collected under the DCP’s. The balance of works not covered by development contributions has been agreed to be funded by Council. The total value of these works is estimated to be around \$16.2 million.

Landfills

The Greater Dandenong City Council may be liable for the consequences of disposing refuse at a number of legacy landfill sites. A legacy site refers to a landfill that has been decommissioned and is no longer receiving waste. At balance date Council is unable to assess whether there are any financial implications.

Legal actions

Council is presently involved in a number of confidential legal matters, which are being conducted through Council’s solicitors. The estimated potential financial effect of these matters may be up to \$1.5 million (\$1.4 million as at 30 June 2022).

8.1 Contingent assets and liabilities (continued)

(b) Contingent liabilities (continued)

MAV Workcare

Council was a participant of the MAV WorkCare Scheme. The MAV WorkCare Scheme provided workers compensation insurance. MAV WorkCare commenced business on 1 November 2017 and the last day the Scheme operated as a self-insurer was 30 June 2021. In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, there is a six year liability period following the cessation of the Scheme (to 30 June 2027). During the liability period, adjustment payments may be required. Since 30 June 2021, Council has paid \$1.33 million in adjustment payments (2022–23: \$33,500, 2021–22: \$1.30 million). The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by Work Safe Victoria. If required, adjustments will occur at the 3-year and 6-year points during the liability period, and will affect participating members.

(c) Guarantees for loans to other entities

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee.

Financial guarantee contracts are not recognised as a liability in the Balance Sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the Balance Sheet are disclosed below.

As at 30 June 2023, Council's maximum potential exposure is as follows:

Entities	Amount outstanding 30 June 2023 \$'000	Amount outstanding 30 June 2022 \$'000	Date commenced
Keysborough Bowls Club Inc.	48	64	18 May 2015
Total Guarantees for loans to other entities	48	64	

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. Council 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 2023 that are expected to impact Council.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Council's exposures 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. Interest rate risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. We do not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

8.3 Financial instruments (continued)

(b) Interest rate risk (continued)

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 2020*. We manage interest rate risk by adopting an investment policy that ensures:

- diversification of investment product
- monitoring of return on investment and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause us to make a financial loss. We have exposure to credit risk on some financial assets included in the Balance Sheet. Particularly significant area of credit risk exists in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- we have a policy for establishing credit limits for the entities we deal with
- we may require collateral where appropriate and
- we only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal. Rates debtors are secured by a charge over the rateable property. Council has assessed that 10% of parking infringement debts owing to Council are unlikely to be collected and has raised a provision for doubtful debts over those debts based on an assessment of collectability. The collection of long overdue parking infringement debts is managed by Fines Victoria.

Refer note 5.1 for financial assets which are determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the Balance Sheet, such as when Council provides a guarantee for another party. Details of Council's contingent liabilities are disclosed in note 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 (in respect to non-rate debtors).

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements we will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained.
- has readily accessible standby facilities and other funding arrangements in place.
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments.
- monitors budget to actual performance on a regular basis, and
- sets limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the Balance Sheet and the amounts related to financial guarantees disclosed in note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at note 5.4.

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

(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 following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of +1% and - 1% in market interest rates (AUD) from year-end rates of 4.10%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

8.4 Fair value measurement

Fair value hierarchy

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

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 'Fair value measurement', aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, works in progress, land under roads, leasehold improvements, parks, open space and streetscapes and recreational, leisure and community facilities 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 assets valued at cost, the carrying amount is considered to approximate fair value given short useful lives. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will 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, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts. The following table sets out the frequency of revaluations by asset class.

Asset class	Revaluation frequency
Land	1 to 2 years
Buildings	1 to 2 years
Roads	4 to 5 years
Bridges	4 to 5 years
Footpaths and cycleways	4 to 5 years
Drainage	4 to 5 years
Off street car parks	4 to 5 years

8.4 Fair value measurement (*continued*)

Revaluation (continued)

Where the assets are revalued, the revaluation increments 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 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 are 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 Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's 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.

There are no required impairment adjustments at 30 June 2023.

8.5 Events occurring after balance date

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

8.6 Adjustments directly to equity

There were no adjustments to opening equity balances in the 2022–23 financial year.

Note 9 Other matters

9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Reversal of previous revaluations for assets disposed \$'000	Impairment loss (credited against previous increments)/ reversal \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves					
2023					
Property					
Land	963,143	–	–	–	963,143
Buildings	39,838	34,839	–	–	74,677
	1,002,981	34,839	–	–	1,037,820
Infrastructure					
Roads	196,658	19,588	–	–	216,246
Bridges	26,141	–	–	–	26,141
Footpaths and cycleways	19,035	3,717	–	–	22,752
Drainage	223,964	–	–	–	223,964
Off street car parks	3,804	(475)	–	–	3,329
	469,602	22,830	–	–	492,432
Total asset revaluation reserves	1,472,583	57,669	–	–	1,530,252
2022					
Property					
Land	1,046,048	(82,905)	–	–	963,143
Buildings	42,289	(2,451)	–	–	39,838
	1,088,337	(85,356)	–	–	1,002,981
Infrastructure					
Roads	196,658	–	–	–	196,658
Bridges	20,324	5,817	–	–	26,141
Footpaths and cycleways	19,035	–	–	–	19,035
Drainage	183,446	40,518	–	–	223,964
Off street car parks	3,804	–	–	–	3,804
	423,267	46,335	–	–	469,602
Total asset revaluation reserves	1,511,604	(39,021)	–	–	1,472,583

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 6.2(h).

9.1 Reserves (continued)

	Balance at beginning of reporting period \$'000	Transfer to accumulated surplus \$'000	Transfer from accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2023				
Insurance reserve	325	–	144	469
Re-vegetation reserves	280	(51)	–	229
Open space – planning, development and improvements	2,942	(2,804)	2,171	2,309
Open space – acquisitions	6,000	(1,989)	1,989	6,000
Keysborough South maintenance levy	2,330	(1,446)	1,697	2,581
Major projects reserve	26,218	–	16,348	42,566
General reserve	1,102	(6)	1,566	2,662
Council funded development contributions reserve	19,505	(363)	404	19,546
Spring Valley landfill rehabilitation	2,985	(168)	331	3,148
Springvale Activity Precinct – parking and development	235	–	–	235
Dandenong Activity Precinct – parking and development	1,866	(296)	1,504	3,074
Future maintenance reserve	4,613	(272)	–	4,341
Grants in Advance	–	–	720	720
Total other reserves	68,401	(7,395)	26,874	87,880
2022				
Insurance reserve	906	(1,327)	746	325
Re-vegetation reserves	343	(63)	–	280
Open space – planning, development and improvements	4,386	(4,504)	3,060	2,942
Open space – acquisitions	6,000	(3,939)	3,939	6,000
Keysborough South maintenance levy	1,947	(1,264)	1,647	2,330
Major projects reserve	27,358	(6,072)	4,932	26,218
General reserve	1,102	–	–	1,102
Council funded development contributions reserve	19,646	(644)	503	19,505
Spring Valley landfill rehabilitation	1,558	(608)	2,035	2,985
Springvale Activity Precinct – parking and development	235	–	–	235
Dandenong Activity Precinct – parking and development	1,527	(311)	650	1,866
Future maintenance reserve	206	(278)	4,685	4,613
Total other reserves	65,214	(19,010)	22,197	68,401

9.1 Reserves (continued)

(b) Other reserves (continued)

Nature and purpose of other reserves:

Insurance reserve

The insurance reserve has been created to meet large and unexpected policy excesses on multiple insurance claims.

Re-vegetation reserves

The purpose of this reserve fund is to meet native re-vegetation requirements on Council's reserves.

Open space – planning, development and improvements

Funds set aside in this reserve will be utilised exclusively for allocation towards enhancing the City's open space via planning, development and improvements.

Open space – acquisitions

Funds set aside in this reserve will be utilised exclusively for open space land acquisitions.

Keysborough South maintenance levy

This reserve has been established to ensure full accountability of the levies received for the Keysborough and Somerfield Estates reflecting costs of maintaining an additional 15% open space beyond that of traditional estates.

Major projects reserve

The major projects reserve holds proceeds from the sale of Council's property assets or surplus Council funds and will be utilised for investing in other properties or funding future major projects.

General reserve

This reserve relates to financial impacts of future aged care sector reforms.

Council funded development contributions reserve

The reserve for Council funded development contribution plans holds funds in respect of Council's contribution to the two major developments in Dandenong South (C87) and Keysborough (C36).

Spring Valley landfill rehabilitation reserve

The purpose of this reserve is to rehabilitate the Spring Valley landfill site at Clarke Road, Springvale South.

Springvale Activity Precinct – parking and development reserve

The purpose of the reserve is to fund development in the Springvale Activity Centre.

Dandenong Activity Precinct – parking and development reserve

The purpose of the reserve is to fund development in the Dandenong Activity Centre.

Future maintenance reserve

This reserve holds contribution funds for future works to address level crossing removal authority defects.

Keysborough South Community Infrastructure Levies

These reserve funds relate to Community Infrastructure Levies received in relation to the Keysborough South Development Contributions Plan.

	Note	Consolidated 2023 \$'000	Consolidated 2022 \$'000
(c) Total reserves summary			
Asset revaluation reserve	9.1(a)	1,530,252	1,472,583
Other reserves	9.1(b)	87,880	68,401
Total reserves		1,618,132	1,540,984

9.2 Reconciliation of cash flows from operating activities to surplus

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Surplus for the year	33,376	33,935
Depreciation	32,849	32,416
Amortisation intangible assets	111	103
Amortisation right of use assets	726	664
Gain on disposal of property, infrastructure, plant and equipment	(719)	(482)
Fair value adjustments for investment property	(228)	99
Contributions of non-monetary assets	(14,804)	(3,685)
Works in progress (unable to be capitalised)	8,978	2,593
Assets written-off	3,427	991
Borrowing costs	2,687	2,803
Finance cost – leases	52	30
Other interest bearing liabilities net present value adjustment	(59)	–
Change in assets and liabilities		
Increase in trade and other receivables	(973)	(3,499)
Increase in prepayments/other assets	(866)	(2,988)
Increase in trust funds and deposits	1,196	507
Increase/(decrease) in trade and other payables	1,717	(555)
Increase/(decrease) in unearned income/revenue	3,058	(4,586)
Decrease in provisions	(386)	(978)
Net cash provided by operating activities	70,142	57,368

9.3 Superannuation

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

Obligations for contributions to the Fund are recognised as an expense in Comprehensive Income Statement when they are made or due.

Accumulation

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

Defined Benefit

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

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

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. A triennial actuarial investigation is currently underway for the Defined Benefit category which is expected to be completed by 31 December 2023. Council was notified of the 30 June 2023 VBI during August 2023 (2022: August 2022). The financial assumptions used to calculate the 30 June 2023 VBI were:

– Net investment returns	5.70% pa
– Salary information	3.50% pa
– Price inflation (CPI)	2.80% pa

As at 30 June 2022, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 102.2%. The financial assumptions used to calculate the VBI were:

– Net investment returns	5.5% pa
– Salary information	2.5% pa to 30 June 2023, and 3.5% pa thereafter
– Price inflation (CPI)	3.0% pa

Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Vision Super has advised that the estimated VBI at June 2023 was 104.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2022 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(a) Regular contributions

On the basis of the results of the 2022 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 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, Council 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

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

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

9.3 Superannuation (continued)

(b) Funding calls (continued)

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2022 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation 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 Council is a contributing employer:

	2022 (Interim) \$ million	2021 (Interim) \$ million
– A VBI surplus	44.6	214.7
– A total service liability surplus	105.8	270.3
– A discounted accrued benefits surplus	111.9	285.2

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.

The 2023 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2023. It is anticipated that this actuarial investigation will be completed by 31 December 2023. The financial assumptions for the purposes of this investigation are:

	2023 Triennial investigation	2020 Triennial investigation
– Net investment return	5.7% pa	5.6% pa
– Salary inflation	3.5% pa	2.5% pa for the first two years and 2.75% pa thereafter
– Price inflation	2.8% pa	2.0% pa

9.3 Superannuation (*continued*)

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2023 are detailed below:

Scheme	Type of scheme	Rate	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Vision Super	Defined benefits	10.5% (2022: 10.0%)	321	342
Vision Super	Accumulation	10.5% (2022: 10.0%)	3,610	3,512
Other funds	Accumulation	10.5% (2022: 10.0%)	3,908	2,963

Council did not make any unfunded liability payments to Vision Super during 2022–23 (2021–22 – \$nil).

There were \$284,477 contributions outstanding and no loans issued from or to the above schemes as at 30 June 2023.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2024 is \$347,434.

Note 10 Change in accounting policy

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

There are no pending accounting standards that are likely to have a material impact on Council.

