

ANNUAL FINANCIAL REPORT



ANNUAL FINANCIAL REPORT

For the year ended 30 June 2018

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Certification of the Financial Statements

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

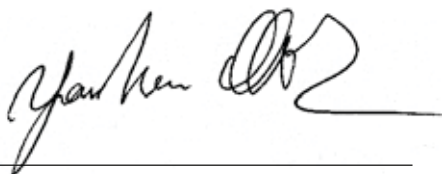


Michelle Hansen CPA
Principal Accounting Officer
Date: 10 September 2018

In our opinion the accompanying Financial Statements present fairly the financial transactions of the City of Greater Dandenong for the year ended 30 June 2018 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the Financial Statements to be misleading or inaccurate.

We have been authorised by the Council and by the Local Government (Planning and Reporting) Regulation 2014 on 10 September 2018 to certify the Financial Statements in their final form.



Youhorn Chea
Mayor
Date: 10 September 2018



Matthew Kirwan
Councillor
Date: 10 September 2018



Mick Jaensch
Acting Chief Executive Officer
Date: 10 September 2018

Independent Auditor's Report

To the Councillors of Greater Dandenong City Council

Opinion 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:

- consolidated entity and council balance sheet as at 30 June 2018
- consolidated entity and council comprehensive income statement for the year then ended
- consolidated entity and council statement of changes in equity for the year then ended
- consolidated entity and council statement of cash flows for the year then ended
- notes to the financial statements, including significant accounting policies
- certification of the financial statements.

In my opinion, the financial report presents fairly, in all material respects, the financial positions of the consolidated entity and the council as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the *Local Government Act 1989* and applicable Australian Accounting Standards.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

My independence is established by the *Constitution Act 1975*. 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 *Code of Ethics for Professional Accountants* (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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Councillors' responsibilities for the financial report The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1989*, 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.

In preparing the financial report, the Councillors are responsible for assessing the council and the consolidated 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.

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For the year ended 30 June 2018

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 and the 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 and the 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 the 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.

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
11 September 2018


Tim Loughnan
as delegate for the Auditor-General of Victoria

Comprehensive Income Statement

For the year ended 30 June 2018

	Note	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Income			
Rates and charges	2.1	132,808	127,661
Statutory fees and fines	2.2	8,730	7,892
User fees	2.3	8,655	9,230
Grants – operating	2.4	33,029	37,381
Grants – capital	2.4	4,281	8,989
Contributions – monetary	2.5	3,375	3,518
Contributions – non-monetary	2.5	19,169	16,308
Net gain on disposal of property, infrastructure, plant and equipment	2.6	141	1,011
Fair value adjustments for investment property	5.4	1,025	–
Other income	2.7	15,481	14,281
Total income		226,694	226,271
Expenses			
Employee costs	3.1	(72,378)	(71,752)
Materials and services	3.2	(65,557)	(63,060)
Depreciation and amortisation	3.3	(28,202)	(27,726)
Bad and doubtful debts	3.4	(1,649)	(911)
Borrowing costs	3.5	(3,419)	(3,699)
Fair value adjustments for investment property	5.4	–	(125)
Other expenses	3.6	(8,555)	(7,269)
Total expenses		(179,760)	(174,542)
Surplus for the year		46,934	51,729
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	8.1(a)	(17,132)	215,164
Impairment (loss) reversal	8.1(a)	47	(47)
Total comprehensive result		29,849	266,846

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

ANNUAL FINANCIAL REPORT

For the year ended 30 June 2018

Balance Sheet

As at 30 June 2018

	Note	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1(a)	154,591	126,044
Trade and other receivables	4.1(c)	19,454	19,778
Other assets	4.2	3,742	2,629
Total current assets		177,787	148,451
Non-current assets			
Trade and other receivables	4.1(c)	325	334
Other financial assets	4.1(b)	230	230
Property, infrastructure, plant and equipment	5.2	2,160,766	2,155,846
Investment property	5.4	11,330	10,305
Total non-current assets		2,172,651	2,166,715
Total assets		2,350,438	2,315,166
Liabilities			
Current liabilities			
Trade and other payables	4.3	21,301	18,276
Trust funds and deposits	4.3(b)	40,218	34,268
Provisions	4.6	16,412	16,432
Interest-bearing loans and borrowings	4.4	3,301	3,086
Other interest-bearing liabilities	4.5	–	1,255
Total current liabilities		81,232	73,317
Non-current liabilities			
Trust funds and deposits	4.3(b)	1,287	1,180
Provisions	4.6 (c)	1,351	649
Interest-bearing loans and borrowings	4.4	48,525	51,826
Total non-current liabilities		51,163	53,655
Total liabilities		132,395	126,972
Net assets		2,218,043	2,188,194
Equity			
Accumulated surplus		857,413	823,671
Reserves	8.1	1,360,630	1,364,523
Total equity		2,218,043	2,188,194

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

Statement of Changes in Equity

For the year ended 30 June 2018

2018	Note	Consolidated			
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		2,188,194	823,671	1,308,037	56,486
Surplus for the year		46,934	46,934	–	–
Net asset revaluation increment	8.1(a)	(17,132)	–	(17,132)	–
Revaluation reversal – disposed assets	8.1(a)	–	87	(87)	–
Impairment (loss)/reversal in revaluation reserve	8.1(a)	47	–	47	–
Transfers to other reserves	8.1(b)	–	(15,849)	–	15,849
Transfers from other reserves	8.1(b)	–	2,570	–	(2,570)
Balance at end of the financial year		2,218,043	857,413	1,290,865	69,765

2017		Consolidated			
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		1,921,348	785,001	1,103,891	32,456
Surplus for the year		51,729	51,729	–	–
Net asset revaluation increment	8.1(a)	215,164	–	215,164	–
Revaluation reversal – disposed assets	8.1(a)	–	10,971	(10,971)	–
Impairment (loss)/reversal in revaluation reserve	8.1(a)	(47)	–	(47)	–
Transfers to other reserves	8.1(b)	–	(34,502)	–	34,502
Transfers from other reserves	8.1(b)	–	10,472	–	(10,472)
Balance at end of the financial year		2,188,194	823,671	1,308,037	56,486

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

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For the year ended 30 June 2018

Statement of Cash Flows

For the year ended 30 June 2018

	Note	Consolidated 2018 Inflows/ (Outflows) \$'000	Consolidated 2017 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		132,752	127,008
Statutory fees and fines		6,630	4,849
User fees		9,876	11,208
Grants – operating		33,085	37,981
Grants – capital		6,449	7,320
Contributions – monetary		3,353	3,518
Interest received		2,916	2,641
Trust funds and deposits taken		39,180	38,598
Other receipts		12,566	12,856
Net GST refund		8,156	7,210
Employee costs		(74,073)	(71,569)
Materials and services		(69,014)	(64,262)
Trust funds and deposits repaid		(32,540)	(33,627)
Other payments		(5,420)	(9,299)
Net cash provided by operating activities	8.2	73,916	74,432
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(38,231)	(43,029)
Proceeds from sale of property held for resale		–	918
Proceeds from sale of property, infrastructure, plant and equipment		648	13,089
Net cash used in investing activities		(37,583)	(29,022)
Cash flows from financing activities			
Finance costs		(3,445)	(3,726)
Repayment of borrowings		(3,086)	(3,120)
Repayment of other interest-bearing liabilities		(1,255)	(1,184)
Net cash used in financing activities		(7,786)	(8,030)
Net increase in cash and cash equivalents		28,547	37,380
Cash and cash equivalents at the beginning of the financial year		126,044	88,664
Cash and cash equivalents at the end of the financial year	4.1	154,591	126,044
Financing arrangements	4.7		
Restrictions on cash assets	4.1		

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 2018

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Property		
Land	–	530
Total land	–	530
Buildings	13,780	23,617
Leasehold improvements	33	–
Total buildings	13,813	23,617
Total property	13,813	24,147
Plant and equipment		
Plant, machinery and equipment	1,692	2,533
Fixtures, fittings and furniture	28	270
Computers and telecommunications	139	115
Library books	980	1,091
Total plant and equipment	2,839	4,009
Infrastructure		
Roads	9,742	7,310
Bridges	191	370
Footpaths and cycleways	1,143	1,985
Drainage	1,123	1,676
Recreational, leisure and community facilities	2,861	1,229
Parks, open space and streetscapes	4,173	2,808
Off street car parks	1,256	1,223
Total infrastructure	20,489	16,601
Total capital works expenditure	37,141	44,757
Represented by:		
New asset expenditure	12,052	15,395
Asset renewal expenditure	18,614	19,098
Asset upgrade expenditure	6,475	10,237
Asset expansion expenditure	–	27
Total capital works expenditure	37,141	44,757

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

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For the year ended 30 June 2018

Notes to the Financial Report

Overview

The City of Greater Dandenong 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 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 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Significant accounting policies

(a) Basis of accounting

These consolidated financial statements for the year ended 30 June 2018 comprise the results of operations for both Council and its wholly owned subsidiary, namely the Dandenong Market Pty Ltd.

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.

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

Revisions to accounting estimates 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 5.2 and 7.4).
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 5.2).
- the determination of employee provisions (refer to note 4.6 (a)).

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

(b) Change in accounting policies

There has been no change in accounting policies from the previous period.

Note 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 2014* 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 26 June 2017. 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 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

1.1 Income and expenditure

	Consolidated Actual 2018 \$'000	Council Actual 2018 \$'000 <i>(note 5.3)</i>	Council Budget 2018 \$'000	Council Variance 2018 \$'000 <i>Fav (Unfav)</i>	Ref
Income					
Rates and charges	132,808	132,919	132,258	661	
Statutory fees and fines	8,730	8,730	7,610	1,120	1.1.1
User fees	8,655	8,655	9,203	(548)	
Grants – operating	33,029	33,029	30,085	2,944	1.1.2
Grants – capital	4,281	4,281	2,932	1,349	1.1.3
Contributions – monetary	3,375	3,375	2,000	1,375	1.1.4
Contributions – non-monetary	19,169	19,169	15,000	4,169	1.1.5
Net gain on disposal of property, infrastructure, plant and equipment	141	141	522	(381)	1.1.6
Fair value adjustments for investment property	1,025	1,025	–	1,025	1.1.7
Other income	15,481	11,114	9,120	1,994	1.1.8
Total income	226,694	222,438	208,730	13,708	
Expenses					
Employee costs	(72,378)	(71,478)	(76,265)	4,787	1.1.9
Materials and services	(65,557)	(62,422)	(58,374)	(4,048)	1.1.10
Bad and doubtful debts	(1,649)	(1,649)	(879)	(770)	1.1.11
Depreciation and amortisation	(28,202)	(28,190)	(29,758)	1,568	1.1.12
Borrowing costs	(3,419)	(3,419)	(3,419)	–	
Other expenses	(8,555)	(8,378)	(4,792)	(3,586)	1.1.13
Total expenses	(179,760)	(175,536)	(173,487)	(2,049)	
Surplus for the year	46,934	46,902	35,243	11,659	

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For the year ended 30 June 2018

1.1 Income and expenditure (continued)

Explanation of material variations

Ref	Item	Explanation
1.1.1	Statutory fees and fines	Statutory fees and fines are \$1.12 million higher than the Original Budget due mainly to: <ul style="list-style-type: none"> – higher than anticipated parking fine income and Infringement Court recoveries (\$1.01 million). – unbudgeted election fine income from the 2016 Council election.
1.1.2	Grants – operating	Operating grant income was \$2.94 million higher than the Original Budget due to: <ul style="list-style-type: none"> – the early distribution of 50% of the 2017–18 and 2018–19 Financial Assistance Grant funding allocation in June of the preceding financial years. The 2017–18 actuals reflect 50% of the 2017–18 allocation and 50% of the 2018–19 allocation. Whilst 100% has effectively been received in 2017–18, both of the allocations were higher than expected in the Original Budget representing a favourable variance of \$1.37 million. – Council was successful in obtaining project grants (not included in the Original Budget) for the Indian Cultural Precinct (\$500,000) and Community Revitalisation (\$425,000). – Higher Community Service program grant funding than expected in the Original Budget for Playgroups Initiative, Child First, Dads in Dandenong, Drug Strategy, Libraries, Right@Home and Immunisation, partly offset by lower Family Day Care funding.
1.1.3	Grants – capital	Capital grant income was \$1.35 million higher than the Original Budget due to \$674,000 in additional Federal Government Roads to Recovery funding and \$526,000 in new Federal Government Black Spot grant funding.
1.1.4	Contributions – monetary	Due to a greater level of economic activity than anticipated, Council received higher than budgeted open space contributions from developers (\$921,000) during 2017–18. These contributions are restricted in their use and are transferred to reserves at the end of the financial year which are set aside for open space projects. The timing of receipt and amount of open space contributions are difficult to predict. Also contributing to this favourable variance is \$411,000 of Developer Contribution Plan funding in relation to the Sarah Lands capital project which was not allocated in the Original Budget (included in the 2017–18 Mid Year Budget).
1.1.5	Contributions – non-monetary	These contributions represent assets that are transferred to Council's ownership from developers upon completion of subdivisions. Refer to note 5.2 for further details about contributed assets. In 2017–18, they related mainly to land, roads and drains. 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 is a non-cash accounting entry.
1.1.6	Net gain on disposal of property, infrastructure, plant and equipment	The disposal of property, infrastructure, plant and equipment was \$381,000 lower than expected in the Original Budget mainly due to higher than expected cost of fleet sold (\$140,000) and the carrying amount of parking meters sold (\$230,000) which wasn't included in the 2017–18 Original Budget.
1.1.7	Fair value adjustments for investment property	The fair value valuation of investment property is determined annually by independent valuers. Changes to fair value are recorded in the Income Statement each year. Council's investment properties increased by \$1.03 million in 2017–18. This item is difficult to predict and is not included in the Original Budget. It is a non-cash accounting entry.

1.1 Income and expenditure (continued)

Explanation of material variations

Ref	Item	Explanation
1.1.8	Other income	The favourable variance of \$1.99 million in other income is mainly attributable to a higher than anticipated interest return on investments (\$1.16 million), a part refund of a prior year contribution to VicRoads (\$467,000) and a credit received for prior year WorkCover premium (\$305,000), partly offset by lower recoveries from member councils in relation to Spring Valley landfill works not yet under taken at 30 June 2018 (\$368,000). Expected to be completed in 2018–19.
1.1.9	Employee costs	Employee costs were favourable to the 2017–18 Original Budget due mainly to lower than anticipated salaries, overtime and associated oncosts as a result of vacant positions, a delay in recruitment and a number of grant funded programs that have been carried over to the 2018–19 financial year. In addition, Fringe Benefits Tax and the year end employee entitlement provisions were lower than anticipated. These favourable variances were partly offset by higher temporary agency staff costs.
1.1.10	Materials and services	The \$4.05 million unfavourable variance is due to a number of factors: <ul style="list-style-type: none"> – \$6.00 million 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 controlled assets (\$3.06 million relating to prior year capital expenditure and \$2.94 million relating to current year capital expenditure). – higher recycling costs due to recent restrictions and disruptions in the worldwide recycling markets (\$584,000). – higher statutory lodgement fees with the Infringements Court (\$421,000). These variances are partly offset by lower costs relating to payments to educators in the Family Day Care program (\$841,000), Spring Valley landfill (\$469,000), major patching of roads (\$372,000), hard waste collection (\$322,000) and drainage network (\$268,000).
1.1.11	Bad and doubtful debts	The unfavourable variance of \$770,000 in bad and doubtful debts is due to a \$549,000 provision for recycling income as recovery is doubtful. This is combined with a higher provision for doubtful parking fines (\$110,000) due to an increase in fines generated in 2016–17 which remain outstanding at 30 June 2018. This has resulted in a higher provision than anticipated in the Original Budget.
1.1.12	Depreciation and amortisation	Depreciation expense was lower than the Original Budget due mainly to finalisation of the 2016–17 year end fixed asset balances which occurred after the adoption of the Original Budget. Also, contributing to the lower depreciation was the buildings revaluation decrement at 1 January 2018 and the assets written off during 2017–18.

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For the year ended 30 June 2018

1.1 Income and expenditure (continued)

Explanation of material variations

Ref	Item	Explanation
1.1.13	Other expenses	<p>The unfavourable variance of \$3.59 million to the 2017–18 Original Budget is due to: – \$2.83 million in asset write offs in 2017–18 (asset write offs are not budgeted for as they are difficult to predict) and relate mainly to:</p> <ul style="list-style-type: none">• Demolition of buildings at 144 Thomas Street, Dandenong, Robert Booth Reserve baseball pavilion and Alex Nelson pavilion (\$926,000).• A review of assets in the Parks, open space and streetscapes and Recreational, leisure and community facilities asset classes (\$808,000).• \$312,000 in drainage assets.• Land at 44 Hope Street Springvale which is no longer Council owned (\$276,000).• A review of IT assets that are no longer in use (\$170,000). <p>– \$895,000 relating to the recognition of a provision for remediation at Spring Valley landfill.</p> <p>– \$285,000 contributions in the Capital Improvement program that were unable to be capitalised to the asset register because they related to non-Council controlled assets.</p> <p>These unfavourable variances are partly offset by lower Community Partnership funding (\$139,000) and the reversal of an impairment loss expense recognised in the prior year in relation to defective tiles at Noble Park Aquatic Centre which have now been fixed (\$237,500).</p>

1.2 Capital works

	Consolidated Actual 2018 \$'000	Council Actual 2018 \$'000	Council Budget 2018 \$'000	Council Variance 2018 \$'000 <i>Fav (Unfav)</i>	Ref
Property					
Buildings	13,780	13,780	16,710	2,930	1.2.1
Leasehold improvements	33	33	80	47	
Total buildings	13,813	13,813	16,790	2,977	
Total property	13,813	13,813	16,790	2,977	
Plant and equipment					
Plant, machinery and equipment	1,692	1,692	2,774	1,082	1.2.2
Fixtures, fittings and furniture	28	28	45	17	
Computers and telecommunications	139	139	123	(16)	
Library books	980	980	1,160	180	
Total plant and equipment	2,839	2,839	4,102	1,263	
Infrastructure					
Roads	9,742	9,742	6,705	(3,037)	1.2.3
Bridges	191	191	–	(191)	
Footpaths and cycleways	1,143	1,143	1,730	587	1.2.4
Drainage	1,123	1,123	1,740	617	1.2.5
Recreational, leisure and community facilities	2,861	2,861	3,162	301	
Parks, open space and streetscapes	4,173	4,173	6,395	2,222	1.2.6
Off street car parks	1,256	1,256	2,000	744	1.2.7
Total infrastructure	20,489	20,489	21,732	1,243	
Total capital works expenditure	37,141	37,141	42,624	5,483	
Represented by:					
New asset expenditure	12,052	12,052	17,004	4,952	1.2.8
Asset renewal expenditure	18,614	18,614	19,372	758	
Asset upgrade expenditure	6,475	6,475	6,248	(227)	
Asset expansion expenditure	–	–	–	–	
Total capital works expenditure	37,141	37,141	42,624	5,483	

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1.2 Capital works (continued)

Explanation of material variations

Ref	Item	Explanation
1.2.1	Buildings	Capital expenditure on buildings was lower than the 2017–18 Original Budget by \$2.93 million due mainly to the Springvale Community Precinct multi year project (\$3.65 million) combined with \$1.1 million that was transferred to operating expenditure as it could not be capitalised to the asset register) and the Building Renewal Program (\$1.57 million, as a result of \$685,000 transferred to operating expenditure and lower than anticipated expenditure). These favourable variances are partly offset by projects that were carried over from the prior year such as Robert Booth Reserve Pavilion – \$1.42 million variance (not included in the 2017–18 Original Budget).
1.2.2	Plant, machinery and equipment	Plant, machinery and equipment experienced a favourable variance of \$1.08 million to the 2017–18 Original Budget due to lower than anticipated expenditure in the Fleet Renewal Program (\$990,000). This was due mainly to a delay in the purchase of a specialised jet truck for Council's drainage network combined with some savings in this program.
1.2.3	Roads	Capital expenditure on roads was higher than the 2017–18 Original Budget due to the Local Road Rehabilitation Program – Bangholme Road (\$1.72 million – which is a multi-year project and had a carry over from the prior year), higher expenditure on the Roads to Recovery program (\$666,000 – matched by higher Federal Government Roads to Recovery grant funding in 2017–18), several Federal Government Black Spot funded projects that were not known at the time of adopting the Original Budget and \$521,000 of major road works transferred from operating expenditure as it was considered capital in nature.
1.2.4	Footpaths and cycleways	The favourable variance of \$587,000 to the Original Budget is due to lower than anticipated expenditure in relation to the municipal-wide footpath renewal program (comprised of \$159,000 that was transferred to operating expenditure as it could not be capitalised to the asset register and program savings) and a delay in the Active Transport Infrastructure Priority Program (paths) which is expected to be carried over to the 2018–19 financial year.
1.2.5	Drainage	Lower than anticipated capital expenditure on drainage of \$617,000 relates to the Drainage Upgrade Program, which was caused partly by \$111,000 that was transferred to operating expenditure as it could not be capitalised to the asset register and program savings.
1.2.6	Parks, open space and streetscapes	Capital expenditure on parks, open space and streetscapes was \$2.22 million lower than the 2017–18 Original Budget due mainly to delays in the following projects – Walker Street Streetscape \$1.07 million, Springvale Road Boulevard \$930,000 and Dandenong Park Master Plan Implementation \$821,000 – which are expected to be carried over to the 2018-19 financial year. These favourable variances are partly offset by \$448,000 for a Developer Contributions Plan (DCP) project (Sarah Lands) which was not included in the 2017–18 Original Budget (included as part of the 2017–18 Mid-Year Budget).
1.2.7	Off street car parks	Off street car parks experienced a favourable variance of \$744,000 to the 2017–18 Original Budget due mainly to a delay in the Tatterson Park Car Park and Access Road project (\$1.24 million) which is expected to be carried over to the 2018–19 financial year, partly offset by an unfavourable variance of \$389,000 for the Dandenong City Soccer Club project which was not included in the 2017–18 Original Budget as it was a carry over from the 2016–17 financial year.

1.2 Capital works (continued)

Explanation of material variations

Ref	Item	Explanation
1.2.8	New asset expenditure	Lower than anticipated capital expenditure on new assets of \$4.95 million relates to a delay in a number of projects which are expected to be carried over to 2018–19 (Springvale Community Precinct \$3.65 million, Dandenong Park Master Plan Implementation \$1.17 million, Tatterson Park Car Park and Access Road \$781,000 and Springvale Road Boulevard \$575,000). These favourable variances are partly offset by projects not included in the 2017–18 Original Budget as they were carried over from the 2016–17 financial year (Yarraman Oaks Early Learning Facility \$541,000 and DCP Sarah Lands \$449,000).

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Note 2 Funding for the delivery of our services

2.1 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 2017–18 was \$38.96 billion (\$38.08 billion in 2016–17).

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Residential	52,762	50,778
Commercial	12,241	11,927
Industrial	47,103	44,209
Farm	337	347
Cultural and recreational	438	432
Waste management charge – residential	16,342	15,818
Supplementary rates and rates adjustment	1,547	2,286
Maintenance levy	1,381	1,264
Interest on rates and charges	657	600
Total rates and charges	132,808	127,661

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016 and the valuation will be first applied to the rating period commencing 1 July 2016.

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.

2.2 Statutory fees and fines

Infringements and costs	4,270	4,150
Court recoveries	1,734	1,191
Building and town planning fees	2,206	1,994
Land information certificates	111	115
Election fines	140	215
Permits	269	227
Total statutory fees and fines	8,730	7,892

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.

2.3 User fees

Aged and health services	1,331	1,176
Child care/children's programs	950	824
Parking	3,250	4,129
Registration and other permits	1,458	1,312
Asset protection fees	348	290
Sub-division fees	629	654
Other fees and charges	689	845
Total user fees	8,655	9,230

User fees are recognised as revenue when the service has been provided or Council has otherwise earned the income.

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
2.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	26,278	36,847
State funded grants	11,032	9,523
Total grants	37,310	46,370
a) Operating grants		
Recurrent – Commonwealth Government		
Financial Assistance Grants (via Victoria Grants Commission)*	11,941	15,893
Family day care	3,152	3,352
Family & Children	325	158
General home care	6,951	9,361
Libraries**	110	89
Maternal & Child Health**	18	15
Volunteer	16	–
Recurrent – State Government		
Aged care	2,763	2,548
Maternal and child health	2,270	2,162
Family and children services	1,763	1,282
Libraries	1,008	1,020
Community development	206	300
School crossing supervisors	306	228
Other	19	116
Right @ Home	427	183
Community wellbeing	71	85
Community education	57	57
Emergency management	40	20
Total recurrent operating grants	31,443	36,869
Non-recurrent – Commonwealth Government		
Community development	20	5
Non-recurrent – State Government		
Community wellbeing	127	126
Environmental planning	295	218
Family and children	–	113
Libraries	–	2
Community development	993	20
Economic development	–	15
Sports and recreation	27	5
Other	–	5
Waste management	124	3
Total non-recurrent operating grants	1,586	512
Total operating grants	33,029	37,381

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*Payments for Financial Assistance Grants received via the Victorian Grants Commission can vary year on year. The 2016–17 financial year essentially reflects 150% of funding – 100% of the 2016–17 allocation and 50% or \$5.42 million of the 2017–18 allocation which was distributed early to Council in June 2017. For the 2017–18 year, whilst the funding received reflects 100% funding allocation, 50% of the funding relates to 2017–18 and 50% relates to the 2018–19 year distributed early to Council in June 2018.

**Comparative figures for 2016–17 have been amended to reflect the correct classification of funding source from State to Federal for libraries and maternal and child health grants.

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
b) Capital grants		
Recurrent – Commonwealth Government		
Roads to recovery	1,348	2,224
Recurrent – State Government		
Other	–	35
Total recurrent capital grants	1,348	2,259
Non-recurrent – Commonwealth Government		
Sports and recreation – Tatterson Park	1,703	2,871
Community safety	167	150
Roads*	527	2,729
Non-recurrent – State Government		
Roads	36	–
Libraries – Springvale Community Hub	205	750
Sports and recreation	185	230
Community education	97	–
Community safety	13	–
Total non-recurrent capital grants	2,933	6,730
Total capital grants	4,281	8,989
*Comparative figure for 2016–17 have been amended to reflect the correct classification of funding source from State to Federal for road grants.		
Unspent grants received on condition that they be spent in a specific manner		
Balance at start of the year	8,947	2,671
Received during the financial year and remained unspent at balance date	9,636	8,500
Received in prior years and spent during the financial year	(7,894)	(2,224)
Balance at end of the year*	10,689	8,947

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

*The increase in unspent grants at the end of the year in 2018 and 2017 relates to the early distribution by the Victoria Grants Commission of approximately 50% of the Financial Assistance Grants funding for the following financial year (\$5.92 million and \$5.42 million respectively).

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
2.5 Contributions		
Monetary		
Community contributions (<i>for capital works</i>)	23	50
Other contributions	20	–
Total non-developer contributions	43	50
Open space contributions (<i>for future capital works</i>)	2,922	3,062
Development infrastructure levies (<i>for capital works completed</i>)	410	406
Total monetary contributions	3,375	3,518
Non-monetary	19,169	16,308
Total contributions	22,544	19,826
<i>Public open space contributions received during the financial year are transferred to the Open Space Reserve. Refer note 8.1(b).</i>		
<i>Contributions of non-monetary assets were received in relation to the following asset classes:</i>		
Land	9,179	8,022
Buildings	225	–
Infrastructure	9,765	8,286
Total non-monetary contributions	19,169	16,308
Monetary and non-monetary contributions are recognised as revenue when Council obtains control over the contributed asset.		
2.6 Net gain on disposal of property, infrastructure, plant and equipment		
<i>Net gain on sale of inventory property*</i>		
Proceeds of sale (<i>Council share of 25.47%</i>)	–	918
Less carrying amount of assets sold	–	(490)
	–	428
<i>Net gain on sale of property, infrastructure, plant and equipment</i>		
Proceeds of sale	648	12,993
Less carrying amount of assets sold	(507)	(12,410)
	141	583
Total net gain on disposal of property, infrastructure, plant and equipment**	141	1,011

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

*Council had an agreement with Development Victoria (formerly Places Victoria) for a residential development of the former Dandenong sale yards. Development Victoria was responsible for the development of the land under this agreement, and was entitled to 74.53% of the proceeds of this developed land with Council's share being 25.47%. The final lot of this development was sold in 2016–17.

**In order to comply with the Local Government Model Financial Report (LGMFR) prior year comparatives have been amended to reclassify assets written off to note 3.6 – net loss on write off of property, infrastructure, plant and equipment.

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	Consolidated 2018 \$'000	Consolidated 2017 \$'000
2.7 Other income		
Interest on investments	2,922	2,487
Interest – other	2	197
Dandenong Market revenue from operations	5,738	5,610
Property rental	1,665	1,396
Other rent	1,060	860
Recoveries	2,960	2,455
Other	1,134	1,276
Total other income	15,481	14,281

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 3 The cost of delivering services

3.1 a) Employee costs

Wages and salaries	57,195	56,282
WorkCover	1,694	1,379
Casual staff	940	1,275
Superannuation	5,416	5,341
Long service leave oncost	1,343	1,595
Fringe benefits tax	435	627
Other	5,355	5,253
Total employee costs	72,378	71,752

b) Superannuation

Council made contributions to the following funds:

Defined benefit plan

Employer contribution to Local Authorities Superannuation Fund (Vision Super)	473	485
	473	485

Employer contributions payable at reporting date.

Accumulation funds

Employer contribution to Local Authorities Superannuation Fund (Vision Super)	3,353	3,345
Employer contribution – other funds	1,631	1,511
	4,984	4,856

Employer contributions payable at reporting date (Dandenong Market Pty Ltd)	4	1
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Refer note 8.3 for further information relating to Council's superannuation obligation.

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
3.2 Materials and services		
Contract payments*	37,984	35,749
Building maintenance	1,864	1,170
General maintenance	3,541	4,340
Works in progress (unable to be capitalised)	3,006	5,871
Utilities	4,017	3,449
Office administration	5,974	6,132
Information technology	2,425	2,276
Insurance	850	790
Consultants and professional services	5,896	3,283
Total materials and services	65,557	63,060

*Prior year comparative figures related to contract payments have been amended to reclassify payment to educators from note 3.6 – Other expenses (Community grants and contributions).

3.3 Depreciation and amortisation

Depreciation

Property	5,516	4,985
Plant and equipment	3,886	4,155
Infrastructure	18,800	18,586
Total depreciation and amortisation	28,202	27,726

Refer to 5.2 for a more detailed breakdown of depreciation and amortisation charges.

3.4 Bad and doubtful debts

Parking fine debtors	786	612
Other debtors	863	299
Total bad and doubtful debts	1,649	911

Movement in provisions for doubtful debts

Balance at the beginning of the year	1,768	1,656
New provisions recognised during the year	1,652	911
Amounts already provided for and written off as uncollectible	(777)	(754)
Amounts provided for but recovered during the year	–	(45)
Balance at end of year	2,643	1,768

Provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Bad debts are written off when identified.

3.5 Borrowing costs

Interest – borrowings	3,345	3,554
Interest – other	74	145
Total borrowing costs	3,419	3,699

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Borrowing costs include interest on bank overdrafts and interest on borrowings.

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	Consolidated 2018 \$'000	Consolidated 2017 \$'000
3.6 Other expenses		
Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals	86	83
Auditors' remuneration – internal	100	167
Audit – other	1	1
Councillors' allowances	434	428
Council election	–	689
Operating lease/rentals	1,042	893
Assets written-off*	2,828	830
Landfill provisions	895	–
Impairment loss/(reversal)	(238)	238
Other expenses	876	919
Community grants and contributions**	2,531	3,021
Total other expenses	8,555	7,269

*In order to comply with the Local Government Model Financial Report (LGMFR) prior year comparatives have been amended to reclassify assets written off from note 2.6 – net loss on write off of property, infrastructure, plant and equipment. Also the impairment loss/ (reversal) has been reclassified under other expenses.

*Refer to page 12 – note 1.1.13 for more detail explanation of material variances on assets written-off.

**Prior year comparative figures related to community grants and contributions have been amended to reclassify payment to educators to note 3.2 – material and services (contract payments).

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Note 4 Our financial position		
4.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	4,189	3,507
Cash at bank	16,885	11,704
Term deposits	133,517	110,833
Total cash and cash equivalents	154,591	126,044
(b) Other financial assets		
Non-current		
Financial assets held for sale		
Unlisted shares – Regional Kitchen Pty Ltd – at cost	230	230
Total non-current other financial assets	230	230
Total other financial assets	230	230
<i>Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:</i>		
– Trust funds and deposits (note 4.3(b))	41,505	35,448
Total restricted funds	41,505	35,448
Total unrestricted cash and cash equivalents	113,086	90,596
Intended allocations*		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
Employee provisions (note 4.6 (a))	16,868	17,081
Statutory and other reserves (note 8.1(b))	69,765	56,486
Cash held to fund carried forward operational projects	9,597	7,330
Cash held to fund carried forward capital works (net)	16,659	10,848
Total funds subject to intended allocations	112,889	91,745

*Users of the financial report should refer to note 8.1(b) for details of funds held in reserve and note 4.8 for details of existing Council commitments.

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.

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	Consolidated 2018 \$'000	Consolidated 2017 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	7,132	7,079
Infringement debtors	7,119	5,981
Provision for doubtful debts – infringements	(1,897)	(1,613)
Other statutory debtors	2,738	3,301
Provision for doubtful debts – other statutory debtors	(149)	(100)
Net GST receivable	1,998	1,587
<i>Non statutory receivables</i>		
Other debtors	3,110	3,598
Provision for doubtful debts – other debtors	(597)	(55)
Total current trade and other receivables	19,454	19,778
Non-current		
<i>Non statutory receivables</i>		
Narre Warren landfill – financial contribution	252	261
Other debtors – refundable deposit	73	73
Total non-current trade and other receivables	325	334
Total trade and other receivables	19,779	20,112
<p>Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.</p>		
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)	1,247	2,591
Past due by up to 30 days	302	306
Past due between 31 and 180 days	512	261
Past due between 181 and 365 days	85	102
Past due by more than 1 year*	696	617
Total trade and other receivables (excluding statutory receivables)	2,842	3,877

(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 \$556,000 (2017 \$7,000) were impaired. The amount of the provision raised against these debtors was \$556,000 (2017 \$3,000). 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 2018 \$'000	Consolidated 2017 \$'000
Current (not yet due)	–	–
Past due by up to 30 days	4	–
Past due between 31 and 180 days	342	–
Past due between 181 and 365 days	211	–
Past due by more than 1 year*	40	55
Total trade and other receivables (excluding statutory receivables)	597	55

*Prior year comparative figures for ageing of receivables (note 4.1 (c) (ii) and ageing of individually impaired receivables (note 4.1 (c) (iii)) have been amended to separately disclose the impaired debtor for 2016–17.

4.2 Non-financial assets

Other assets

Prepayments	2,768	922
Accrued income	754	1,707
Other	220	–
Total other assets	3,742	2,629

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	Consolidated 2018 \$'000	Consolidated 2017 \$'000
4.3 Payables		
(a) Trade and other payables		
Trade payables	16,095	13,915
Accrued expenses	5,206	4,361
Total trade and other payables	21,301	18,276
(b) Trust funds and deposits		
Current		
Fire services property levy	1,194	1,117
Road deposits	402	303
Landscape deposits	1,042	849
Open space contributions	2,683	3,266
Development contribution plans (DCP)	32,510	27,360
Other refundable deposits	2,387	1,373
Total current trust funds and deposits	40,218	34,268
Non-current		
Other refundable deposits	1,287	1,180
Total non-current trust funds and deposits	1,287	1,180
Total trust funds and deposits	41,505	35,448

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.

Roads 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.

Development contribution plans (DCP) – amounts received from developers relating to the DCP are held as deposits and are a surety for the construction of DCP infrastructure. Upon completion of the infrastructure, Council will refund the developer the deposit. Due to the uncertainty of when the developer may submit a claim for refund, the monies held are treated as a current liability.

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.

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
4.4 Interest-bearing loans and borrowings		
Current		
Borrowings – secured	3,301	3,086
	3,301	3,086
Non-current		
Borrowings – secured	48,525	51,826
	48,525	51,826
Total interest-bearing loans and borrowings	51,826	54,912

Borrowings are secured over the general rates of Council as per section 141 of the Local Government Act 1989.

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.

a) The maturity profile for Council's borrowings is:

Not later than one year	3,301	3,086
Later than one year and not later than five years	13,643	15,335
Later than five years	34,882	36,491
	51,826	54,912

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.

4.5 Other interest-bearing liabilities

Current

Land purchase – interest-bearing	–	1,255
	–	1,255

Non-current

Land purchase – interest-bearing	–	–
	–	–

Total Other interest-bearing liabilities	–	1,255
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In 2014–15, Council entered into an agreement with VicTrack and Places Victoria to purchase land parcels in the Dandenong Railway Precinct. The purchase price was established by the Valuer General Victoria, Council paid a 10% deposit in 2014–15, the first instalment in June 2016 and the final instalment paid in June 2018.

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	Consolidated		Total \$ '000
	Employee \$ '000	Landfill restoration \$ '000	
4.6 Provisions			
2018			
Balance at beginning of the financial year	17,081	–	17,081
Additional provisions	6,970	895	7,865
Amounts used	(7,137)	–	(7,137)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(46)	–	(46)
Balance at the end of the financial year	16,868	895	17,763
2017			
Balance at beginning of the financial year	17,138	–	17,138
Additional provisions	7,112	–	7,112
Amounts used	(7,032)	–	(7,032)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(137)	–	(137)
Balance at the end of the financial year	17,081	–	17,081

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
(a) Employee provisions		
<i>Current provisions expected to be wholly settled within 12 months</i>		
Annual leave	5,715	5,749
Long service leave	881	853
Other	407	426
	7,003	7,028
<i>Current provisions expected to be wholly settled after 12 months</i>		
Annual leave	109	112
Long service leave	9,204	9,292
	9,313	9,404
Total current employee provisions	16,316	16,432
Non-current		
Long service leave	552	649
Total non-current employee provisions	552	649
<i>Aggregate carrying amount of employee provisions:</i>		
Current	16,316	16,432
Non-current	552	649
Total aggregate carrying amount of employee provisions	16,868	17,081

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

Wages, salaries and annual leave

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

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

	Consolidated 2018	Consolidated 2017
Key assumptions:		
– discount rate	2.33%	2.22%
– index rate	2.50%	3.15%
– settlement rate		
long service leave (years)	7	7
annual leave (days)	260	260
(b) Landfill restoration	\$'000	\$'000
Current	96	–
Non-current	799	–
	895	–

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 City of Greater Dandenong and is used as recreational open space. On 22 June 2013 the EPA issued a Pollution Abatement Notice (PAN) requiring Council to carry out a landfill cap assessment against the EPA Waste Discharge Licence and to produce an Aftercare Management Plan (AMP). An AMP was submitted to the EPA in December 2014 to meet the requirement of this PAN. A further PAN issued by the EPA was issued on 23 September 2016 and revised on the 19 January 2018.

The City of Greater Dandenong 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 2018, Council has an amount of \$895,000 as a provision for the restoration of the Springvalley Road Landfill site which includes aftercare costs to meet EPA obligations. At balance date the provision was measured at the net present value of the estimated future rehabilitation costs including aftercare and site monitoring costs.

Key assumptions:

– discount rate	2.44%	–
– index rate	2.00%	–
– settlement rate	15 years	–

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
(c) Total provisions summary		
Current	16,412	16,432
Non-current	1,351	649
Total provisions	17,763	17,081

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	Consolidated 2018 \$'000	Consolidated 2017 \$'000
4.7 Financing arrangements		
Interest-bearing loans and borrowings – secured	51,826	54,912
Interest-bearing liabilities – other (land purchase)	–	1,255
Credit card facilities	200	200
Bank overdraft	2,500	2,500
Total facilities	54,526	58,867
Used facilities	51,828	56,172
Unused facilities	2,698	2,695

4.8 (a) 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. All contract commitments are disclosed excluding schedule of rate contracts which vary from year to year depending on the volume of services required.

	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	
2018					
Operating					
Building maintenance services	3,421	2,730	8,355	2,897	17,403
Cleaning services	1,635	1,488	–	–	3,123
Consultancies	205	–	–	–	205
Garbage collection	6,539	6,735	8,724	–	21,998
Hard waste collection	463	–	–	–	463
Leisure centres management services	1,314	–	–	–	1,314
Meals for delivery	495	454	–	–	949
Open space management	1,536	1,015	110	–	2,661
Other contracts	4,868	823	1,411	360	7,462
Parking management	246	251	784	272	1,553
Recycling	4,016	4,097	5,244	–	13,357
Works (roads and drains) services	507	204	–	–	711
Dandenong Market Pty Ltd commitments	1,222	1,224	1,457	–	3,903
Total 2018 Operating	26,467	19,021	26,085	3,529	75,102
Capital					
Buildings	6,188	250	160	–	6,598
Roads	3,305	–	–	–	3,305
Drainage	4,113	–	–	–	4,113
Parks, open space and streetscapes	1,671	–	–	–	1,671
Total 2018 Capital	15,277	250	160	–	15,687
2017					
Operating					
Building maintenance services	3,675	195	–	–	3,870
Cleaning services	2,015	629	499	–	3,143
Consultancies	70	–	–	–	70
Garbage collection*	6,198	6,539	15,459	–	28,196
Hard waste collection	1,462	463	–	–	1,925
Leisure centres management services	1,320	1,314	–	–	2,634
Meals for delivery	604	604	554	–	1,762
Open space management	1,124	110	–	–	1,234
Other contracts	4,872	511	1,200	1,400	7,983
Parking management	331	149	366	–	846
Recycling*	2,057	2,119	5,009	–	9,185
Works (roads and drains) services	384	384	96	–	864
Dandenong Market Pty Ltd commitments	1,425	1,269	2,936	–	5,630
Total 2017 Operating	25,537	14,286	26,119	1,400	67,342

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	Consolidated				
	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
Capital					
Buildings	9,759	54	39	45	9,897
Roads	736	–	–	–	736
Drainage	366	–	–	–	366
Parks, open space and streetscapes	1,099	–	–	–	1,099
Total 2017 Capital	11,960	54	39	45	12,098

*Prior year comparative figures for garbage collection and recycling have been restated on a consistent basis with the current year commitment estimates.

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
4.8 (b) Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment, fleet and properties for use within Council's activities. These obligations are not recognised as liabilities.		
Not later than one year	1,406	1,124
Later than one year and not later than five years	2,179	2,484
Later than five years	–	14
	3,585	3,622

Comparative figures have been amended to reflect all operating lease commitments, that were previously not included part of this note.

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

Note 5 Assets we manage

Note content:

5.1 Non-current assets classified as held for sale

5.2 Property, infrastructure, plant and equipment

- (a) Summary of Property, Infrastructure, Plant and Equipment
- (b) Summary of Work in Progress (WIP)
- (c) Details of Property Category
- (d) Details of Plant and Equipment Category
- (e) Details of Infrastructure Category
- (f) Recognition
- (g) Depreciation and Amortisation
- (h) Revaluation
- (i) Valuation of Property
- (j) Valuation of Infrastructure
- (k) Reconciliation of Specialised Land

7.4* Fair value measurement

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

5.1 Non-current assets classified as held for sale

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification. At 30 June 2018, there were no non-current assets classified as held for sale.

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Note 5.2 Property, infrastructure, plant and equipment

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

Consolidated

	At fair value/cost 30 June 2017	Acquisitions (Strmt Cap Wrks)	Contributions (Note 2.5)	Revaluation (Note 8.1(a))	Depreciation and amortisation (Note 3.3)	Impairment (loss)/reversal* (Note 3.6 & 8.1(a))	Disposals (Note 2.6)	Write Offs (Note 3.2 & 3.6)	Transfers (Note 5.2(b))	At fair value/cost 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,198,856	-	9,179	(15,027)	-	-	-	(276)	-	1,192,732
Buildings	232,739	5,281	225	(2,105)	(5,516)	47	-	(1,041)	19,507	249,137
Plant and equipment	12,647	3,129	-	-	(3,886)	-	(276)	(173)	196	11,637
Infrastructure	679,794	8,814	9,765	-	(18,800)	238	(231)	(1,338)	6,006	684,248
Work in progress (WIP)	31,810	19,917	-	-	-	-	-	(3,006)	(25,709)	23,012
	2,155,846	37,141	19,169	(17,132)	(28,202)	285	(507)	(5,834)	-	2,160,766

*Two impairment loss reversals occurred in 2017-18. \$47,000 related to a building asset held at fair value so was reversed to the Asset Revaluation Reserve (refer Note 8.1(a)) and \$238,000 related to an asset held at cost, so was reversed against 'Other expenses' in the Income Statement (refer Note 3.6).

(b) SUMMARY OF WORK IN PROGRESS

	Opening WIP 30 June 2017	Additions	Transfers	Write Offs	Closing WIP 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	22,413	7,488	(19,651)	(1,205)	9,045
Plant and equipment	66	44	(39)	(27)	44
Infrastructure	9,331	12,385	(6,019)	(1,774)	13,923
Total	31,810	19,917	(25,709)	(3,006)	23,012

Note 5.2 Property, infrastructure, plant and equipment (continued)

(c) PROPERTY

	Land – specialised \$'000	Land – non-specialised \$'000	Total land \$'000	Buildings – specialised \$'000	Leasehold improvements \$'000	Total buildings \$'000	Work in progress \$'000	TOTAL PROPERTY \$'000
Opening balance at 1 July 2017								
At cost	42,614	–	42,614	–	1,558	1,558	22,413	66,585
At fair value*	963,836	192,406	1,156,242	372,782	–	372,782	–	1,529,024
Accumulated depreciation*	–	–	–	(140,596)	(1,005)	(141,601)	–	(141,601)
	1,006,450	192,406	1,198,856	232,186	553	232,739	22,413	1,454,008
Movements in fair value/cost								
Additions at cost	–	–	–	–	401	401	7,488	7,889
Additions at fair value	–	–	–	4,880	–	4,880	–	4,880
Contributed assets at cost	1,417	–	1,417	–	–	–	–	1,417
Contributed assets at fair value	7,022	740	7,762	234	–	234	–	7,996
Revaluation increments (decrements)	(6,374)	(8,653)	(15,027)	(6,866)	–	(6,866)	–	(21,893)
Fair value/cost of assets written off	(276)	–	(276)	(2,779)	–	(2,779)	(1,205)	(4,260)
Transfers in (out)	9,793	(9,793)	–	19,583	42	19,625	(19,651)	(26)
	11,582	(17,706)	(6,124)	15,052	443	15,495	(13,368)	(3,997)
Movements in accumulated depreciation								
Depreciation and amortisation	–	–	–	(5,393)	(123)	(5,516)	–	(5,516)
Accumulated depreciation of contributed assets	–	–	–	(9)	–	(9)	–	(9)
Accumulated depreciation of write offs	–	–	–	1,738	–	1,738	–	1,738
Impairment loss/(reversal) in revaluation reserve	–	–	–	47	–	47	–	47
Revaluation increments (decrements)	–	–	–	4,761	–	4,761	–	4,761
Transfers (in) out	–	–	–	(92)	(26)	(118)	–	(118)
	–	–	–	1,052	(149)	903	–	903
Closing balance at 30 June 2018								
At cost	44,031	–	44,031	–	2,001	2,001	9,045	55,077
At fair value	974,001	174,700	1,148,701	387,834	–	387,834	–	1,536,535
Accumulated depreciation	–	–	–	(139,544)	(1,154)	(140,698)	–	(140,698)
	1,018,032	174,700	1,192,732	248,290	847	249,137	9,045	1,450,914

*Refer to note 5.2(k) for a reconciliation of specialised land.

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Note 5.2 Property, infrastructure, plant and equipment (continued)

(d) PLANT AND EQUIPMENT

	Plant, machinery and equipment \$'000	Fixtures, fittings and furniture \$'000	Computers and telecomm's \$'000	Library books \$'000	Work in progress \$'000	TOTAL PLANT AND EQUIPMENT \$'000
Consolidated						
Opening balance at 1 July 2017						
At cost	15,471	8,185	6,743	6,183	66	36,648
Accumulated depreciation	(8,942)	(6,402)	(5,559)	(3,032)	–	(23,935)
	6,529	1,783	1,184	3,151	66	12,713
Movements in cost						
Acquisition of assets at cost	1,708	259	182	980	44	3,173
Cost of assets disposed	(1,878)	–	(30)	–	–	(1,908)
Cost of assets written off	–	(144)	(1,251)	–	(27)	(1,422)
Transfers in (out)	–	(1,268)	930	–	(39)	(377)
	(170)	(1,153)	(169)	980	(22)	(534)
Movements in accumulated depreciation						
Depreciation and amortisation	(1,617)	(552)	(676)	(1,041)	–	(3,886)
Accumulated depreciation of disposals	1,606	–	26	–	–	1,632
Accumulated depreciation of write offs	–	144	1,078	–	–	1,222
Transfers (in) out	–	979	(445)	–	–	534
	(11)	571	(17)	(1,041)	–	(498)
Closing balance at 30 June 2018						
At cost	15,301	7,032	6,574	7,163	44	36,114
Accumulated depreciation	(8,953)	(5,831)	(5,576)	(4,073)	–	(24,433)
	6,348	1,201	998	3,090	44	11,681

Note 5.2 Property, infrastructure, plant and equipment (continued)

	Consolidated									
	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 2017										
At cost	-	-	-	-	35,230	48,358	-	9,331	92,919	196,152
At fair value*	464,220	63,593	76,867	394,682	-	-	15,408	-	1,014,770	2,543,794
Accumulated depreciation*	(192,135)	(16,518)	(19,431)	(137,384)	(16,739)	(31,224)	(5,133)	-	(418,564)	(584,100)
	272,085	47,075	57,436	257,298	18,491	17,134	10,275	9,331	689,125	2,155,846
Movements in fair value/cost										
Acquisition of assets at cost	-	-	-	-	2,276	1,716	-	12,385	16,377	27,439
Acquisition of assets at fair value	2,129	191	1,440	706	-	-	356	-	4,822	9,702
Contributed assets at cost	-	-	-	-	200	450	-	-	650	2,067
Contributed assets at fair value	4,790	461	414	3,970	-	-	120	-	9,755	17,751
Revaluation increments (decrements)	-	-	-	-	-	-	-	-	-	(21,893)
Fair value/cost of assets disposed	-	-	-	-	-	(264)	-	-	(264)	(2,172)
Fair value/cost of assets written off	(60)	-	(15)	(505)	(848)	(7,328)	(76)	(1,774)	(10,606)	(16,288)
Transfers in (out)	2,080	27	550	1,524	1,401	371	468	(6,019)	402	(1)
	8,939	679	2,389	5,695	3,029	(5,055)	868	4,592	21,136	16,605
Movements in accumulated depreciation										
Depreciation and amortisation	(8,873)	(812)	(1,880)	(3,994)	(1,507)	(1,499)	(295)	-	(18,800)	(28,202)
Accumulated depreciation of contributed assets	(243)	(16)	(1)	(144)	(159)	(64)	(13)	-	(640)	(649)
Accumulated depreciation of disposals	-	-	-	-	-	33	-	-	33	1,665
Accumulated depreciation of write offs	36	-	3	193	444	6,800	18	-	7,494	10,454
Revaluation (increments) decrements	-	-	-	-	-	-	-	-	-	4,761
Impairment loss/(reversal) in revaluation reserve	-	-	-	-	-	-	-	-	-	47
Impairment loss/(reversal) in operating result	-	-	-	-	238	-	-	-	238	238
Transfers (in) out	(33)	-	(127)	-	(346)	182	(91)	-	(415)	1
	(9,113)	(828)	(2,005)	(3,885)	(1,330)	5,452	(381)	-	(12,090)	(11,685)
Closing balance at 30 June 2018										
At cost	-	-	-	-	38,259	43,303	-	13,923	95,485	186,676
At fair value	473,159	64,272	79,256	400,377	-	-	16,276	-	1,033,340	2,569,875
Accumulated depreciation	(201,248)	(17,346)	(21,436)	(141,269)	(18,069)	(25,772)	(5,514)	-	(430,654)	(595,785)
	271,911	46,926	57,820	259,108	20,190	17,531	10,762	13,923	698,171	2,160,766

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Note 5.2 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 5.2 have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Recognition thresholds

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

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.

Finance leases

Council does not have any financial leases.

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 and amortisation

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.

(g) Depreciation and amortisation (continued)

Depreciation periods used are listed below and are consistent with the prior year unless marked with an *.

	Depreciation period (years)	Threshold limit \$'000
<i>Property</i>		
Land		
Land	N/A	–
Land under roads	N/A	–
Buildings		
Buildings	50–100	5
Leasehold improvements	Lease term	–
<i>Plant and equipment</i>		
Plant and equipment		
Heavy plant and equipment	7	2
Buses, quads and trailers	10	2
Light plant and equipment, passenger and light commercial vehicles	5	2
Fixtures, fittings and furniture		
Fixtures, fittings, furniture and equipment	6	2
Musical instruments	20	2
Art works	N/A	2
Computers and telecommunications		
Software, hand held devices / mobile phones	3	2
Hardware and equipment	5	2
Library books	5	–
<i>Infrastructure</i>		
Roads		
Seal	12–20	20
Substructure	100	20
Kerb and channel	15–80	5
Existing local area traffic management (LATM) devices	5–30	5
New local area traffic management (LATM) devices	5–30	–
On–street car parks	20–100	5
Bridges	20–100	5
Footpaths and cycleways	10–50	–
Drainage		
New pipes and pits	100	–
Existing pipes and pits	100	5
Gross pollutant traps	50	5
Recreational, leisure and community facilities		
Recreational equipment and facilities, electronic screens, 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	2
Playgrounds	15	2
Outdoor pools	50	2

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	Depreciation period (years)	Threshold limit \$'000
Parks, open space and streetscapes		
Open space furniture, fencing, bollards and gates.	#10–50	2
Flood prevention – retarding/detention basins	20	2
Surface drainage – unformed open drains, water quality devices – wetlands, rain gardens and bioretention swales.	10	2
Surface drainage – formed open drains. Public art.	50	2
Signs, parking meters, ticket machines and equipment.	10–20	2
Lighting, passive grass/surface, horticultural plantings and gardens, natural bush and vegetation.	10–20	2
Off street car parks	20–100	5

#This does not represent a change in accounting policy. It was incorrectly disclosed as 10–20 years in the prior year's financial statements.

(h) Revaluation

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 7.4 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.

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 85%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently, land values range between \$14 and \$2,800 per square metre.

Consolidated 2018 \$'000	Consolidated 2017 \$'000
974,001	963,836

Note – Specialised land valued at fair value disclosed here, excludes land under roads which are valued at cost.

(h) Revaluation (continued)

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and range from \$320 to \$52,000 per square metre. The remaining useful lives of specialised buildings are determined on the basis of the current condition of buildings and vary from 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Consolidated
2018
\$'000

Consolidated
2017
\$'000

248,290

232,186

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition 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.

646,527

644,169

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

(i) Valuation of Property

Valuation of land and buildings

The last formal valuation of land and buildings at 1 January 2018 was undertaken by qualified independent valuers, Proval (Vic) 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.

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.

Details of the written down value of Council's land and buildings and information about the fair value hierarchy** as at 30 June 2018 are as follows:

	<u>Level 1</u>	<i>Non-specialised</i> <u>Level 2</u>	<i>Specialised</i> <u>Level 3</u>	<u>Date of last valuation</u>
Land*	–	174,700	974,001	1–Jan–18
Buildings	–	–	248,290	1–Jan–18
Total written down value	–	174,700	1,222,291	

*Land at fair value excludes land under roads which are valued at cost.

**Additional details about the fair value hierarchy can be found in Note 7.4.

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.

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(j) 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 depreciated replacement cost method. This cost represents the replacement cost of the asset after applying depreciation rates on a useful life basis.

The valuation of bridges at 31 March 2017 was undertaken by qualified independent valuers, Sterling Group and WT Partnership. The methodology used depreciated replacement costs to quantify fair value and remaining useful life was revised based on condition.

Details of the written down value of Council's infrastructure and information about the fair value hierarchy as at 30 June 2018 are as follows:

	<u>Level 1</u>	<i>Non-specialised</i> <u>Level 2</u>	<i>Specialised</i> <u>Level 3</u>	<u>Date of last valuation</u>
Roads	–	–	271,911	Jun-15
Bridges	–	–	46,926	Mar-17
Footpaths and cycleways	–	–	57,820	Jun-15
Drainage	–	–	259,108	Jun-15
Off street car parks	–	–	10,762	Jun-15
Total written down value	–	–	646,527	

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
(k) Reconciliation of specialised land at fair value*		
Parks and reserves	652,460	656,954
Floodway	9,410	10,624
Public use	23,320	21,906
Industrial	39,964	32,132
Other	248,847	242,220
Total specialised land	974,001	963,836

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

Note 5.3 Investments in associates, joint arrangements and subsidiaries

Committees of management

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 that was controlled by the Council.

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

Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts

Dandenong Market Pty Ltd manages the Dandenong Market on the terms set out in a management service agreement dated 30 November 2012 between Dandenong Market Pty Ltd and City of Greater Dandenong. The management service agreement runs concurrently with the Lease Agreement (50 years) and provides for annual agreement extensions at Council's discretion. An extension has been exercised by Council up to 30 June 2019. The following Comprehensive Income Statement, Balance Sheet and Statement of Cash Flows has been provided to show the individual financial positions of the Council and The Dandenong Market Pty Ltd and consolidated accounts for the 2017–18 financial year. These financial statements should be read in conjunction with the accompanying notes in the financial report.

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Comprehensive Income Statement

For the year ended 30 June 2018

	Council 2018 \$'000	DMPL 2018 \$'000	Consolidation Adjustment 2018 \$'000	Consolidated Accounts 2018 \$'000
Income				
Rates and charges	132,919	–	(111)	132,808
Statutory fees and fines	8,730	–	–	8,730
User fees	8,655	–	–	8,655
Grants – operating	33,029	–	–	33,029
Grants – capital	4,281	–	–	4,281
Contributions – monetary	3,375	–	–	3,375
Contributions – non-monetary	19,169	–	–	19,169
Net gain on disposal of property, infrastructure, plant and equipment	141	–	–	141
Fair value adjustments for investment property	1,025	–	–	1,025
Other income	11,114	5,866	(1,499)	15,481
Total income	222,438	5,866	(1,610)	226,694
Expenses				
Employee costs	(71,478)	(940)	40	(72,378)
Materials and services	(62,422)	(3,327)	192	(65,557)
Bad and doubtful debts	(1,649)	–	–	(1,649)
Depreciation and amortisation	(28,190)	(12)	–	(28,202)
Borrowing costs	(3,419)	–	–	(3,419)
Other expenses	(8,378)	(1,555)	1,378	(8,555)
Total expenses	(175,536)	(5,834)	1,610	(179,760)
Net surplus for the year	46,902	32	–	46,934
Other comprehensive income				
Items that will not be reclassified to surplus or deficit in future periods				
Net asset revaluation increment	(17,132)	–	–	(17,132)
Impairment (loss)/reversal	47	–	–	47
Total comprehensive result	29,817	32	–	29,849

Balance Sheet

As at 30 June 2018

	Council 2018 \$'000	DMPL 2018 \$'000	Consolidation Adjustment 2018 \$'000	Consolidated Accounts 2018 \$'000
Assets				
Current assets				
Cash and cash equivalents	153,578	1,013	–	154,591
Trade and other receivables	19,324	130	–	19,454
Other assets	3,723	29	(10)	3,742
Total current assets	176,625	1,172	(10)	177,787
Non-current assets				
Trade and other receivables	325	–	–	325
Other financial assets	230	–	–	230
Property, infrastructure, plant and equipment	2,160,742	24	–	2,160,766
Investment property	11,330	–	–	11,330
Total non-current assets	2,172,627	24	–	2,172,651
Total assets	2,349,252	1,196	(10)	2,350,438
Liabilities				
Current liabilities				
Trade and other payables	20,864	447	(10)	21,301
Trust funds and deposits	40,013	205	–	40,218
Provisions	16,361	51	–	16,412
Interest-bearing loans and borrowings	3,301	–	–	3,301
Total current liabilities	80,539	703	(10)	81,232
Non-current liabilities				
Trust funds and deposits	1,287	–	–	1,287
Provisions	1,313	38	–	1,351
Interest-bearing loans and borrowings	48,525	–	–	48,525
Total non-current liabilities	51,125	38	–	51,163
Total liabilities	131,664	741	(10)	132,395
Net assets	2,217,588	455	–	2,218,043
Equity				
Accumulated surplus	856,958	455	–	857,413
Reserves	1,360,630	–	–	1,360,630
Total equity	2,217,588	455	–	2,218,043

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Statement of Cash Flows

For the year ended 30 June 2018

	Council 2018 \$'000	DMPL 2018 \$'000	Consolidation Adjustment 2018 \$'000	Consolidated Accounts 2018 \$'000
Cash flows from operating activities				
Rates and charges	132,863	–	(111)	132,752
Statutory fees and fines	6,630	–	–	6,630
User fees	9,876	–	–	9,876
Grants – operating	33,085	–	–	33,085
Grants – capital	6,449	–	–	6,449
Contributions – monetary	3,353	–	–	3,353
Interest received	2,909	7	–	2,916
Trust funds and deposits taken	39,003	177	–	39,180
Other receipts	7,887	6,534	(1,855)	12,566
Net GST refund/(payments)	8,301	(157)	12	8,156
Employee costs	(73,205)	(898)	30	(74,073)
Materials and services	(65,628)	(5,241)	1,855	(69,014)
Trust funds and deposits repaid	(32,491)	(49)	–	(32,540)
Other payments	(5,389)	(100)	69	(5,420)
Net cash provided by operating activities	73,643	273	–	73,916
Cash flows from investing activities				
Payments for property, infrastructure, plant and equipment	(38,231)	–	–	(38,231)
Proceeds from sale of property, infrastructure, plant and equipment	648	–	–	648
Net cash used in investing activities	(37,583)	–	–	(37,583)
Cash flows from financing activities				
Finance costs	(3,445)	–	–	(3,445)
Repayment of other interest bearing liabilities	(1,255)	–	–	(1,255)
Repayment of borrowings	(3,086)	–	–	(3,086)
Net cash used in financing activities	(7,786)	–	–	(7,786)
Net increase in cash and cash equivalents	28,274	273	–	28,547
Cash and cash equivalents at the beginning of the financial year	125,304	740	–	126,044
Cash and cash equivalents at the end of the financial year	153,578	1,013	–	154,591

5.4 Investment property

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Balance at beginning of financial year	10,305	10,320
Additions	–	110
Fair value adjustments	1,025	(125)
Balance at end of financial year	11,330	10,305

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation by Proval (Vic) Pty Ltd 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.

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.

Note 6 People and relationships

6.1 Council and key management remuneration

(a) Related parties

Parent entity

City of Greater Dandenong

Subsidiaries

Dandenong Market Pty Ltd – detailed in note 5.3

(b) Key Management Personnels

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

Councillors	2018 No.	2017 No.
From 1 July 2017 to Current		
Councillor Youhorn Chea (Mayor 17 November 2017 – Current)		
Councillor Jim Memeti (Mayor 11 November 2016 – 16 November 2017)		
Councillor Roz Blades AM		
Councillor Matthew Kirwan		
Councillor Angela Long		
Councillor Sean O'Reilly		
Councillor Maria Sampey		
Councillor Heang Tak		
Councillor Loi Truong		
Councillor Tim Dark		
Councillor Zaynoun Melhem		
From 1 July 2016 to 22 October 2016		
Councillor John Kelly		
Councillor Peter Brown		
Total number of Councillors	11	13

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Councillors (continued)	2018 No.	2017 No.
Other Key Management Personnel		
Mick Jaensch – Director Corporate Services		
Jody Bosman – Director City Planning, Design and Amenity		
Martin Fidler – Director Community Services		
Julie Reid – Director Engineering Services		
Paul Kearsley – Group Manager Greater Dandenong Business		
Mark Doubleday – Director Community Services (1 July 2016 – 31 March 2017)		
	5	6
Chief Executive Officer		
John Bennie PSM	1	1
Total key management personnel	17	20
Dandenong Market Board Members		
Ms Julie Busch		
Mr Franz Madlener		
Mr Tom Mollenkopf		
Mr Tim Cockayne		
Ms Donna McMaster		
General Manager		
Mr Christopher Smith (1 July 2016 – 30 November 2016)		
Total number of Dandenong Market Board Members	6	7
(c) Remuneration of Key Management Personnel		
	Consolidated 2018 \$'000	Consolidated 2017 \$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	2,491	2,573
Long-term benefits	49	51
Post employment benefit	152	165
Termination benefits	–	–
	2,692	2,789

(c) Remuneration of Key Management Personnel (continued)

	2018 No.	2017 No.
The numbers of key management personnel, whose total remuneration from Council and any related entities fall within the following bands:		
\$10,000 – \$19,999	–	4
\$20,000 – \$29,999	4	5
\$30,000 – \$39,999	10	8
\$50,000 – \$59,999	1	1
\$70,000 – \$79,999	1	1
\$190,000 – \$199,999	–	1
\$230,000 – \$239,999	1	1
\$250,000 – \$259,999	–	1
\$260,000 – \$269,999	–	1
\$270,000 – \$279,999	–	2
\$280,000 – \$289,999	3	1
\$290,000 – \$299,999	2	–
\$430,000 – \$439,999	1	–
\$480,000 – \$489,999	–	1
Total	23	27

“Total remuneration” comprises base salary, superannuation, annual leave entitlements, long service leave entitlements, allowances and fringe benefits tax paid by Council.

(d) Senior Officers remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- has management responsibilities and reports directly to the Chief Executive; or
- whose total annual remuneration exceeds \$145,000.

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

Income range:

\$145,000 – \$149,999	5	10
\$150,000 – \$159,999	6	8
\$160,000 – \$169,999	9	4
\$170,000 – \$179,999	2	2
\$180,000 – \$189,999	4	4
\$190,000 – \$199,999	7	4
\$200,000 – \$209,999	–	2
\$210,000 – \$219,999	–	2
\$220,000 – \$229,999	1	–
	34	36
	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to:	5,842	6,076

“Total remuneration” comprises base salary, superannuation, annual leave entitlements, long service leave entitlements, allowances and fringe benefits tax paid by Council.

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6.2 Related party disclosure

(a) Transactions with related parties

During 2017–18 Council entered into the following transactions with related party Dandenong Market Pty Ltd (DMPL).

	2018 Excl GST \$'000	2017 Excl GST \$'000
Received from DMPL		
Rent received	1,378	1,312
Other reimbursements	–	1
Refund of gift vouchers not redeemed by the Council	10	12
Total received	1,388	1,325
Paid to DMPL		
Contributions for festival/events	81	80
Payment for Gift vouchers	50	49
Payment for Insurance claims	–	7
Total paid	131	136
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.		
(b) Outstanding balances with related parties		
The following transaction was outstanding at 30 June		
Refund of gift vouchers not redeemed by the Council	10	9
	10	9
(c) Loans to/from related parties		
No loans were made, guaranteed or secured by the Council to related parties during 2017–18 (2016–17 \$nil).		
(d) Commitments to/from related parties		
Under the Management Services Agreement with Dandenong Market Pty Ltd (DMPL) an extension has been exercised up to 30 June 2019.		
A commitment for rent of the Market premises is as follows	1,447	1,378
	1,447	1,378

Note 7 Managing uncertainties

7.1 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

	Consolidated 2018 \$'000	Consolidated 2017 \$'000
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.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	1,783	1,583
Later than one year and not later than five years	3,094	3,541
Later than five years	354	484
	5,231	5,608

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

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. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Future superannuation contributions

In addition to the disclosed contributions, Council has paid unfunded liability payments to Vision Super totalling Nil during 2017–18 year (Nil for 2016–17 year). There were contributions outstanding and Nil loans issued from or to the above schemes as at 30 June 2018.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2019 is estimated to be \$484,539.

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 \$14.6 million.

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Landfills

The City of Greater Dandenong 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.

(c) Guarantees for loans to other entities

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.

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.

As at 30 June 2018, Council's maximum potential exposure is as follows:

Entities	Amount outstanding 30 June 2018 \$'000	Amount outstanding 30 June 2017 \$'000	Year loan commenced
Dandenong Basketball Association	50	130	14 July 2004
Noble Park Football Club	–	37	10 May 2012
Keysborough Bowls Club Inc.	123	135	18 May 2015
Total Guarantees for loans to other entities	173	302	

(d) 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 \$856,000 (\$1.5 million as at 30 June 2017).

Note 7.2 Change in accounting standards

The following new Australian Accounting Standards have been issued or amended and are not mandatory for the 30 June 2018 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

Pronouncement	AASB 7 Financial Instruments – Disclosures
Background	The objective of this Standard is to require entities to provide disclosures in their financial statements that enable users to evaluate, a) the significance of financial instruments for the entity's financial position and performance; b) and the nature and extent of risks arising from financial instruments to which the entity is exposed.
Impact/action	Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from the application of this standard.
Effective date	Periods beginning on or after 1 January 2018.

Pronouncement	AASB 9 Financial Instruments
Background	The objective of this Standard is to establish principles for the financial reporting of <i>financial assets</i> and <i>financial liabilities</i> that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.
Impact/action	Impact of the standard is, simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current the current approach that recognises impairment only when incurred.
Effective date	Periods beginning on or after 1 January 2018.

Pronouncement	<i>AASB 15 Revenue from Contracts with Customers</i>
Background	The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measuring encompasses estimation by the entity of the amount expected to be entitled for performing under the contract.
Impact/action	The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.
Effective date	Periods beginning on or after 1 January 2019.

Pronouncement	<i>AASB 16 Leases</i>
Background	This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capturing the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the right-of-use asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.
Impact/action	Council has a significant number of operating leases that will be impacted as a result of this change. The impact on the disclosure of assets and liabilities will be assessed based on eventual implication of the standard.
Effective date	Periods beginning on or after 1 January 2019.

Pronouncement	<i>AASB 1058 Income for Not-for-Profit Entities.</i>
Background	The standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not for profit entity to further its objective.
Impact/action	Impacts on the level and nature of the disclosures will be assessed based on the eventual implications arising from the application of this standard.
Effective date	Periods beginning on or after 1 January 2019.

(x) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

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7.3 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. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. We manage interest rate risk by adopting an investment policy that ensures:

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

There has been no significant change in the 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. 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 26% 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.

There are no material financial assets which are individually 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 7.1.

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 7.1, 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 4.4.

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 1.50%.

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.

7.4 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.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the 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.

7.5 Events occurring after balance date

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

7.6 Adjustments directly to equity

There were no adjustments to opening equity balances in the 2017–18 financial year.

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	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					
2018					
Property					
Land	883,045	(15,027)	(52)	–	867,966
Buildings	27,195	(2,105)	(35)	47	25,102
	910,240	(17,132)	(87)	47	893,068
Infrastructure					
Roads	188,977	–	–	–	188,977
Bridges	20,324	–	–	–	20,324
Footpaths and cycleways	15,101	–	–	–	15,101
Drainage	170,324	–	–	–	170,324
Off street car parks	3,071	–	–	–	3,071
	397,797	–	–	–	397,797
Total asset revaluation reserves	1,308,037	(17,132)	(87)	47	1,290,865
2017					
Property					
Land	682,456	211,439	(10,850)	–	883,045
Buildings	27,363	–	(121)	(47)	27,195
	709,819	211,439	(10,971)	(47)	910,240
Infrastructure					
Roads	188,977	–	–	–	188,977
Bridges	16,599	3,725	–	–	20,324
Footpaths and cycleways	15,101	–	–	–	15,101
Drainage	170,324	–	–	–	170,324
Off street car parks	3,071	–	–	–	3,071
	394,072	3,725	–	–	397,797
Total asset revaluation reserves	1,103,891	215,164	(10,971)	(47)	1,308,037

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 5.2.

	Balance at beginning of reporting period	Transfer to accumulated surplus	Transfer from accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
8.1 Reserves (continued)				
(b) Other reserves				
2018				
Insurance reserve	625	(54)	305	876
Re-vegetation reserves	371	(37)	–	334
Open space – planning, development and improvements	6,642	(343)	2,921	9,220
Open space – acquisitions	6,000	–	–	6,000
Keysborough South maintenance levy	1,178	(1,051)	1,381	1,508
Major projects reserve	21,952	(279)	6,990	28,663
General reserve	1,780	–	2,100	3,880
Council funded development contributions reserve	11,729	(27)	1,000	12,702
Spring Valley landfill rehabilitation	1,011	(29)	82	1,064
Springvale Activity Precinct – parking and development	298	(202)	70	166
Dandenong Activity Precinct – parking and development	–	(548)	1,000	452
Local Government Funding Vehicle	4,900	–	–	4,900
Total other reserves	56,486	(2,570)	15,849	69,765
2017				
Insurance reserve	423	–	202	625
Re-vegetation reserves	563	(192)	–	371
Open space – planning, development and improvements	9,754	(6,164)	3,052	6,642
Open space – acquisitions	–	–	6,000	6,000
Keysborough South maintenance levy	1,025	(1,111)	1,264	1,178
Major projects reserve	6,679	(2,185)	17,458	21,952
General reserve	–	–	1,780	1,780
Council funded development contributions reserve	8,964	(181)	2,946	11,729
Spring Valley landfill rehabilitation	761	(36)	286	1,011
Springvale Activity Precinct – parking and development	190	(603)	711	298
Local Government Funding Vehicle	4,097	–	803	4,900
Total other reserves	32,456	(10,472)	34,502	56,486

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.

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8.1 Reserves (continued)

(b) Other reserves (continued)

Major projects reserve

The major projects reserve will hold funds realised from the sale of Council's property assets and will be utilised for investing in other properties.

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.

Local Government Funding Vehicle

The purpose of this reserve is to provide for the \$4.90 million principal repayment required on maturity of the interest-only Local Government Funding Vehicle (LGFV) in 2019–20 and to provide future borrowing capacity for major infrastructure projects.

	Note	Consolidated 2018 \$'000	Consolidated 2017 \$'000
(c) Total reserves summary			
Asset revaluation reserve	8.1(a)	1,290,865	1,308,037
Other reserves	8.2(b)	69,765	56,486
Total reserves		1,360,630	1,364,523

8.2 Reconciliation of cash flows from operating activities to surplus

Surplus for the year		46,934	51,729
Depreciation and amortisation		28,202	27,726
Impairment loss / (reversal)		(238)	238
Gain on disposal of property, infrastructure, plant and equipment		(141)	(1,011)
Fair value adjustments		(1,025)	125
Contributions of non-monetary assets		(19,169)	(16,308)
Works in progress unable to be capitalised (expensed)		3,006	5,871
Assets written-off		2,828	830
Borrowing costs		3,419	3,699
Change in assets and liabilities			
Increase (decrease) in trade and other receivables		333	(3,578)
Increase in trust funds and deposits		6,057	4,971
Increase in other assets		(1,113)	(75)
Increase in trade and other payables		4,141	32
Increase in provisions		682	183
Net cash provided by operating activities		73,916	74,432

8.3 Superannuation

The 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 the Comprehensive Income Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision My Super/ Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2018, this was 9.5% required under Superannuation Guarantee legislation (for 2016–17, this was 9.5%)).

Defined Benefit

The 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 Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

The Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

The annual actuarial investigation as at 30 June 2018 is currently in progress. It is anticipated that the investigation will be completed in October 2018. As at 30 June 2017, 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 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns	6.5% pa
Salary information	3.5% pa
Price inflation (CPI)	2.5% pa

Vision Super has advised that the estimated VBI at quarter ended 30 June 2018 was 106%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2017 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

Regular contributions

On the basis of the results of the 2017 interim actuarial investigation conducted by the Fund's Actuary, the 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 2018, this rate was 9.5% of members' salaries (9.5% in 2016–17). This rate will increase in line with any increase in the SG contribution rate. 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.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at 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 the Council) are required to make an employer contribution to cover the shortfall.

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.

2017 triennial actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2017 identified the following in the defined benefit category of which the Council is a contributing employer:

- A VBI surplus of \$69.8 million
- A total service liability surplus of \$193.5 million.
- A discounted accrued benefits surplus of \$228.8 million.

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 2018.

2018 interim actuarial investigation

An interim actuarial investigation will be conducted for the funds position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in October 2018.

Customer Service Centre locations

Dandenong Civic Centre

Level 2, 225 Lonsdale Street, Dandenong

Hours of operation:

8.30am–5pm Monday to Friday

Springvale

397–405 Springvale Road, Springvale

Hours of operation:

8.30am–5pm Monday to Friday

Parkmore

Shop A7, Parkmore Shopping Centre

Cheltenham Road, Keysborough

Hours of operation:

9am–5pm Monday to Friday, 9am–1pm Saturday

Paddy O'Donoghue Centre

18-32 Buckley Street, Noble Park

Hours of operation:

9am–5pm Monday to Friday

Please note card payments not accepted at this centre



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