

ANNUAL FINANCIAL REPORT









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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* and the *Local Government (Planning and Reporting) Regulations 2014* (as per the transitional provisions of the *Local Government Act 2020*), Australian Accounting Standards and other mandatory professional reporting requirements.



Michelle Hansen CPA  
Principal Accounting Officer

Date : 13 September 2021

In our opinion the accompanying Financial Statements present fairly the consolidated financial transactions of the City of Greater Dandenong for the year ended 30 June 2021 and the consolidated financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances 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 13 September 2021 to certify the Financial Statements in their final form.



Angela Long  
Mayor

Date : 13 September 2021



Rhonda Garad  
Councillor

Date : 13 September 2021



John Bennie PSM  
Chief Executive Officer

Date : 13 September 2021

## Independent Auditor's Report

### To the Councillors of City of Greater Dandenong

**Opinion** I have audited the consolidated financial report of City of Greater Dandenong (the council) and its controlled entities (together the consolidated entity), which comprises the:

- consolidated entity balance sheet as at 30 June 2021
- consolidated entity comprehensive income statement for the year then ended
- consolidated entity statement of changes in equity for the year then ended
- consolidated entity statement of cash flows for the year then ended
- consolidated entity statement of capital works 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 as at 30 June 2021 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 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 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.

**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 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 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 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 consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of 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  
17 September 2021



Sanchu Chummar  
as delegate for the Auditor-General of Victoria

# Comprehensive Income Statement

For the year ended 30 June 2021

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>Income</b>			
Rates and charges	3.1	152,228	145,002
Statutory fees and fines	3.2	7,131	8,146
User fees	3.3	5,698	6,949
Grants – operating	3.4	40,056	31,230
Grants – capital	3.4	6,466	1,435
Contributions – monetary	3.5	3,317	6,521
Contributions – non-monetary	3.5	4,634	8,043
Net gain on disposal of property, infrastructure, plant and equipment	3.6	368	583
Other income	3.7	10,493	12,064
<b>Total income</b>		<b>230,391</b>	<b>219,973</b>
<b>Expenses</b>			
Employee costs	4.1	(84,572)	(79,645)
Materials and services	4.2	(81,716)	(77,895)
Depreciation	4.3	(32,495)	(31,259)
Amortisation – intangible assets	4.4	(97)	(77)
Amortisation – right-of-use assets	4.5	(597)	(562)
Bad and doubtful debts	4.6	(1,129)	(1,300)
Borrowing costs	4.7	(2,924)	(3,041)
Finance costs – leases	4.8	(23)	(34)
Fair value adjustments for investment property	6.4	(954)	(383)
Other expenses	4.9	(9,320)	(9,299)
<b>Total expenses</b>		<b>(213,827)</b>	<b>(203,495)</b>
<b>Surplus for the year</b>		<b>16,564</b>	<b>16,478</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment	9.1(a)	242,762	29,152
Impairment (loss) reversal of previous revaluation	9.1(a)	(105)	(743)
<b>Total comprehensive result</b>		<b>259,221</b>	<b>44,887</b>

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



# ANNUAL FINANCIAL REPORT

## Balance Sheet

As at 30 June 2021

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1(a)	179,021	155,767
Trade and other receivables	5.1(c)	26,667	25,039
Other financial assets	5.1(b)	–	2,000
Non-current assets classified as held for sale	6.1	–	1,000
Other assets	5.2(a)	4,938	4,561
<b>Total current assets</b>		<b>210,626</b>	<b>188,367</b>
<b>Non-current assets</b>			
Trade and other receivables	5.1(c)	295	305
Property, infrastructure, plant and equipment	6.2	2,446,793	2,190,995
Investment property	6.4	10,860	11,814
Right-of-use assets	5.8	563	998
Intangible assets	5.2(b)	202	124
<b>Total non-current assets</b>		<b>2,458,713</b>	<b>2,204,236</b>
<b>Total assets</b>		<b>2,669,339</b>	<b>2,392,603</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3(a)	19,349	19,072
Trust funds and deposits	5.3(b)	4,847	8,712
Unearned income	5.3(c)	60,408	40,395
Provisions	5.5(c)	22,528	19,721
Interest-bearing liabilities	5.4	3,372	3,255
Lease liabilities	5.8	415	571
<b>Total current liabilities</b>		<b>110,919</b>	<b>91,726</b>
<b>Non-current liabilities</b>			
Trust funds and deposits	5.3(b)	2,035	311
Provisions	5.5(c)	1,434	1,1822
Interest-bearing liabilities	5.4	53,264	56,636
Lease liabilities	5.8	160	442
<b>Total non-current liabilities</b>		<b>56,893</b>	<b>58,571</b>
<b>Total liabilities</b>		<b>167,812</b>	<b>150,297</b>
<b>Net assets</b>		<b>2,501,527</b>	<b>2,242,306</b>
<b>Equity</b>			
Accumulated surplus		924,709	905,147
Reserves	9.1(c)	1,576,818	1,337,159
<b>Total equity</b>		<b>2,501,527</b>	<b>2,242,306</b>

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

## Statement of Changes in Equity

For the year ended 30 June 2021

	Note	Consolidated			
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2021</b>					
Balance at beginning of the financial year		2,242,306	905,147	1,269,823	67,336
Surplus for the year		16,564	16,564	–	–
Net asset revaluation increment	9.1(a)	242,762	–	242,762	–
Revaluation reversal – disposed assets	9.1(a)	–	876	(876)	–
Impairment (loss) reversal of previous revaluation	9.1(a)	(105)	–	(105)	–
Transfers to other reserves	9.1(b)	–	(15,495)	–	15,495
Transfers from other reserves	9.1(b)	–	17,617	–	(17,617)
<b>Balance at end of the financial year</b>		<b>2,501,527</b>	<b>924,709</b>	<b>1,511,604</b>	<b>65,214</b>
<b>2020</b>					
Balance at beginning of the financial year		2,200,594	876,273	1,241,807	82,514
Opening balance adjustment	8.6	(3,175)	(3,175)	–	–
<b>Adjusted balance at beginning of the financial year</b>		<b>2,197,419</b>	<b>873,098</b>	<b>1,241,807</b>	<b>82,514</b>
Surplus for the year		16,478	16,478	–	–
Net asset revaluation increment	9.1(a)	29,152	–	29,152	–
Revaluation reversal – disposed assets	9.1(a)	–	393	(393)	–
Impairment (loss) reversal of previous revaluation	9.1(a)	(743)	–	(743)	–
Transfers to other reserves	9.1(b)	–	(12,758)	–	12,758
Transfers from other reserves	9.1(b)	–	27,936	–	(27,936)
<b>Balance at end of the financial year</b>		<b>2,242,306</b>	<b>905,147</b>	<b>1,269,823</b>	<b>67,336</b>

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

# ANNUAL FINANCIAL REPORT

## Statement of Cash Flows

For the year ended 30 June 2021

	Note	Consolidated 2021 Inflows/ (Outflows) \$'000	Consolidated 2020 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		150,602	144,232
Statutory fees and fines		5,741	6,047
User fees		4,415	6,687
Grants – operating		41,676	34,749
Grants – capital		15,879	4,116
Contributions – monetary		14,397	7,451
Interest received		676	2,287
Trust funds and deposits taken		28,379	27,660
Other receipts		10,768	10,716
Net GST refund		10,601	12,193
Employee costs		(81,217)	(79,135)
Materials and services		(88,360)	(89,002)
Short-term, low value and variable lease payment		(613)	(561)
Trust funds and deposits repaid		(30,437)	(27,121)
Other payments		(6,612)	(5,066)
<b>Net cash provided by operating activities</b>	9.2	75,895	55,253
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(49,311)	(59,726)
Proceeds from sale of property, infrastructure, plant and equipment		1,495	929
Proceeds from sale of investments		2,000	–
Payments for investments		–	(2,000)
<b>Net cash used in investing activities</b>		(45,816)	(60,797)
<b>Cash flows from financing activities</b>			
Finance costs		(2,945)	(3,080)
Proceeds from borrowings		–	10,000
Repayment of borrowings		(3,255)	(8,634)
Interest paid – lease liability		(25)	(35)
Repayment of lease liabilities		(600)	(547)
<b>Net cash used in financing activities</b>		(6,825)	(2,296)
Net increase (decrease) in cash and cash equivalents		23,254	(7,840)
Cash and cash equivalents at the beginning of the financial year		155,767	163,607
<b>Cash and cash equivalents at the end of the financial year</b>	5.1(a)	<b>179,021</b>	<b>155,767</b>
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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 2021

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>Property</b>		
Land	7,592	3,523
<b>Total land</b>	7,592	3,523
Buildings	12,317	28,886
Leasehold improvements	171	22
<b>Total buildings</b>	12,488	28,908
<b>Total property</b>	20,080	32,431
<b>Plant and equipment</b>		
Plant, machinery and equipment	1,215	2,369
Fixtures, fittings and furniture	182	174
Computers and telecommunications	375	856
Library books	695	792
<b>Total plant and equipment</b>	2,467	4,191
<b>Infrastructure</b>		
Roads	7,958	8,330
Bridges	10	113
Footpaths and cycleways	1,027	1,637
Drainage	1,045	2,470
Recreational, leisure and community facilities	3,675	2,917
Parks, open space and streetscapes	9,170	5,646
Off street car parks	1,486	228
<b>Total infrastructure</b>	24,371	21,341
<b>Sub-total capital works expenditure (Property, infrastructure, plant and equipment)</b>	<b>46,918</b>	<b>57,963</b>
Intangibles – software	175	71
<b>Total capital works expenditure (All – Property, infrastructure, plant and equipment, Investment property and Intangibles)</b>	<b>47,093</b>	<b>58,034</b>
<b>Represented by:</b>		
New asset expenditure	16,919	22,693
Asset renewal expenditure	14,899	29,187
Asset upgrade expenditure	14,446	6,148
Asset expansion expenditure	829	6
<b>Total capital works expenditure</b>	<b>47,093</b>	<b>58,034</b>

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

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

### Significant accounting policies

#### (a) Basis of accounting

These consolidated financial statements for the year ended 30 June 2021 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 6.2 and 8.4).
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 6.2).
- the determination of employee provisions (refer to note 5.5(a)).
- the determination of landfill provisions (refer to note 5.5(b)).

- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to note 3).
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to note 5.8).
- other areas requiring judgements.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation. Disclosure has been made of any material changes to comparatives (refer to note 10). It is noted that there have been no material changes in 2020–21.

#### (b) Impact of COVID-19

On 16 March 2020, a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020.

Council included a COVID-19 contingency fund of \$5.2 million in its 2020–21 Original Budget by reducing the Capital Improvement Program. This contingency fund was included to offset forecast COVID-19 financial losses and to fund measures introduced by Council to ease the financial burden on Greater Dandenong residents, local businesses and community groups. These measures included a rate relief package, Dandenong Market rental waivers, material aid and business grants.

While the impacts of the pandemic have abated somewhat through the 2020–21 year, Council has noted the following significant impacts on its financial operations:

#### Revenue reductions

- Council experienced COVID-19 impacted revenue reductions of approximately \$7.2 million from pre-COVID-19 budget levels in the following areas, including the extent to which they were adjusted in the 2020–21 Original Budget:
- Parking related income of \$3.6 million (includes parking fines and recoveries net of costs, parking ticket meters and car park permits and machines). A reduction of \$1.5 million was included the 2020–21 Original Budget.
  - Interest income of \$1.5 million (due to low interest rates). A reduction of \$570,000 was included in the 2020–21 Original Budget. Interest on investment income will be one of Council's largest areas of ongoing financial impact. Interest rates are likely to stay low for several years as the Reserve Bank of Australia stimulates the economy by putting in place comprehensive monetary policy measures which in turn create low investment return earnings.
  - Civic Facilities and Drum Theatre of \$1.3 million due to required closures in lockdown periods, restrictions on event sizes and social distancing. A reduction of \$678,000 was included in the 2020–21 Original Budget.

- Statutory fees and fines of \$745,000 across a number of areas most notably health registrations, subdivisions, plan checking, property and stormwater information requests, planning permits, local laws, planning compliance and animal management. A reduction of \$240,000 was included in the 2020–21 Original Budget.

#### *Revenue foregone*

Council introduced a series of measures in 2019–20 and 2020–21 to ease the financial burden on Greater Dandenong residents, local businesses and community groups. Foregone revenue resulting from these measures occurred in the following areas in 2020–21:

- Commercial and community facility rentals (\$822,000). Council waived rents for many of Council’s commercial leaseholders and for those that continued to trade, Council provided partial rent reductions. Rental rebates were also offered to sporting clubs for seasonal venue hire and other community facilities that were forced to close. A \$320,000 reduction was adjusted in the 2020–21 Original Budget.
- Dandenong Market (the Company) – in response to the COVID-19 pandemic, City of Greater Dandenong (Council) waived the requirement for the Company to pay a return to Council in 2020–21. This has allowed the Company to provide support to Market traders in the form of rent relief and fee abatements as a response to Government restrictions and lockdowns which has resulted in \$2.09 million of foregone revenue for the Company.
- Rate hardship waivers for over 600 ratepayers (\$119,000).

#### *Additional revenue*

Council has received a substantial amount of non-recurrent operating and capital grant income in 2020–21 due to COVID-19 initiatives and stimulus funding. Examples of specific COVID-19 operating grants include the \$4.48 million Working For Victoria Fund, \$700,000 Local Partnership Program and \$500,000 for the Outdoor Eating and Entertainment Package. Whilst \$14.4 million in capital grant funding was received during 2020–21, it has only partially been recognised in the Income Statement to the extent of satisfied obligations (ie. as the project expenditure is incurred). For example, \$3.5 million has been received for phases one and two of the Local Roads Community Infrastructure program, \$3.0 million for Noble Park Aquatic Centre gym redevelopment, \$1.58 million for Ross Reserve Synthetic Soccer Pitch and \$1.3 million for Keysborough South Community Hub. Therefore, unearned capital grants have increased by \$8.54 million (refer note 5.3(c) for further details).

It should be noted that any additional operating grant funding received in relation to COVID-19 will be offset by associated expenditure and does not represent an increase in Council’s operating result.

#### *Additional costs*

Two measures implemented by Council to ease the burden of COVID-19 on residents and businesses in the municipality resulted in the following additional costs:

- COVID-19 Business Grants Program (\$664,000). Council provided a number of business with grant funding of up to \$5,000 to ease the financial burden of the pandemic.
- COVID-19 Material Aid Program (\$245,000). Council completed its material aid program which supported the distribution of around 15 tonnes of food to our community, including fresh fruit, vegetables and non-perishable food.

Council also incurred significant expenditure of \$4.7 million for the Working For Victoria Fund program, which is fully offset by grant funding.

#### *COVID-19 after-effects expected to continue*

It is anticipated that some of these COVID-19 impacted items such as interest income and parking fees and fines will continue into the 2021–22 financial year. Council will continue to monitor the impacts during 2021–22 and will actively manage its budgets to ensure the financial outcomes to Council remain in alignment with Council budgets, strategies and plans.

#### *Property, infrastructure, plant and equipment*

##### Land and buildings

Since the last formal revaluation of land at 1 January 2020, the industrial sector of the property market has experienced a substantial increase (above 40%) and the commercial and residential sectors have also increased around 20%. The majority of Council’s land is in the residential sector. An indexed revaluation of all land at fair value was performed at 30 June 2021 resulting in an increment of \$239 million (21%). The state of the property market continues to be influenced by the COVID-19 pandemic.

##### Infrastructure

Infrastructure assets valued at fair value are subject to an annual review of replacement rates. This review uses several inputs which are mainly sourced from the February 2021 update of the Rawlinsons Australian Construction Handbook.

The footpaths asset class was revalued at 30 June 2021 due to an indication that concrete unit rates had moved materially (10%) since the last revaluation at 30 June 2019. This resulted in a \$3.75 million net revaluation increment in 2020–21.

At balance date, no adjustment has been made to the fair value valuation of the remaining infrastructure asset classes measured at fair value as the fair value movement since the last revaluation date is not material (ie. is less than 10%). These assets are specialised assets classified at level three under AASB 13. This means that the fair value valuations are based on techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The COVID-19 impacts on these asset valuations are particularly difficult to assess as there is generally no observable market for these assets.



## *Investments in associates, joint arrangements and subsidiaries*

The Dandenong Market Pty Ltd (DMPL) is a 100% owned subsidiary of Council and the financial result and position of DMPL is included in Council's consolidated accounts (refer Note 6.3).

In response to the COVID-19 pandemic, Council has waived the requirement for DMPL to pay a return to Council in 2020–21. This has allowed DMPL to provide support to Market traders in the form of rent relief and fee abatements as a response to Government restrictions and lockdowns.

If DMPL continue to experience COVID-19 financial impacts, DMPL will rely on its retained earnings in the first instance. Should the retained earnings be consumed, Council has agreed to financially support DMPL to ensure the entity remains financially viable for future trading periods.

## **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 22 June 2020. 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 2021 \$'000	Council Actual 2021 \$'000 <i>(note 6.3)</i>	Council Budget 2021 \$'000	Council Variance 2021 \$'000 <i>Fav (Unfav)</i>	Ref
<b>Income</b>					
Rates and charges	152,228	152,326	152,325	1	
Statutory fees and fines	7,131	7,131	8,426	(1,295)	1.1.1
User fees	5,698	5,698	8,068	(2,370)	1.1.2
Grants – operating	40,056	40,056	29,875	10,181	1.1.3
Grants – capital	6,466	6,466	3,244	3,222	1.1.4
Contributions – monetary	3,317	3,317	2,910	407	
Contributions – non-monetary	4,634	4,634	15,000	(10,366)	1.1.5
Net gain on disposal of property, infrastructure, plant and equipment	368	368	377	(9)	
Other income	10,493	6,529	6,000	529	
<b>Total income</b>	<b>230,391</b>	<b>226,525</b>	<b>226,225</b>	<b>300</b>	
<b>Expenses</b>					
Employee costs	(84,572)	(83,547)	(84,402)	855	
Materials and services	(81,716)	(79,191)	(70,493)	(8,698)	1.1.6
Depreciation	(32,495)	(32,488)	(31,433)	(1,055)	1.1.7
Amortisation – intangible assets	(97)	(97)	–	(97)	
Amortisation – right-of-use assets	(597)	(597)	–	(597)	
Bad and doubtful debts	(1,129)	(1,134)	(1,363)	229	
Borrowing costs	(2,924)	(2,924)	(3,051)	127	
Finance costs – leases	(23)	(23)	–	(23)	
Fair value adjustments for investment property	(954)	(954)	–	(954)	1.1.8
Other expenses	(9,320)	(9,190)	(5,725)	(3,465)	1.1.9
<b>Total expenses</b>	<b>(213,827)</b>	<b>(210,145)</b>	<b>(196,467)</b>	<b>(13,678)</b>	
<b>Surplus for the year</b>	<b>16,564</b>	<b>16,380</b>	<b>29,758</b>	<b>(13,378)</b>	

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## 1.1 Income and expenditure (continued)

### Explanation of material variations

Ref	Item	Explanation
1.1.1	Statutory fees and fines	<p>Statutory fees and fines are \$1.29 million less than the Original Budget due mainly to:</p> <ul style="list-style-type: none"> <li>– reduced statutory fines income across all areas, mainly parking, food/health and election fines (\$988,000).</li> <li>– lower development activity combined with COVID-19 impacts resulting in a reduction in statutory fee income from subdivisions, local law permits, property and stormwater information and plan checking (\$207,000).</li> </ul>
1.1.2	User fees	<p>User fee income was \$2.37 million lower than the Original Budget due to:</p> <ul style="list-style-type: none"> <li>– lower car park ticket machine and parking meter income and car park permit fee income (\$1.37 million) due to reduced business activity as a result of COVID-19.</li> <li>– a reduction in Family Day Care (FDC) fee income due to COVID-19 impacts (\$424,000).</li> <li>– lower than anticipated income from Building permits, Health/Food registrations and Drum Theatre box office and reception (\$366,000) mostly due to COVID-19 impacts.</li> </ul>
1.1.3	Grants – operating	<p>Operating grant income was \$10.18 million higher than the Original Budget due to:</p> <ul style="list-style-type: none"> <li>– the Working For Victoria grant of \$4.48 million which was announced after adoption of Council's Budget,</li> <li>– higher Community Services program grant funding than expected in the Original Budget (\$3.28 million) mainly for Family Day Care, Child First, New Directions – Mothers and Babies, Refugee Immunisation, Drug Strategy, Enhanced Maternal and Child Health, Public Library Program and Childrens Support Services due to growth funding or new grant funding not known at the time of budget adoption and grant funding relating to 2021–22 programs being received early. Lower Home and Community Care and Sleep and Settling funding due to COVID-19 – impacted service provision partly offsets this favourable variance (\$725,000).</li> <li>– grant funding received for a number of COVID-19 initiatives (\$1.44 million) including Outdoor Eating and Entertainment, Local Partnerships and Emergency Management.</li> <li>– grant funding received for a number of other initiatives (\$964,000) including Community Revitalisation, Local Government Capacity Building (High Risk Waste Sites), Strengthening Pathways to Economic Participation and Corridors of Green. These grant funds were not known at the time of adopting the Original Budget.</li> </ul>
1.1.4	Grants – capital	<p>Capital grant income was \$3.22 million favourable to the Original Budget due mainly to two grants that were carried over from 2019–20 (Ross Reserve Upgrade \$2.14 million and Springvale Community Precinct \$513,000) and Federal Black Spot grant funding that was advised after the adoption of Council's budget (\$415,000).</p>
1.1.5	Contributions – non-monetary	<p>These contributions represent assets that are transferred to Council's ownership from developers upon completion of subdivisions. Refer to note 6.2 for further details about contributed assets. In 2020–21, they related mainly to land, land under roads, drains, footpaths, roads and kerb and channel. The number of subdivisions that are completed vary from year to year and the timing of these asset transfers is outside of Council's control and difficult to predict. This item does not impact the cash result.</p>



## 1.1 Income and expenditure (continued)

### Explanation of material variations

Ref	Item	Explanation
1.1.6	Materials and services	The unfavourable variance of \$8.70 million is attributable to \$8.58 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 owned assets (\$3.71 million relating to prior year capital expenditure and \$4.87 million relating to current year capital expenditure).
1.1.7	Depreciation	Depreciation expense was higher than the Original Budget due mainly to the finalisation of the 2019–20 year end fixed asset balances which involved a number of revaluations and occurred after the adoption of the Original Budget.
1.1.8	Fair value adjustments for investment property	Fair value adjustments expense is difficult to predict and is not budgeted. This item relates to the movement in valuation of investment property which is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Income Statement in the period that they arise.
1.1.9	Other expenses	The unfavourable variance of \$3.46 million to the Original Budget is mainly due to the following items which were not included in the budget: <ul style="list-style-type: none"><li>– \$1.99 million in asset write offs which are not budgeted for as they are difficult to predict and do not impact the cash result. The asset write offs mainly relate to the renewal and replacement of roads, drains and footpaths.</li><li>– Council's COVID-19 business grants and material aid program (\$907,000).</li><li>– \$664,000 in Working For Victoria grant funded expenditure.</li></ul>

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## 1.2 Capital works

	Consolidated Actual 2021 \$'000	Council Actual 2021 \$'000	Council Budget 2021 \$'000	Council Variance 2021 \$'000 <i>Fav (Unfav)</i>	Ref
<b>Property</b>					
Land	7,592	7,592	–	(7,592)	1.2.1
<b>Total land</b>	<b>7,592</b>	<b>7,592</b>	<b>–</b>	<b>(7,592)</b>	
Buildings	12,317	12,317	13,511	1,194	1.2.2
Leasehold improvements	171	171	202	31	
<b>Total buildings</b>	<b>12,488</b>	<b>12,488</b>	<b>13,713</b>	<b>1,225</b>	
<b>Total property</b>	<b>20,080</b>	<b>20,080</b>	<b>13,713</b>	<b>(6,367)</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	1,215	1,215	2,906	1,691	1.2.3
Fixtures, fittings and furniture	182	182	426	244	
Computers and telecommunications	375	375	577	202	
Library books	695	695	860	165	
<b>Total plant and equipment</b>	<b>2,467</b>	<b>2,467</b>	<b>4,769</b>	<b>2,302</b>	
<b>Infrastructure</b>					
Roads	7,958	7,958	16,211	8,253	1.2.4
Bridges	10	10	100	90	
Footpaths and cycleways	1,027	1,027	1,600	573	
Drainage	1,045	1,045	660	(385)	
Recreational, leisure and community facilities	3,675	3,675	1,471	(2,204)	1.2.5
Parks, open space and streetscapes	9,170	9,170	5,181	(3,989)	1.2.6
Off street car parks	1,486	1,486	–	(1,486)	1.2.7
<b>Total infrastructure</b>	<b>24,371</b>	<b>24,371</b>	<b>25,223</b>	<b>852</b>	
<b>Sub-total capital works exp (Property, infrastructure, plant and equipment)</b>	<b>46,918</b>	<b>46,918</b>	<b>43,705</b>	<b>(3,213)</b>	
Intangibles	175	175	–	(175)	
<b>Total capital works exp (Property, infrastructure, plant &amp; equip, Investment property &amp; Intangibles)</b>	<b>47,093</b>	<b>47,093</b>	<b>43,705</b>	<b>(3,388)</b>	
<b>Represented by:</b>					
New asset expenditure	16,919	16,919	7,854	(9,065)	1.2.8
Asset renewal expenditure	14,899	14,899	21,505	6,606	1.2.9
Asset upgrade expenditure	14,446	14,446	14,346	(100)	
Asset expansion expenditure	829	829	–	(829)	1.2.10
<b>Total capital works expenditure</b>	<b>47,093</b>	<b>47,093</b>	<b>43,705</b>	<b>(3,388)</b>	

## 1.2 Capital works (continued)

### Explanation of material variations

Ref	Item	Explanation
1.2.1	Land	Acquisitions of land were unfavourable by \$7.59 million due to six land acquisitions that were not forecast at the time of adopting the Original Budget. Four open space land acquisitions were purchased to increase open space in the municipality (funded from the Open Space Acquisitions reserve) and two land sites were purchased as part of a three way land swap in Dandenong.
1.2.2	Buildings	<p>Capital expenditure on buildings was lower than the Original Budget by \$1.19 million due to a delay in the following projects which will be carried over to 2021–22:</p> <ul style="list-style-type: none"> <li>– Keysborough South Community Hub development (\$2.13 million).</li> <li>– Dandenong Oasis replacement design (\$1.70 million).</li> </ul> <p>Partly offset by \$2.43 million unfavourable variance to the Original Budget for Greater Dandenong Gallery of Art (this project had a carry over from the prior financial year of \$4.94 million which is not included in the Original Budget).</p>
1.2.3	Plant, machinery and equipment	The favourable variance of \$1.69 million to the Original Budget is due mainly to COVID-19 impacts on the manufacturing and supply of automotive plant and equipment in the fleet renewal program (\$1.49 million). There were a number of fleet items on order that have been delayed to 2021–22. The favourable variance in the fleet renewal program is also partly due to reduced utilisation of plant and equipment across the board due to COVID-19 lockdowns restricting travel distances and suspension of non-critical activities. Approximately, half of this favourable variance will be carried over to 2021–22 to fund the delayed purchases.
1.2.4	Roads	The favourable variance of \$8.25 million to the Original Budget is due mainly to design delays in the Abbotts Road project (\$4.70 million) and Keysborough South Community Hub Access Road (\$607,000). These favourable variances will be carried over to 2021–22. Also contributing to this favourable variance was \$2.46 million of the road resurfacing and kerb and channel program being recorded in operating expenditure (instead of capital expenditure) as the expenditure was either not capital in nature (for example, patching works) or it was below the relevant capitalisation threshold.
1.2.5	Recreational, leisure and community facilities	<p>Capital expenditure on recreational, leisure and community facilities was \$2.20 million higher than the Original Budget due mainly to two projects carried over from the 2019–20 financial year (carry overs are not included in the Original Budget):</p> <ul style="list-style-type: none"> <li>– Ross Reserve Plaza, Oval and Path (\$1.90 million).</li> <li>– Tattersson Park Master Plan Implementation (\$451,000)</li> </ul>
1.2.6	Parks, open space and streetscapes	<p>Capital expenditure on parks, open space and streetscapes was \$3.99 million higher than the Original Budget due mainly to projects carried over from the 2019–20 financial year (carry overs are not included in the Original Budget):</p> <ul style="list-style-type: none"> <li>– Burden Park Reserve Master Plan Implementation (\$772,000)</li> <li>– Dandenong Park Master Plan Implementation (\$706,000)</li> <li>– Ross Reserve Community Centre Carpark (\$522,000)</li> <li>– Wal Turner Reserve Master Plan Implementation (\$443,000)</li> <li>– Douglas Street Streetscape (\$333,000)</li> <li>– Sports Lighting Plan Implementation (\$248,000).</li> </ul> <p>Additionally, there were three projects funded by the Local Roads Community Infrastructure grant program which were determined subsequent to the Original Budget. These projects related to Ross Reserve Stage 2, Hemmings Shopping Centre streetscape and Warner Reserve (\$1.00 million).</p>

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## 1.2 Capital works (continued)

### Explanation of material variations

Ref	Item	Explanation
1.2.7	Off street car parks	Off street car parks experienced an unfavourable variance of \$1.49 million to the Original Budget due mainly to the Tatterson Park Car Park and Access Road project (\$1.33 million). This project was carried over from the 2019–20 financial year (carry overs are not included in the Original Budget) and was delayed due to the project scope being amended to facilitate access requirements for the Keysborough South Community Hub.
1.2.8	New asset expenditure	<p>New asset expenditure was \$9.10 million higher than anticipated in the Original Budget due firstly to the purchase of six land sites that were not forecast at the time of adopting the Original Budget (\$7.60 million). Refer to Note 1.2.1 Land for further details.</p> <p>In addition, two projects were carried over from the 2019–20 financial year (carry overs are not included in the Original Budget):</p> <ul style="list-style-type: none"> <li>– Ross Reserve Plaza, Playground, Oval and Path (\$1.90 million)</li> <li>– Springvale Community Precinct (\$1.53 million).</li> </ul> <p>Thirdly, these unfavourable variances were partly offset by the delay in the Keysborough South Community Hub project due to changes in project scope and requirements (\$2.13 million) which will be carried over to the 2021–22 financial year.</p>
1.2.9	Asset renewal expenditure	<p>Asset renewal expenditure was \$6.61 million lower than anticipated in the Original Budget due to:</p> <ul style="list-style-type: none"> <li>– \$2.46 million of the road resurfacing and kerb and channel renewal programs being recorded in operating expenditure (instead of capital renewal expenditure) as the expenditure was either not capital in nature (for example, patching works) or it was below the relevant capitalisation threshold.</li> <li>– A delay in the Dandenong Oasis replacement project (\$1.70 million) which will be carried over to the 2021–22 financial year.</li> <li>– A favourable variance in the fleet renewal program of \$1.49 million detailed in Note 1.2.3 Plant, machinery and equipment.</li> <li>– \$1.02 million of Local Roads Community Infrastructure grant funded works budgeted in Asset Renewal, but actually spent in New Asset Expenditure.</li> </ul> <p>These favourable variances are partly offset by \$1.40 million of road works transferred from operating expenditure because it satisfied asset recognition criteria (budgeted in operating expenditure).</p>
1.2.10	Asset expansion expenditure	<p>Asset expansion expenditure was \$829,000 higher than anticipated in the Original Budget due to grant funded projects included after budget adoption:</p> <ul style="list-style-type: none"> <li>– Noble Park Aquatic Centre redevelopment (\$675,000)</li> <li>– Tirhatuan Park Dog Off Leash (\$147,000).</li> </ul>



## Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

### 2.1a Chief Executive Office (CEO)

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

#### Corporate Services

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

#### Business, Engineering and Major Projects

From 1 December 2019, Greater Dandenong Business and Engineering Services merged. For the purposes of these financial statements, Greater Dandenong Business and Engineering Services are reported together.

##### *Greater Dandenong Business*

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

##### *Engineering Services*

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

#### City Planning Design and Amenity

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

#### Community Services

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

#### Non-attributable

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

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## Note 2.1 Analysis of Council results by program

### 2.1(b) Summary of revenues, expenses, grant income and assets by program

	Income \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in income \$'000	Total assets \$'000
<b>2021</b>					
CEO Services	–	(644)	(644)	–	–
Corporate Services	145,376	(29,432)	115,944	12,497	327,923
Business, Engineering & Major Projects	44,972	(103,155)	(58,183)	12,539	1,487,434
City Planning, Design & Amenity	13,119	(17,644)	(4,525)	703	91,366
Community Services	23,058	(55,540)	(32,482)	20,783	760,348
Non-attributable*	–	(3,730)	(3,730)	–	479
<b>Total for Council</b>	<b>226,525</b>	<b>(210,145)</b>	<b>16,380</b>	<b>46,522</b>	<b>2,667,550</b>
Dandenong Market Pty Ltd**	3,866	(3,682)	184	–	1,789
<b>Consolidated Total</b>	<b>230,391</b>	<b>(213,827)</b>	<b>16,564</b>	<b>46,522</b>	<b>2,669,339</b>
<b>2020</b>					
CEO Services	1	(713)	(712)	–	12
Corporate Services	142,045	(29,455)	112,590	11,869	298,626
Business, Engineering & Major Projects	34,197	(93,856)	(59,659)	2,401	1,352,306
City Planning, Design & Amenity	18,205	(17,119)	1,086	480	73,316
Community Services	21,192	(54,582)	(33,390)	17,915	666,668
Non-attributable*	–	(3,654)	(3,654)	–	359
<b>Total for Council</b>	<b>215,640</b>	<b>(199,379)</b>	<b>16,261</b>	<b>32,665</b>	<b>2,391,287</b>
Dandenong Market Pty Ltd**	4,333	(4,116)	217	–	1,316
<b>Consolidated Total</b>	<b>219,973</b>	<b>(203,495)</b>	<b>16,478</b>	<b>32,665</b>	<b>2,392,603</b>

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

\*\*Dandenong Market Pty Ltd (DMPL) income, expense, grant and asset items are adjusted for consolidation adjustment between Council and DMPL – refer note 6.3

### Note 3 Funding for the delivery of our services

#### 3.1 Rates and charges

Council uses the Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all improvements on it, and is determined by independent valuers and certified by the Valuer General Victoria. The valuation base used to calculate general rates for 2020–21 was \$50.58 billion (\$48.81 billion in 2019–20).

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>
Residential	57,332	56,630
Commercial	12,827	12,811
Industrial	55,716	52,547
Farm	433	421
Cultural and recreational	486	469
Waste management charge – residential	22,369	19,934
Supplementary rates and rates adjustment	984	1,292
Maintenance levy	1,599	1,549
Rate waivers*	(119)	(1,147)
Interest on rates and charges	601	496
<b>Total rates and charges</b>	<b>152,228</b>	<b>145,002</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020 and the valuation is first applied to the rating period commencing 1 July 2020.

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.

\*Significant COVID-19 pandemic rate relief was provided in 2019–20 to those residents receiving the new jobseeker allowance and pensioners.

#### 3.2 Statutory fees and fines

Infringements and costs	3,249	3,986
Court recoveries	1,237	1,851
Building and town planning fees	2,017	1,877
Subdivision	198	115
Land information certificates	106	97
Election fines	66	18
Permits	258	202
<b>Total statutory fees and fines</b>	<b>7,131</b>	<b>8,146</b>

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

Impact of COVID-19 on statutory fees and fines are presented in Overview, section (b).

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	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>3.3 User fees</b>		
Aged and health services	1,108	1,107
Child care/children's programs	717	902
Parking	1,446	2,506
Registration and other permits	1,570	1,497
Asset protection fees	398	359
Other fees and charges	459	578
<b>Total user fees</b>	<b>5,698</b>	<b>6,949</b>
<b>User fees by timing of revenue recognition</b>		
User fees recognised over time	262	216
User fees recognised at point in time	5,436	6,733
<b>Total user fees</b>	<b>5,698</b>	<b>6,949</b>
<p>User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.</p> <p>Impact of COVID-19 on user fees are presented in Overview, section (b).</p>		
<b>3.4 Funding from other levels of government</b>		
Grants were received in respect of the following:		
<b>Summary of grants</b>		
Commonwealth funded grants	25,590	23,228
State funded grants	20,852	9,437
<b>Total grants received</b>	<b>46,442</b>	<b>32,665</b>
<b>a) Operating grants</b>		
<b>Recurrent – Commonwealth Government</b>		
Financial Assistance Grants (via Victoria Local Government Grants Commission)*	12,238	11,828
Family day care	5,017	4,651
Family and children	339	335
General home care	5,595	5,476
Libraries	170	170
Maternal and child health	14	23
Volunteer	18	–
<b>Recurrent – State Government</b>		
Aged care	2,299	1,297
Maternal and child health	2,663	2,566
Family and children services	1,870	1,572
Libraries	1,109	1,089
Community development	179	18
Community wellbeing	908	214
School crossing supervisors	441	451
Emergency management	170	40
LG Capacity Building Project	267	–
Right @ Home	–	123
Other	8	41
<b>Total recurrent operating grants</b>	<b>33,305</b>	<b>29,894</b>



	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>(a) Operating grants (continued)</b>		
<b>Non-recurrent – Commonwealth Government</b>		
Community wellbeing	80	90
Community development	14	–
<b>Non-recurrent – State Government</b>		
Working for Victoria	4,482	–
Community development	1,197	266
Environmental planning	223	391
Home and community care	209	18
Waste management	154	349
Emergency management	65	–
Family and children	89	130
Maternal and child health	85	78
Community wellbeing	65	–
Libraries	38	–
Sports and recreation	50	14
<b>Total non recurrent operating grants</b>	<b>6,751</b>	<b>1,336</b>
<b>Total operating grants</b>	<b>40,056</b>	<b>31,230</b>
*Payments for Financial Assistance Grants received via the Victorian Local Government Grants Commission can vary year on year. Whilst 2019–20 and 2020–21 financial years reflect 100% of funding received – 50% of the funding for both years was received as an early distribution in June for the following year.		
<b>b) Capital grants</b>		
<b>Recurrent – Commonwealth Government</b>		
Roads to recovery	1,085	655
<b>Total recurrent capital grants</b>	<b>1,085</b>	<b>655</b>
<b>Non-recurrent – Commonwealth Government</b>		
Sports and recreation	814	–
Roads	286	–
<b>Non-recurrent – State Government</b>		
Roads	432	590
Libraries – Springvale Community Hub	513	–
Sports and recreation	2,860	190
Education and early childhood development	32	–
Community development	344	–
Neighbourhood Activity Centre	100	–
<b>Total non-recurrent capital grants</b>	<b>5,381</b>	<b>780</b>
<b>Total capital grants</b>	<b>6,466</b>	<b>1,435</b>

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

The unspent grant income disclosed below relate to contracts that do not have sufficiently specific performance obligations or where the contract was a completed contract on transition to the new Accounting Standards in 2020. The income for these contracts are recognised when Council obtains control of the contribution, which is normally upon receipt. For details of grant funding relating to unsatisfied performance obligations and transfers to construct a recognisable non-financial to be controlled by Council, please refer to Note 5.3(c) for further details.

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>Operating</b>		
Balance at start of the year	10,244	10,111
Received in prior years and spent during the financial year	(9,384)	(9,475)
Received during the financial year and remained unspent at balance date	11,824	9,608
Balance at end of the year*	12,684	10,244
<b>Capital</b>		
Balance at start of the year	65	1,663
Opening balance adjustment on transition to new Accounting Standards	–	(1,454)
Received in prior years and spent during the financial year	(65)	(144)
Received during the financial year and remained unspent at balance date	–	–
Balance at end of the year	–	65

\*The large balance of unspent operating grants in the 2021 and 2020 years relates to the early distribution by the Victoria Local Government Grants Commission of approximately 50% of the Financial Assistance Grants funding for the following financial year (2020: \$6.35 million and 2020: \$6.12 million).

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>3.5 Contributions</b>		
<b>Monetary</b>		
Community contributions (for capital works)	4	318
Other contributions	60	314
<b>Total non-developer contributions</b>	<b>64</b>	<b>632</b>
Open space contributions (for future capital works) (note 3.5(a))	2,506	2,866
Development infrastructure levies (for capital works completed) (note 3.5(b))	747	3,023
<b>Total developer contributions</b>	<b>3,253</b>	<b>5,889</b>
<b>Total monetary contributions</b>	<b>3,317</b>	<b>6,521</b>
Non-monetary	4,634	8,043
<b>Total contributions</b>	<b>7,951</b>	<b>14,564</b>
<i>Contributions of non-monetary assets were received in relation to the following asset classes:</i>		
Land	1,789	5,047
Buildings	–	37
Infrastructure	2,845	2,959
<b>Total non-monetary contributions</b>	<b>4,634</b>	<b>8,043</b>
Monetary and non-monetary contributions are recognised as revenue when Council obtains control over the contributed asset.		
<i>Additional notes:</i>		
<i>(a) Public open space contributions received during the financial year are transferred to the Open Space Reserve. Refer note 9.1(b).</i>		
<i>(b) The 2020 prior year comparative is mainly due to \$2.57 million of developer infrastructure levies recognised in relation to Keysborough South Residential DCP. These funds have been transferred to reserves to part fund future construction of the Keysborough South Community Hub.</i>		
<b>3.6 Net gain on disposal of property, infrastructure, plant and equipment</b>		
<i>Net gain on sale of property, infrastructure, plant and equipment</i>		
Proceeds of sale	495	929
Less carrying amount of assets sold	(127)	(346)
<b>Total net gain on disposal of property, infrastructure, plant and equipment</b>	<b>368</b>	<b>583</b>

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

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	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>3.7 Other income</b>		
Interest on investments	562	2,214
Interest – other	2	1
Dandenong Market revenue from operations	3,964	4,434
Property rental	1,021	1,378
Other rent	725	1,202
Recoveries	3,332	2,222
Other	887	613
<b>Total other income</b>	<b>10,493</b>	<b>12,064</b>

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.

Impact of COVID-19 on other income is presented in Overview, section (b).

## Note 4 The cost of delivering services

### 4.1 a) Employee costs

Wages and salaries	67,839	61,906
WorkCover	1,518	1,739
Casual staff	932	1,028
Superannuation	6,312	5,877
Long service leave oncost	1,914	2,016
Fringe benefits tax	217	662
Other	5,840	6,417
<b>Total employee costs</b>	<b>84,572</b>	<b>79,645</b>

### b) Superannuation

Council made contributions to the following funds:

#### Defined benefit fund

Employer contribution to Local Authorities Superannuation Fund (Vision Super)	337	365
	337	365

Employer contributions payable at reporting date.

#### Accumulation funds

Employer contribution to Local Authorities Superannuation Fund (Vision Super)	3,389	3,316
Employer contribution – other funds	2,573	2,174
	5,962	5,490

Employer contributions payable at reporting date (Dandenong Market Pty Ltd) – 1

Refer note 9.3 for further information relating to Council's superannuation obligation.



	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>
<b>4.2 Materials and services</b>		
Waste management service	17,208	16,792
Other contract payments	9,599	9,506
Park maintenance service	7,021	6,008
Consultants and professional services	5,696	7,450
Office administration	5,130	5,391
General maintenance	5,120	4,630
Educator services	4,650	4,223
Utilities	3,815	4,135
Works in progress (unable to be capitalised)	3,708	3,891
Cleaning services	3,508	3,324
Building maintenance service	3,182	2,465
Information technology	3,147	2,972
Leisure centre contract and maintenance	2,853	2,585
Springvalley landfill rehabilitation and monitoring costs	2,645	–
Security services	1,687	1,765
Insurance	1,467	1,320
Meals for delivery	522	485
Library resources	487	552
Cash collection services	164	194
Property valuation services	107	207
<b>Total materials and services</b>	<b>81,716</b>	<b>77,895</b>
<b>4.3 Depreciation</b>		
Property	7,074	6,499
Plant and equipment	3,987	3,726
Infrastructure	21,434	21,034
<b>Total depreciation</b>	<b>32,495</b>	<b>31,259</b>
Refer to 6.2 for a more detailed breakdown of depreciation charges.		
<b>4.4 Amortisation – intangible assets</b>		
Software	97	77
<b>Total Amortisation – intangible assets</b>	<b>97</b>	<b>77</b>
<b>4.5 Amortisation – right-of-use assets</b>		
Property	380	380
Vehicles	61	68
IT and office equipment	156	114
<b>Total Amortisation – right-of-use assets</b>	<b>597</b>	<b>562</b>

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

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	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>4.6 Bad and doubtful debts</b>		
Parking fine debtors	857	698
Other debtors	272	602
<b>Total bad and doubtful debts</b>	<b>1,129</b>	<b>1,300</b>
<b>Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	1,760	1,683
New provisions recognised during the year	1,133	1,300
Amounts already provided for and written off as uncollectible	(1,159)	(1,223)
Amounts provided for but recovered during the year	–	–
Balance at end of year	1,734	1,760
Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.		
<b>4.7 Borrowing costs</b>		
Interest – borrowings	2,924	3,041
<b>Total borrowing costs</b>	<b>2,924</b>	<b>3,041</b>
Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include interest on bank overdrafts and interest on borrowings.		
<b>4.8 Finance costs – leases</b>		
Interest – lease liabilities	23	34
<b>Total finance costs – leases</b>	<b>23</b>	<b>34</b>
<b>4.9 Other expenses</b>		
Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals	91	88
Auditors' remuneration – internal	88	161
Audit – other	1	4
Councillors' allowances	435	446
Council election	550	47
Operating lease/rentals	561	514
Assets written-off	1,992	4,053
Landfill provision	50	93
Impairment loss	89	–
Other expenses	1,462	641
Community grants and contributions	3,740	2,359
Contributions – non-Council assets	261	893
<b>Total other expenses</b>	<b>9,320</b>	<b>9,299</b>

## Note 5 Our financial position

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>5.1 Financial assets</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	17,922	6,834
Cash at bank	12,499	10,873
Term deposits	148,600	138,060
<b>Total cash and cash equivalents</b>	<b>179,021</b>	<b>155,767</b>
<b>(b) Other financial assets</b>		
Current		
Term deposits	–	2,000
<b>Total current other financial assets</b>	<b>–</b>	<b>2,000</b>
<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 5.3(b))	6,882	9,023
<b>Total restricted funds</b>	<b>6,882</b>	<b>9,023</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>172,139</b>	<b>146,744</b>
<b>Intended allocations*</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
Employee provisions (note 5.5 (a))	22,908	19,898
Development Contribution Plans (DCP) unearned income (note 5.3 (c))	39,464	28,382
Statutory and other reserves (note 9.1(b))	65,214	67,336
Cash held to fund carried forward operational projects	13,861	10,660
Cash held to fund carried forward capital works (net)	16,408	19,638
<b>Total funds subject to intended allocations</b>	<b>157,855</b>	<b>145,914</b>

\*Users of the financial report should refer to note 9.1(b) for details of funds held in reserve and note 5.7 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 2021 \$'000	Consolidated 2020 \$'000
<b>(c) Trade and other receivables</b>		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	11,184	9,747
Infringement debtors	10,348	10,023
Provision for doubtful debts – infringements	(1,035)	(1,003)
Other statutory debtors	1,605	1,687
Provision for doubtful debts – other statutory debtors	(51)	(103)
Net GST receivable	1,895	2,124
<i>Non-statutory receivables</i>		
Other debtors	3,369	3,219
Provision for doubtful debts – other debtors	(648)	(655)
<b>Total current trade and other receivables</b>	<b>26,667</b>	<b>25,039</b>
<b>Non-current</b>		
<i>Non-statutory receivables</i>		
Narre Warren landfill – financial contribution	222	232
Other debtors – refundable deposit	73	73
<b>Total non-current trade and other receivables</b>	<b>295</b>	<b>305</b>
<b>Total trade and other receivables</b>	<b>26,962</b>	<b>25,344</b>
<p>Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised on an expected credit loss model per AASB 9 Financial Instruments. This model considers both historic and forward looking information in determining the level of impairment. Long term receivables are carried at amortised cost using the effective interest rate method.</p>		
<b>i) Ageing of receivables</b>		
The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:		
Current (not yet due)	837	740
Past due by up to 30 days	167	511
Past due between 31 and 180 days	1,021	442
Past due between 181 and 365 days	63	167
Past due by more than 1 year	928	1,009
<b>Total trade and other receivables (excluding statutory receivables)</b>	<b>3,016</b>	<b>2,869</b>
<b>ii) Ageing of individually impaired receivables</b>		
At balance date, trade and other receivables (excluding statutory receivables) representing financial assets with a nominal value of \$549,000 (2020 \$549,000) were impaired. The amount of the provision raised against these debtors was \$549,000 (2020 \$549,000). 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.		
Ageing of all impaired trade and other receivables (excluding statutory receivables)		
Current (not yet due)	28	22
Past due by up to 30 days	5	25
Past due between 31 and 180 days	25	48
Past due between 181 and 365 days	6	5
Past due by more than 1 year	584	555
<b>Total trade and other receivables (excluding statutory receivables)</b>	<b>648</b>	<b>655</b>



	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>5.2 Non-financial assets</b>		
<b>a) Other assets</b>		
Prepayments	2,164	3,391
Accrued income	2,215	982
Other	559	188
<b>Total other assets</b>	<b>4,938</b>	<b>4,561</b>
<b>(b) Intangible assets</b>		
<i>Software</i>		
<b>Gross carrying amount</b>		
Balance at start of year	2,779	2,708
Additions from internal developments	–	–
Other additions	175	71
Balance at end of year	2,954	2,779
<b>Accumulated amortisation and impairment</b>		
Balance at start of year	(2,655)	(2,578)
Amortisation expense	(97)	(77)
Balance at end of year	(2,752)	(2,655)
Net book value at start of year	124	–
<b>Net book value at end of year</b>	<b>202</b>	<b>124</b>

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life (3 years for Computer Software). Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

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	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>5.3 Payables</b>		
<b>(a) Trade and other payables</b>		
Trade payables	12,554	13,581
Accrued expenses*	6,795	5,491
<b>Total trade and other payables</b>	<b>19,349</b>	<b>19,072</b>
<i>*The 2020 comparative figure has been amended to reflect the correct classification of income received in advance by Dandenong Market Pty Ltd (also affects unearned income at 5.3(c)).</i>		
<b>(b) Trust funds and deposits</b>		
<b>Current</b>		
Fire services property levy	843	1,474
Road deposits	532	2,429
Landscape deposits	782	803
Open space contributions	698	781
Other refundable deposits	1,992	3,225
<b>Total current trust funds and deposits</b>	<b>4,847</b>	<b>8,712</b>
<b>Non-current</b>		
Other refundable deposits	2,035	311
<b>Total non-current trust funds and deposits</b>	<b>2,035</b>	<b>311</b>
<b>Total trust funds and deposits</b>	<b>6,882</b>	<b>9,023</b>
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.		
<b>Purpose and nature of items</b>		
<b>Fire Services Property Levy</b> – 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.		
<b>Road and landscape deposits</b> – 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.		
<b>Refundable deposits</b> – 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.		
<b>(c) Unearned income</b>		
Unearned income – operating grants*	5,475	5,073
Unearned income – capital grants*	13,120	4,576
Unearned income – Development Contribution Plans (DCP)*	39,464	28,382
Other**	2,349	2,364
<b>Total unearned income</b>	<b>60,408</b>	<b>40,395</b>

\*Movement reconciliations for 2021 provided on the following page.

\*\*The 2020 comparative figure has been amended to reflect the correct classification of unearned income for Dandenong Market Pty Ltd (also affects accrued expenses at 5.3(a)).

(c) Unearned income (continued)

Revenue from contracts (AASB 15)

	Consolidated				
	2020 Opening balance	2021 Income received during current year	2021 Income recognised due to satisfied obligations	2021 Income refunded	2021 Closing balance of unsatisfied obligations
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating grants</b>					
Home and Community Care*	4,755	9,348	(7,363)	(1,717)	5,023
COVID-19 Community Support	125	67	(192)	–	–
Disability Access and Support	39	–	(39)	–	–
Families and Children	29	2,140	1,809	–	360
Parks and Open Space	82	53	(43)	–	92
Other	43	22	(65)	–	–
	<b>5,073</b>	<b>11,630</b>	<b>(9,511)</b>	<b>(1,717)</b>	<b>5,475</b>

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

\*The most significant item above relates to Home and Community Care (HACC) grants from the Commonwealth Government for the Commonwealth Home Support Program (CHSP) and the Victorian Government for the HACC Program for Younger People (PYP). The \$5.02 million relates to unsatisfied performance obligations from 2019–20 and 2020–21. These funds were received under an agreement ending in 2019 which is currently in overholding.

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## (c) Unearned income (continued)

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

### Transfers to construct a recognisable non-financial asset to be controlled by Council (AASB 1058)

	Consolidated				
	2020 Opening balance	2021 Income received during current year	2021 Income recognised due to satisfied obligations	2021 Income refunded	2021 Closing balance of unsatisfied obligations
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Capital grants</b>					
Alan Corrigan Reserve	–	80	–	–	80
Burden Park Tennis Redevelopment	–	900	–	–	900
Frank Street Open Space Redevelopment	–	382	–	–	382
Hemmings Street Neighbourhood Activity Centre	–	60	(60)	–	–
Herbert Street Pocket Park	–	275	(1)	–	274
Ian Street Streetscape	–	612	–	–	612
Keysborough South Community Hub	–	1,300	(102)	–	1,198
Local Roads Community Infrastructure (phase one)	–	916	(916)	–	–
Local Roads Community Infrastructure (phase two)	–	2,550	–	–	2,550
Noble Park Aquatic Centre redevelopment (gym)	–	2,970	(309)	–	2,661
Noble Park Revitalisation	–	431	(239)	–	192
Norman Luth Reserve Lighting	–	188	(188)	–	–
Parkfield Reserve Cricket Net	–	90	–	–	90
Police Paddocks – Fencing and Dugouts	–	23	–	–	23
Police Paddocks – Grandstand (Frank Holohan Soccer Complex)	180	–	–	–	180
Roads to Recovery	564	1,018	(1,085)	–	497
Ross Reserve Pavilion	300	445	(114)	–	631
Ross Reserve Playground, Plaza, Path and Oval	2,745	–	(2,145)	–	600
Ross Reserve Synthetic Soccer Pitch	–	1,575	–	–	1,575
Safety, Security and Space Activation	–	17	–	–	17
Springvale Community Hub – Sport, recreation, play and landscape features	462	51	(513)	–	–
TAC Community Road Safety Program	–	9	(9)	–	–
Tattersson Park Oval 1 Lighting	–	225	–	–	225
Thomas Carroll Reserve Pavilion	325	125	(17)	–	433
Tirhatuan Park Dog Off Leash Park	–	154	(154)	–	–
	<b>4,576</b>	<b>14,396</b>	<b>(5,852)</b>	<b>–</b>	<b>13,120</b>

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

(c) Unearned income (continued)

Transfers to construct a recognisable non-financial asset to be controlled by Council (AASB 1058) (continued)

	Consolidated				
	2020 Opening balance	2021 Income received during current year	2021 Income recognised due to satisfied obligations	2021 Developer reimbursements	2021 Closing balance of unsatisfied obligations
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Development Contribution Plans (DCP)</b>					
Keysborough Residential DCP	19,979	4,001	(747)	(21)	23,212
Dandenong Industrial DCP (Keysborough & Lyndhurst)	8,403	8,250	–	(401)	16,252
	<b>28,382</b>	<b>12,251</b>	<b>(747)</b>	<b>(422)</b>	<b>39,464</b>

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>5.4 Interest-bearing liabilities</b>		
<b>Current</b>		
Borrowings – secured	3,372	3,255
	<b>3,372</b>	<b>3,255</b>
<b>Non-current</b>		
Borrowings – secured	53,264	56,636
	<b>53,264</b>	<b>56,636</b>
<b>Total interest-bearing liabilities</b>	<b>56,636</b>	<b>59,891</b>
Borrowings are secured over the general rates of Council as per section 148 of the <i>Local Government Act 1989</i> .		
a) The maturity profile for Council's borrowings is:		
Not later than one year	3,372	3,255
Later than one year and not later than five years	14,660	14,168
Later than five years	38,604	42,468
	<b>56,636</b>	<b>59,891</b>

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.

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## 5.5 Provisions

	Consolidated		
	Employee \$'000	Landfill restoration \$'000	Total \$'000
<b>2021</b>			
Balance at beginning of the financial year	19,898	1,005	20,903
Additional provisions	8,572	2,694	11,266
Amounts used	(5,518)	(2,645)	(8,163)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(44)	–	(44)
Balance at the end of the financial year	22,908	1,054	23,962
<b>2020</b>			
Balance at beginning of the financial year	18,039	911	18,950
Additional provisions	8,170	94	8,264
Amounts used	(6,572)	–	(6,572)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	261	–	261
Balance at the end of the financial year	19,898	1,005	20,903

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>(a) Employee provisions</b>		
<i>Current provisions expected to be wholly settled within 12 months</i>		
Annual leave	8,034	6,796
Long service leave	975	875
Other	552	561
	9,561	8,232
<i>Current provisions expected to be wholly settled after 12 months</i>		
Annual leave	564	235
Long service leave	12,072	10,765
	12,636	11,000
<b>Total current employee provisions</b>	22,197	19,232
<b>Non-current</b>		
Long service leave	711	666
<b>Total non-current employee provisions</b>	711	666
<i>Aggregate carrying amount of employee provisions:</i>		
Current	22,197	19,232
Non-current	711	666
<b>Total aggregate carrying amount of employee provisions</b>	22,908	19,898

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



## (a) Employee provisions (continued)

### 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 2021	Consolidated 2019
Key assumptions:		
– discount rate	0.29%	0.53%
– index rate	2.75%	2.75%
– settlement rate long service leave (years)		
long service leave (years)	7	7
annual leave (days)	260	260
<b>(b) Landfill restoration</b>	<b>\$'000</b>	<b>\$'000</b>
Current	331	489
Non-current	723	516
	1,054	1,005

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. Under the terms of a licence agreement with the Environment Protection Authority (EPA) and Pollution Abatement notices, Council is required to monitor, progressively rehabilitate and conduct rectification works.

The provision for landfill rehabilitation has been calculated based on the present value of the expected cost of works to be undertaken including site aftercare and monitoring costs. The expected cost of works has been estimated based on current understanding of work required to progressively rehabilitate the sites to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

The City of Greater Dandenong shares the commitment for rehabilitation and aftercare management of the landfill with other stakeholder Councils. Council's interest or share of the costs is 19.88%. In the financial report for 30 June 2021, Council has an amount of \$1.05 million (30 June 2020 \$1.0 million) as a provision for the restoration of the Springvalley landfill site which includes aftercare costs to meet EPA obligations.

### Key assumptions:

– discount rate	1.01%	0.70%
– index rate	1.50%	2.00%
– settlement rate	15 years	15 years

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## 5.5 Provisions (continued)

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>(c) Total provisions summary</b>		
Current	22,528	19,721
Non-current	1,434	1,182
<b>Total provisions</b>	<b>23,962</b>	<b>20,903</b>

## 5.6 Financing arrangements

Interest-bearing liabilities – secured	56,636	59,891
Credit card facilities	200	200
Bank overdraft	2,500	2,500
<b>Total facilities</b>	<b>59,336</b>	<b>62,591</b>
Used facilities	56,637	59,917
Unused facilities	2,699	2,674

## 5.7 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				
	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
<b>2021</b>					
<b>Operating</b>					
Animal pound services	200	200	200	–	600
Building maintenance services	3,286	80	–	–	3,366
Cleaning services	2,557	–	–	–	2,557
Dandenong Market Pty Ltd commitments	723	43	–	–	766
Garbage collection (incl. garden waste)	5,169	1,193	–	–	6,362
Hard waste and dumped rubbish	2,151	2,332	1,023	–	5,506
Leisure centres management services	3,735	–	–	–	3,735
Meals for delivery	520	–	–	–	520
Open space management	1,993	230	–	–	2,223
Other contracts	1,006	506	194	–	1,706
Parking management	246	72	–	–	318
Recycling	2,463	408	–	–	2,871
Renewable electricity	610	610	1,830	610	3,660
Works (roads and drains) services	140	–	–	–	140
<b>Total 2021 Operating</b>	<b>24,799</b>	<b>5,674</b>	<b>3,247</b>	<b>610</b>	<b>34,330</b>
<b>Capital</b>					
Buildings	17,307	206	407	–	17,920
Drainage	23	–	–	–	23
Parks, open space and streetscapes	4,869	2,682	–	–	7,551
Roads	7,729	–	–	–	7,729
<b>Total 2021 Capital</b>	<b>29,928</b>	<b>2,888</b>	<b>407</b>	<b>–</b>	<b>33,223</b>

## 5.7 Commitments (continued)

	Consolidated				Total \$'000
	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	
<b>2020</b>					
<b>Operating</b>					
Animal pound services*	110	–	–	–	110
Building maintenance services*	3,540	–	–	–	3,540
Cleaning services	2,063	1,500	–	–	3,563
Consultancies	82	8	–	–	90
Dandenong Market Pty Ltd commitments	1,751	249	–	–	2,000
Garbage collection	7,196	1,849	–	–	9,045
Hard waste collection	1,815	1,840	2,913	–	6,568
Leisure centres management services	3,169	–	–	–	3,169
Meals for delivery	510	–	–	–	510
Open space management	2,028	85	–	–	2,113
Other contracts*	827	403	158	154	1,542
Parking management	364	114	–	–	478
Recycling	4,878	963	–	–	5,841
Renewable electricity*	2,887	–	–	–	2,887
Works (roads and drains) services	487	32	–	–	519
<b>Total 2020 Operating</b>	<b>31,707</b>	<b>7,043</b>	<b>3,071</b>	<b>154</b>	<b>41,975</b>
<b>Capital</b>					
Buildings	4,544	–	–	–	4,544
Drainage	419	–	–	–	419
Parks, open space and streetscapes	3,890	–	–	–	3,890
Roads	3,709	–	–	–	3,709
<b>Total 2020 Capital</b>	<b>12,562</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12,562</b>

\*Prior year comparatives in marked categories have been restated on a consistent basis with current year commitments and to reflect the minimum amount that Council is committed to over the life of the contract. In the prior year, optional extensions were included.

## 5.8 Leases

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

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

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

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

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

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

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

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

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

Council has elected to apply the temporary option available under *AASB 16 Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

## 5.8 Leases (continued)

<b>Right-of-use assets</b>	<b>Consolidated</b>			
	<b>Property</b>	<b>Vehicles</b>	<b>IT and Office Equip</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July 2019	1,052	153	226	1,431
Additions/lease modifications	–	–	129	129
Amortisation charge	(380)	(68)	(114)	(562)
<b>Balance at 30 June 2020</b>	<b>672</b>	<b>85</b>	<b>241</b>	<b>998</b>
Balance at 1 July 2020	672	85	241	998
Additions/lease modifications	2	(4)	164	162
Amortisation charge	(380)	(61)	(156)	(597)
<b>Balance at 30 June 2021</b>	<b>294</b>	<b>20</b>	<b>249</b>	<b>563</b>

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>
<b>Lease Liabilities</b>		
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	425	593
One to five years	164	452
More than five years	–	–
<b>Total undiscounted lease liabilities as at 30 June</b>	<b>589</b>	<b>1,045</b>
Lease liabilities included in the Balance Sheet at 30 June:		
Current	415	571
Non-current	160	442
<b>Total lease liabilities</b>	<b>575</b>	<b>1,013</b>
<b>Short-term and low value leases</b>		
Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of \$10,000). This includes IT and office related equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.		
<b>Expenses relating to:</b>		
Short-term leases	25	25
Leases of low value assets	536	489
<b>Total</b>	<b>561</b>	<b>514</b>
Variable lease payments (not included in measurement of lease liabilities)	–	–
<b>Non-cancellable lease commitments – Short-term and low-value leases</b>		
Commitments for minimum lease payments for short-term and low-value leases are payable as follows:		
Payable:		
Within one year	562	451
Later than one year but not later than five years	1,372	965
<b>Total lease commitments</b>	<b>1,934</b>	<b>1,416</b>

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## Note 6 Assets we manage

### Note content:

- 6.1 Non-current assets classified as held for sale
- 6.2 Property, infrastructure, plant and equipment
  - (a) Summary of Property, Infrastructure, Plant and Equipment
  - (b) Summary of Work in Progress (WIP)
  - (c) Details of Property Category
  - (d) Details of Plant and Equipment Category
  - (e) Details of Infrastructure Category
  - (f) Recognition
  - (g) Depreciation
  - (h) Revaluation
  - (i) Valuation of Property
  - (j) Valuation of Infrastructure
  - (k) Reconciliation of Specialised Land
- 8.4 \*Fair value measurement

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

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>6.1 Non-current assets classified as held for sale</b>		
Non-current assets classified as held for sale – current	–	1,000
<b>Total non-current assets classified as held for sale</b>	<b>–</b>	<b>1,000</b>

Non-current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets and related liabilities are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification. At 30 June 2020, there was one car park land asset classified as held for sale which settled in the 2020–21 financial year. There are no non-current assets classified as held for sale at 30 June 2021.



Note 6.2 Property, infrastructure, plant and equipment

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

	Consolidated									
	At fair value/cost 1 July 2020	Acquisitions	Contributions	Revaluation	Depreciation	Impairment (loss)/reversal*	Disposals	Write Offs	Transfers	At fair value/cost 30 June 2021
(Related FS note)	(Strmt Cap Wrks)	(Note 3.5)	(Note 9.1(a))	(Note 4.3)	(Note 4.9 and 9.1(a))	(Note 3.6)	(Note 4.2 & 4.9)			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,154,749	7,673	1,789	239,016	–	–	–	–	–	1,403,227
Buildings	291,316	1,773	–	(7,074)	(194)	–	(65)	4,534	–	290,290
Plant and equipment	15,555	2,650	–	(3,987)	–	(127)	(15)	(826)	–	13,250
Infrastructure	709,259	14,531	2,845	(21,434)	–	–	(1,912)	7,313	–	714,348
Work in progress (WIP)	20,116	20,291	–	–	–	–	(3,708)	(11,021)	–	25,678
	<b>2,190,995</b>	<b>46,918</b>	<b>4,634</b>	<b>242,762</b>	<b>(194)</b>	<b>(127)</b>	<b>(5,700)</b>	<b>–</b>	<b>–</b>	<b>2,446,793</b>

\*The impairment loss of \$194,000 has been recognised firstly against the Asset Revaluation Reserve (\$105,000) and then to the Income Statement as an impairment loss expense (\$89,000).

(b) SUMMARY OF WORK IN PROGRESS

	Opening WIP 1 July 2020	Additions	Transfers	Write Offs	Closing WIP 30 June 2021
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	6,429	8,208	(4,730)	(322)	9,585
Plant and equipment	32	405	(32)	–	405
Infrastructure	13,655	11,678	(6,259)	(3,386)	15,688
Total	<b>20,116</b>	<b>20,291</b>	<b>(11,021)</b>	<b>(3,708)</b>	<b>25,678</b>

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	Consolidated							
	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
<b>Opening balance at 1 July 2020</b>								
At cost	45,934	–	45,934	–	3,464	3,464	6,429	55,827
At fair value	931,640	177,175	1,108,815	462,047	–	462,047	–	1,570,862
Accumulated depreciation	–	–	–	(172,695)	(1,500)	(174,195)	–	(174,195)
	<b>977,574</b>	<b>177,175</b>	<b>1,154,749</b>	<b>289,352</b>	<b>1,964</b>	<b>291,316</b>	<b>6,429</b>	<b>1,452,494</b>
<b>Movements in fair value/cost</b>								
Additions at cost	–	–	–	–	171	171	8,208	8,379
Additions at fair value	7,673	–	7,673	1,602	–	1,602	–	9,275
Contributed assets at cost	914	–	914	–	–	–	–	914
Contributed assets at fair value	875	–	875	–	–	–	–	875
Revaluation increments (decrements)	200,174	38,842	239,016	–	–	–	–	239,016
Fair value/cost of assets disposed	–	–	–	–	–	–	–	–
Fair value/cost of assets written off	–	–	–	(1,971)	–	(1,971)	(322)	(2,293)
Transfers in (out)	–	–	–	4,496	38	4,534	(4,730)	(196)
	<b>209,636</b>	<b>38,842</b>	<b>248,478</b>	<b>4,127</b>	<b>209</b>	<b>4,336</b>	<b>3,156</b>	<b>255,970</b>
<b>Movements in accumulated depreciation</b>								
Depreciation	–	–	–	(6,928)	(146)	(7,074)	–	(7,074)
Accumulated depreciation of disposals	–	–	–	–	–	–	–	–
Accumulated depreciation of write offs	–	–	–	1,906	–	1,906	–	1,906
Impairment loss/(reversal) in revaluation reserve	–	–	–	(105)	–	(105)	–	(105)
Impairment loss/(reversal) in operating result	–	–	–	(89)	–	(89)	–	(89)
Revaluation (increments) decrements	–	–	–	–	–	–	–	–
Transfers (in) out	–	–	–	–	–	–	–	–
	<b>–</b>	<b>–</b>	<b>–</b>	<b>(5,216)</b>	<b>(146)</b>	<b>(5,362)</b>	<b>–</b>	<b>(5,362)</b>
<b>Closing balance at 30 June 2021</b>								
At cost	46,848	–	46,848	–	3,673	3,673	9,585	60,106
At fair value	1,140,362	216,017	1,356,379	466,174	–	466,174	–	1,822,553
Accumulated depreciation	–	–	–	(177,911)	(1,646)	(179,557)	–	(179,557)
	<b>1,187,210</b>	<b>216,017</b>	<b>1,403,227</b>	<b>288,263</b>	<b>2,027</b>	<b>290,290</b>	<b>9,585</b>	<b>1,703,102</b>

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

**(c) PLANT AND EQUIPMENT**

	Consolidated					
	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
<b>Opening balance at 1 July 2020</b>						
At cost	15,563	8,516	7,829	8,704	32	40,644
Accumulated depreciation	(8,344)	(6,708)	(3,985)	(6,020)	-	(25,057)
	<b>7,219</b>	<b>1,808</b>	<b>3,844</b>	<b>2,684</b>	<b>32</b>	<b>15,587</b>
<b>Movements in cost</b>						
Acquisition of assets at cost	1,366	239	350	695	405	3,055
Cost of assets disposed	(1,502)	-	-	-	-	(1,502)
Cost of assets written off	(30)	-	(20)	-	-	(50)
Transfers in (out)	109	18	(965)	-	(32)	(870)
	<b>(57)</b>	<b>257</b>	<b>(635)</b>	<b>695</b>	<b>373</b>	<b>633</b>
<b>Movements in accumulated depreciation</b>						
Depreciation	(1,966)	(376)	(702)	(943)	-	(3,987)
Accumulated depreciation of disposals	1,375	-	-	-	-	1,375
Accumulated depreciation of write offs	30	-	5	-	-	35
Transfers (in) out	-	-	12	-	-	12
	<b>(561)</b>	<b>(376)</b>	<b>(685)</b>	<b>(943)</b>	<b>-</b>	<b>(2,565)</b>
<b>Closing balance at 30 June 2021</b>						
At cost	15,506	8,773	7,194	9,399	405	41,277
Accumulated depreciation	(8,905)	(7,084)	(4,670)	(6,963)	-	(27,622)
	<b>6,601</b>	<b>1,689</b>	<b>2,524</b>	<b>2,436</b>	<b>405</b>	<b>13,655</b>

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	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
<b>Opening balance at 1 July 2020</b>										
At cost	-	-	-	-	41,350	49,443	-	13,655	104,448	200,919
At fair value	506,126	64,813	90,160	427,089	-	-	19,174	-	1,107,362	2,678,224
Accumulated depreciation	(228,145)	(19,043)	(30,144)	(156,966)	(20,576)	(28,431)	(5,591)	-	(488,896)	(688,148)
	<b>277,981</b>	<b>45,770</b>	<b>60,016</b>	<b>270,123</b>	<b>20,774</b>	<b>21,012</b>	<b>13,583</b>	<b>13,655</b>	<b>722,914</b>	<b>2,190,995</b>
<b>Movements in fair value/cost</b>										
Acquisition of assets at cost	-	10	-	-	2,328	2,987	-	11,678	17,003	28,437
Acquisition of assets at fair value	5,416	-	1,366	1,282	-	-	1,142	-	9,206	18,481
Contributed assets at cost	-	-	-	-	-	-	-	-	-	914
Contributed assets at fair value	855	-	107	1,883	-	-	-	-	2,845	3,720
Revaluation increments (decrements)	-	-	5,627	-	-	-	-	-	5,627	244,643
Fair value/cost of assets disposed	-	-	-	-	-	-	-	-	-	(1,502)
Fair value/cost of assets written off	(2,988)	-	(856)	(357)	(428)	(518)	(79)	(3,386)	(8,612)	(10,955)
Transfers in (out)	1,329	39	272	1,151	2,087	2,240	207	(6,259)	1,066	-
	<b>4,612</b>	<b>49</b>	<b>6,516</b>	<b>3,959</b>	<b>3,987</b>	<b>4,709</b>	<b>1,270</b>	<b>2,033</b>	<b>27,135</b>	<b>283,738</b>
<b>Movements in accumulated depreciation</b>										
Depreciation	(9,944)	(858)	(2,263)	(4,291)	(1,971)	(1,788)	(319)	-	(21,434)	(32,495)
Accumulated depreciation of contributed assets	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation of acquisitions	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	1,375
Accumulated depreciation of write offs	1,885	-	321	165	411	492	40	-	3,314	5,255
Revaluation (increments) decrements	-	-	(1,881)	-	-	-	-	-	(1,881)	(1,881)
Impairment loss/(reversal) in revaluation reserve	-	-	-	-	-	-	-	-	-	(105)
Impairment loss/(reversal) in operating result	-	-	-	-	-	-	-	-	-	(89)
Transfers (in) out	-	-	-	-	(54)	42	-	-	(12)	-
	<b>(8,059)</b>	<b>(858)</b>	<b>(3,823)</b>	<b>(4,126)</b>	<b>(1,614)</b>	<b>(1,254)</b>	<b>(279)</b>	<b>-</b>	<b>(20,013)</b>	<b>(27,940)</b>
<b>Closing balance at 30 June 2021</b>										
At cost	-	10	-	-	45,337	54,152	-	15,688	115,187	216,570
At fair value	510,738	64,852	96,676	431,048	-	-	20,444	-	1,123,758	2,946,311
Accumulated depreciation	(236,204)	(19,901)	(33,967)	(161,092)	(22,190)	(29,685)	(5,870)	-	(508,909)	(716,088)
	<b>274,534</b>	<b>44,961</b>	<b>62,709</b>	<b>269,956</b>	<b>23,147</b>	<b>24,467</b>	<b>14,574</b>	<b>15,688</b>	<b>730,036</b>	<b>2,446,793</b>

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

### **(f) Recognition**

#### *Acquisition*

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

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

In accordance with Council's policy, the threshold limits detailed in note 6.2 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.

#### *Repairs and maintenance*

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

#### *Leasehold improvements*

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 5 to 21 year period.

### **(g) Depreciation**

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

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

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

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

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

### (g) Depreciation (continued)

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>		
<i>Land</i>		
Land	N/A	–
Land under roads	N/A	–
<i>Buildings</i>		
Buildings	50–100	5
Leasehold improvements	Lease term	–
<i>Plant and equipment</i>		
<i>Plant and equipment</i>		
Heavy plant and equipment	7	3
Buses, quads and trailers	10	3
Light plant and equipment, passenger and light commercial vehicles	5	3
<i>Fixtures, fittings and furniture</i>		
Fixtures, fittings, furniture and equipment	6	3
Musical instruments	20	3
Art works	N/A	3
<i>Computers and telecommunications</i>		
Hand held device /mobile phones	3	3
Hardware and equipment	5	3
Library books	5	–
<i>Infrastructure</i>		
<i>Roads</i>		
Seal	12–20	20
Substructure	100	20
Kerb and channel	15–80	5
Local Area Traffic Management (LATM) devices	5–30	*2
On-street car parks	20–100	5
Bridges	20–100	5
Footpaths and cycleways	10–50	–
<i>Drainage</i>		
Pipes	100	*5
Pits	100	*2
Gross pollutant traps	50	5
<i>Recreational, leisure and community facilities</i>		
Recreational equipment and facilities, minor outdoor electronic screens, signs and scoreboards. Sportsgrounds, grass (turf), courts, hardstand, other ground surfaces. Minor structures (sporting, shade structures and retaining walls), irrigation, sportsfield drainage, controllers, sensors, water tanks/pumps.	10–20	3
Major outdoor LED screens	5	3
Playgrounds	15	3
Outdoor pools	50	3



### (g) Depreciation (continued)

	Depreciation period (years)	Threshold limit \$'000
Parks, open space and streetscapes		
Open space furniture, fencing, bollards and gates.	10–50	3
Flood prevention – retarding/detention basins	20	3
Surface drainage – unformed open drains, water quality devices – wetlands, rain gardens and bioretention swales.	10	3
Surface drainage – formed open drains. Public art.	50	3
Signs, parking meters, ticket machines and equipment.	10–20	3
Lighting, landscaping, passive grass/surface and gardens.	10–20	3
Off street car parks	20–100	5

### (h) 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 8.4 and are explained below for each asset class.

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

Where assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense, in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

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

### (h) Revaluation (continued)

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<p><b>Specialised land</b> 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 15% 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 \$13 and \$2,700 per square metre.</p> <p><i>Note – Specialised land valued at fair value disclosed here, excludes land under roads which are valued at cost.</i></p>	1,140,362	931,640
<p><b>Specialised buildings</b> are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and range from \$320 to \$55,000 per square metre. The remaining useful lives of specialised buildings are determined on the basis of the current condition of buildings and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.</p>	288,263	289,352
<p><b>Infrastructure assets</b> are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition 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.</p> <p><i>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></p>	666,734	667,473

## (i) Valuation of Property

### *Valuation of land and buildings*

The last formal valuation of land and buildings at 1 January 2020 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.

Since the last formal revaluation of land at 1 January 2020, the industrial sector of the property market has experienced a substantial increase (above 40%) and the commercial and residential sectors have also increased around 20%. The majority of Council's land is in the residential sector. An indexed revaluation of all land at fair value was performed at 30 June 2021 resulting in an increment of \$239 million (21%).

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 2021 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*	–	216,017	1,140,362	30-Jun-21
Buildings*	–	–	288,263	1-Jan-20
Total written down value	–	216,017	1,428,625	

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

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

### *Land under roads*

Land under roads is valued at cost based on Council valuation for acquisitions after 30 June 2008. Deemed cost valuations have been undertaken using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement. The acquisitions for the year include new assets from subdivision activity.

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

### (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 footpaths asset class was revalued at 30 June 2021 due to an indication that concrete unit rates had moved materially (10%) since the last revaluation at 30 June 2019. This resulted in a \$3.75 million net revaluation increment.

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. Where condition data was available for assets, remaining useful life was revised based on condition. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

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 2021 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	–	–	274,534	Jun-19
Bridges	–	–	44,961	Mar-17
Footpaths and cycleways	–	–	62,709	Jun-21
Drainage	–	–	269,956	Jun-19
Off street car parks	–	–	14,574	Jun-19
<b>Total written down value</b>	–	–	666,734	

Infrastructure assets valued at fair value are subject to an annual review of replacement rates. This review uses several inputs which are mainly sourced from the February 2021 update of the Rawlinsons Australian Construction Handbook. At balance date, no adjustment has been made to the fair value valuation (except for the footpath revaluation) as the fair value valuation has not moved materially, by 10% or more, since the last revaluation. These assets are specialised assets classified at level three under AASB 13. This means that the fair value valuations are based on techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The COVID-19 impacts on these asset valuations are particularly difficult to assess as there is generally no observable market for these assets.

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>
<b>(k) Reconciliation of specialised land at fair value*</b>		
Parks and reserves	780,924	625,803
Floodway	9,625	10,700
Public use	23,636	18,750
Industrial	57,493	51,709
Other	268,684	224,678
<b>Total specialised land</b>	<b>1,140,362</b>	<b>931,640</b>

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

### **Note 6.3 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 2022. 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 2020–21 financial year. These financial statements should be read in conjunction with the accompanying notes in the financial report.

In response to the COVID-19 pandemic, Council has waived the requirement for DMPL to pay a return to Council in 2020–21 financial years. This has allowed DMPL to provide support to Market traders in the form of short-term relief ensuring the long-term viability of the Market. Council has also agreed to allow the DMPL to hold on to any surplus funds in 2020–21 which will be added to DMPL's retained earnings.

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## Comprehensive Income Statement

For the year ended 30 June 2021

Consolidated

	Council 2021 \$'000	DMPL 2021 \$'000	Consolidation Adjustment 2021 \$'000	Consolidated Accounts 2021 \$'000
<b>Income</b>				
Rates and charges	152,326	–	(98)	152,228
Statutory fees and fines	7,131	–	–	7,131
User fees	5,698	–	–	5,698
Grants – operating	40,056	–	–	40,056
Grants – capital	6,466	–	–	6,466
Contributions – monetary	3,317	–	–	3,317
Contributions – non-monetary	4,634	–	–	4,634
Net gain on disposal of property, infrastructure, plant and equipment	368	–	–	368
Other income	6,529	4,013	(49)	10,493
<b>Total income</b>	<b>226,525</b>	<b>4,013</b>	<b>(147)</b>	<b>230,391</b>
<b>Expenses</b>				
Employee costs	(83,547)	(1,025)	–	(84,572)
Materials and services	(79,191)	(2,621)	96	(81,716)
Bad and doubtful debts	(1,134)	5	–	(1,129)
Depreciation	(32,488)	(7)	–	(32,495)
Amortisation – intangible assets	(97)	–	–	(97)
Amortisation – right-of-use assets	(597)	–	–	(597)
Borrowing costs	(2,924)	–	–	(2,924)
Finance costs – leases	(23)	–	–	(23)
Fair value adjustments for investment property	(954)	–	–	(954)
Other expenses	(9,190)	(181)	51	(9,320)
<b>Total expenses</b>	<b>(210,145)</b>	<b>(3,829)</b>	<b>147</b>	<b>(213,827)</b>
<b>Net surplus for the year</b>	<b>16,380</b>	<b>184</b>	<b>–</b>	<b>16,564</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to surplus or deficit in future periods</b>				
Net asset revaluation increment	242,762	–	–	242,762
Impairment (loss) reversal of previous revaluation	(105)	–	–	(105)
<b>Total comprehensive result</b>	<b>259,037</b>	<b>184</b>	<b>–</b>	<b>259,221</b>



## Balance Sheet

As at 30 June 2021

Consolidated

	Council 2021 \$'000	DMPL 2021 \$'000	Consolidation Adjustment 2021 \$'000	Consolidated Accounts 2021 \$'000
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	177,428	1,593	–	179,021
Trade and other receivables	26,530	137	–	26,667
Other assets	4,894	44	–	4,938
<b>Total current assets</b>	<b>208,852</b>	<b>1,774</b>	<b>–</b>	<b>210,626</b>
<b>Non-current assets</b>				
Trade and other receivables	295	–	–	295
Property, infrastructure, plant and equipment	2,446,778	15	–	2,446,793
Investment property	10,860	–	–	10,860
Right-of-use assets	563	–	–	563
Intangible assets	202	–	–	202
<b>Total non-current assets</b>	<b>2,458,698</b>	<b>15</b>	<b>–</b>	<b>2,458,713</b>
<b>Total assets</b>	<b>2,667,550</b>	<b>1,789</b>	<b>–</b>	<b>2,669,339</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	19,019	330	–	19,349
Trust funds and deposits	4,427	420	–	4,847
Unearned income	60,293	115	–	60,408
Provisions	22,366	162	–	22,528
Interest-bearing liabilities	3,372	–	–	3,372
Lease liabilities	415	–	–	415
<b>Total current liabilities</b>	<b>109,892</b>	<b>1,027</b>	<b>–</b>	<b>110,919</b>
<b>Non-current liabilities</b>				
Trust funds and deposits	2,035	–	–	2,035
Provisions	1,424	10	–	1,434
Interest-bearing liabilities	53,264	–	–	53,264
Lease liabilities	160	–	–	160
<b>Total non-current liabilities</b>	<b>56,883</b>	<b>10</b>	<b>–</b>	<b>56,893</b>
<b>Total liabilities</b>	<b>166,775</b>	<b>1,037</b>	<b>–</b>	<b>167,812</b>
<b>Net assets</b>	<b>2,500,775</b>	<b>752</b>	<b>–</b>	<b>2,501,527</b>
<b>Equity</b>				
Accumulated surplus	923,957	752	–	924,709
Reserves	1,576,818	–	–	1,576,818
<b>Total equity</b>	<b>2,500,775</b>	<b>752</b>	<b>–</b>	<b>2,501,527</b>

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## Statement of Cash Flows

For the year ended 30 June 2021

Consolidated

	Council 2021 \$'000	DMPL 2021 \$'000	Consolidation Adjustment 2021 \$'000	Consolidated Accounts 2021 \$'000
<b>Cash flows from operating activities</b>				
Rates and charges	150,700	–	(98)	150,602
Statutory fees and fines	5,741	–	–	5,741
User fees	4,415	–	–	4,415
Grants – operating	41,676	–	–	41,676
Grants – capital	15,879	–	–	15,879
Contributions – monetary	14,397	–	–	14,397
Interest received	676	–	–	676
Trust funds and deposits taken	28,192	187	–	28,379
Other receipts	6,420	4,517	(169)	10,768
Net GST refund	10,733	(132)	–	10,601
Employee costs	(80,230)	(987)	–	(81,217)
Materials and services	(85,615)	(3,117)	372	(88,360)
Short-term, low value and variable lease payments	(588)	(25)	–	(613)
Trust funds and deposits repaid	(30,383)	(54)	–	(30,437)
Other payments	(6,507)	–	(105)	(6,612)
<b>Net cash provided by operating activities</b>	<b>75,506</b>	<b>389</b>	<b>–</b>	<b>75,895</b>
<b>Cash flows from investing activities</b>				
Payments for property, infrastructure, plant and equipment	(49,311)	–	–	(49,311)
Proceeds from sale of inventory property	2,000	–	–	2,000
Proceeds from sale of property, infrastructure, plant and equipment	1,495	–	–	1,495
<b>Net cash used in investing activities</b>	<b>(45,816)</b>	<b>–</b>	<b>–</b>	<b>(45,816)</b>
<b>Cash flows from financing activities</b>				
Finance costs	(2,945)	–	–	(2,945)
Repayment of borrowings	(3,255)	–	–	(3,255)
Interest paid – lease liability	(25)	–	–	(25)
Repayment of lease liabilities	(600)	–	–	(600)
<b>Net cash used in financing activities</b>	<b>(6,825)</b>	<b>–</b>	<b>–</b>	<b>(6,825)</b>
Net increase in cash and cash equivalents	22,865	389	–	23,254
Cash and cash equivalents at the beginning of the financial year	154,563	1,204	–	155,767
<b>Cash and cash equivalents at the end of the financial year</b>	<b>177,428</b>	<b>1,593</b>	<b>–</b>	<b>179,021</b>

	<b>Consolidated 2021 \$'000</b>	<b>Consolidated 2020 \$'000</b>
<b>6.4 Investment property</b>		
Balance at beginning of financial year	11,814	12,827
Additions	–	–
Transfers to property, infrastructure, plant and equipment	–	(630)
Fair value adjustments	(954)	(383)
Balance at end of financial year	10,860	11,814

#### *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.

Fair value valuations of investment property assets were determined by external valuers, Proval (Vic) Pty Ltd at 1 January 2021. Due to the significant movements in the property market, the fair value valuations of Council's three investment property land assets were revised by Proval (Vic) Pty Ltd from 1 January 2021 to 30 June 2021.

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## Note 7 People and relationships

### 7.1 Council and key management remuneration

#### (a) Related parties

##### Parent entity

City of Greater Dandenong

##### Subsidiaries

Dandenong Market Pty Ltd – detailed in note 6.3

#### (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:

	2021 No.	2020 No.
<b>Councillors</b>		
<b>From 1 July 2020 to Current</b>		
Councillor Angela Long (Mayor, 19 November 2020 to current)		
Councillor Sophie Tan (Deputy Mayor, 19 November 2020 to current)		
Councillor Jim Memeti (Mayor, 14 November 2019 to 18 November 2020)		
Councillor Sean O'Reilly		
Councillor Loi Truong		
Councillor Tim Dark		
<b>From 19 November 2020 to current</b>		
Councillor Eden Foster		
Councillor Bob Milkovic		
Councillor Rhonda Garad		
Councillor Lana Formoso		
Councillor Richard Lim		
<b>From 1 July 2020 to 18 November 2020</b>		
Councillor Peter Brown		
Councillor Youhorn Chea		
Councillor Matthew Kirwan		
Councillor Maria Sampey		
Councillor Zaynoun Melhem		
<b>Total number of Councillors</b>	<b>16</b>	<b>12</b>
<b>Other key management personnel</b>		
Mick Jaensch – Director Corporate Services (1 July 2020 to 28 June 2021)		
Jody Bosman – Director City Planning, Design and Amenity		
Martin Fidler – Director Community Services		
Paul Kearsley – Director Business, Engineering and Major Projects		
Julie Reid – Director Engineering Services (1 July 2019 to 23 August 2019)		
	<b>4</b>	<b>5</b>
<b>Chief Executive Officer</b>		
John Bennie PSM	1	1
<b>Total key management personnel</b>	<b>21</b>	<b>18</b>

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>(b) Key Management Personnel (continued)</b>		
Dandenong Market Board Members		
Ms Julie Busch (1 July 2019 – 31 May 2020)	–	1
Mr Tim Cockayne (1 July 2020 – 23 March 2021)	1	1
Ms Donna McMaster	1	1
Mr Tom Mollenkopf	1	1
Mr Franz Madlener (1 July 2020 – 7 November 2020)	1	1
Mr Jerome Gauder (14 December 2020 – Current)	1	–
Ms Philippa Stocks (24 March 2021 – Current)	1	–
Mr Chad Hermsen (24 March 2021 – Current)	1	–
Executives	2	2
<b>Total number of Dandenong Market Board Members</b>	<b>9</b>	<b>7</b>

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

Total remuneration of key management personnel was as follows:\*

Short-term benefits	2,452	2,504
Long-term benefits	58	46
Post employment benefit	185	142
Termination benefits	–	6
	<b>2,695</b>	<b>2,698</b>

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

	2021 No.	2020 No.
The numbers of key management personnel, whose total remuneration from Council and any related entities fall within the following bands:		
\$1 – \$9,999	2	1
\$10,000 – \$19,999	7	–
\$20,000 – \$29,999	8	4
\$30,000 – \$39,999	4	10
\$40,000 – \$49,999	–	1
\$50,000 – \$59,999	–	1
\$60,000 – \$69,999	1	–
\$100,000 – \$109,999	–	1
\$120,000 – \$129,999	1	–
\$140,000 – \$149,999	1	1
\$230,000 – \$239,999	1	1
\$280,000 – \$289,999	–	1
\$290,000 – \$299,999	1	–
\$300,000 – \$309,999	2	1
\$310,000 – \$319,999	1	2
\$440,000 – \$449,999	1	1
<b>Total</b>	<b>30</b>	<b>25</b>

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	2021 No.	2020 No.
<b>(d) Senior Officers remuneration</b>		
A Senior Officer is an officer of Council, other than Key Management Personnel, who:		
a) has management responsibilities and reports directly to the Chief Executive; or		
b) whose total annual remuneration exceeds \$151,000.		
The number of Senior Officers are shown below in their relevant income bands:		
Income range:		
\$151,000 – \$159,999	14	11
\$160,000 – \$169,999	8	6
\$170,000 – \$179,999	8	9
\$180,000 – \$189,999	4	–
\$190,000 – \$199,999	2	6
\$200,000 – \$209,999	4	3
\$210,000 – \$219,999	3	1
\$220,000 – \$229,999	3	1
\$230,000 – \$239,999	1	–
\$240,000 – \$249,999	–	1
	47	38
	<b>\$'000</b>	<b>\$'000</b>
Total remuneration for the reporting year for Senior Officers included above, amounted to:*	8,409	6,743

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

## 7.2 Related party disclosure

### (a) Transactions with related parties

(i) During 2020–21 Council entered into the following transactions with related party Dandenong Market Pty Ltd (DMPL).

	2021 Excl GST \$'000	2020 Excl GST \$'000
<b>Received from DMPL</b>		
Rent received	–	–
Other reimbursements	10	14
<b>Total received</b>	<b>10</b>	<b>14</b>
<b>Paid to DMPL</b>		
Contributions for festival/events	40	170
Payment for gift vouchers	10	54
Payment for other items	8	29
<b>Total paid</b>	<b>58</b>	<b>253</b>

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.

During the financial year ended 30 June 2021 Councillor O'Reily was a board member of Municipal Association of Victoria.

(ii) During the financial year ended 30 June 2021, John Bennie CEO was a non-executive board member of the following organisations to which Council has paid the following amounts;

- MAV Insurance (which operates under the umbrella of Municipal Association of Victoria, noting that the MAV Workcare Insurance Scheme ceased operation on 30 June 2021) a value of \$670,000 (2019–20 \$2.19 million) for the provision of Local Government Liability insurance and claim excesses paid. There was no payment for workcover insurance in 2020–21, as the premium was paid in advance in June 2020.
- Chisholm Institute \$66,000 (2019–20 \$440) for the provision of external training courses.

	2021 Excl GST \$'000	2020 Excl GST \$'000
<b>(b) Outstanding balances with related parties</b>		
The following transaction was outstanding at 30 June		
Other reimbursements	–	3
	–	<b>3</b>
<b>(c) Loans to/from related parties</b>		
No loans were made, guaranteed or secured by the Council to related parties during 2020–21 (2019–20 \$nil).		
<b>(d) Commitments to/from related parties</b>		
Under the Management Services Agreement with Dandenong Market Pty Ltd (DMPL) an extension has been exercised up to 30 June 2022.		
A commitment for rent of the Market premises is as follows*	1,080	–
	<b>1,080</b>	<b>–</b>

\*In response to the COVID-19 pandemic, Council waived the requirement for DMPL to pay a return to Council in the 2019–20 and 2020–21 financial years. This has allowed the provision of support to Market traders in the form of rent relief.



## Note 8 Managing uncertainties

### 8.1 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

#### (a) Contingent assets

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>Operating lease receivables</b>		
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	1,653	1,938
Later than one year and not later than five years	1,276	2,238
Later than five years	233	234
	<b>3,162</b>	<b>4,410</b>

#### 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 not paid any unfunded liability payments to Vision Super during the 2020–21 year (2019–20: \$nil). At 30 June 2021 there were no outstanding contributions (\$1,000 as at 30 June 2020) and there were no loans issued from or to the above schemes.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2021 are \$346,000 (\$375,000 as at 30 June 2020).

##### 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 \$14.2 million.

## 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.

## Legal actions

Council is presently involved in a number of confidential legal matters, which are being conducted through Council's solicitors. The estimated potential financial effect of these matters may be up to \$1.46 million (\$1.56 million as at 30 June 2020).

## MAV Workcare

In November 2017, the Victorian WorkCover Authority (the Authority) granted the Municipal Association of Victoria (MAV) a three-year self-insurance licence allowing it to provide workers' compensation insurance to Victorian councils. When the MAV WorkCare Scheme commenced, there were 31 inaugural members, including the MAV.

In accordance with the Authority's decision not to renew the MAV's self-insurance licence, the MAV WorkCare Scheme ceased operation on 30 June 2021. The MAV is continuing to support the orderly transition of claims management responsibilities to the Authority.

Council was a participant of the MAV WorkCare Scheme.

The MAV WorkCare Scheme participation agreement stated that each participant would remain liable to make further contributions to the Scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability would continue whether or not the participant remained a participant in future insurance years.

The net financial impact on Council as a result of the cessation of the MAV WorkCare Scheme for the 2020–21 financial year is yet to be determined. Any obligation is dependent upon the Authority's initial actuarial assessment of the tail claims liabilities of the MAV WorkCare Scheme.

In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, there is a six-year liability period following the cessation of the MAV WorkCare Scheme. During the liability period, adjustment payments may be required (or received) by Council. The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by the Authority.

## (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 2021, Council's maximum potential exposure is as follows:

Entities	Amount outstanding 30 June 2021 \$'000	Amount outstanding 30 June 2020 \$'000	Year loan commenced
Keysborough Bowls Club Inc.	81	96	18 May 2015
<b>Total Guarantees for loans to other entities</b>	<b>81</b>	<b>96</b>	

## Note 8.2 Change in accounting standards

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

### 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.

## 8.3 Financial instruments

### (a) Objectives and policies

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

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Council's exposures to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

### Interest rate risk

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

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. Particularly significant area of credit risk exists in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

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

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

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

Council may also be subject to credit risk for transactions which are not included in the Balance Sheet, such as when Council provides a guarantee for another party. Details of Council's contingent liabilities are disclosed in note 8.1.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Balance Sheet and notes to the financial statements. Council does not hold any collateral (in respect to non-rate debtors).

### (d) Liquidity risk

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

To help reduce these risks Council:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained.

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

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

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

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

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

#### **(e) Sensitivity disclosure analysis**

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of +1% and - 1% in market interest rates (AUD) from year-end rates of 0.06%.

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

### **8.4 Fair value measurement**

#### *Fair value hierarchy*

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

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

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price

regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

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

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

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

#### *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.

At balance date, one building asset was impaired to the extent of having one year of remaining useful life as they have been nominated for demolition in the 2021-22 Building Disposal program. The impairment of this asset has been firstly recognised in the Asset Revaluation Reserve to the extent of previous revaluation increments (\$105,000) and the remaining balance to the Income Statement as an impairment loss expense (\$89,000). Refer to notes 4.9, 6.2(c) and 9.1 for further details.

## 8.5 Events occurring after balance date

### COVID-19 pandemic

Since balance date, COVID-19 continues to have an impact on the City of Greater Dandenong, particularly with lockdown 5 and 6 in Victoria. This has impacted Council services and facilities, with several of Council services requiring closure including Council's libraries, leisure centres, community centres and The Drum Theatre. Essential services including kerbside waste collection, services for older and vulnerable residents and our critical Maternal and Child Health visits continued to be provided.

At this stage, it is not possible to estimate what affect this will have on the Council's financial performance during 2021–22. Council will continue to monitor the impacts during 2021–22 and will actively manage its budgets to ensure the financial outcomes to Council remain in alignment with Council budgets.

## 8.6 Adjustments directly to equity

There were no adjustments to opening equity balances in the 2020–21 financial year.

In 2019–20 Council adopted new Accounting Standards (AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities) from 1 July 2019, which resulted in changes in accounting policies and adjustments to the opening equity balances in the financial statements.

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>Assets</b>		
Right-of-use assets	–	1,431
	–	1,431
<b>Liabilities</b>		
Accrued expenditure	–	1,810
Unearned income – operating grants	–	(1,840)
Unearned income – capital grants	–	(2,062)
Unearned income – DCP	–	(27,718)
DCP trust funds	–	26,635
Lease liability – current	–	(542)
Lease liability – non-current	–	(889)
	–	(4,606)
Adjustment to Retained earnings at beginning of financial year	–	(3,175)

### Incorporation of new wholly owned company

Greater Dandenong City Council (Council) currently operates four major aquatic and leisure centres in the City of Greater Dandenong (CGD):

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

Council resolved in February 2021 to create a wholly owned company, South East Leisure Services Pty Ltd, to operate the four centres from 1 July 2022. South East Leisure Pty Ltd was established on 7 July 2021 where the following 12 months will be dedicated to start-up, planning and preparation to assume the management and operations of the four centres.

Note 9 Other matters

9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Reversal of previous revaluations for assets disposed \$'000	Impairment loss (credited against previous increments)/ reversal \$'000	Balance at end of reporting period \$'000
<b>(a) Asset revaluation reserves</b>					
<b>2021</b>					
<b>Property</b>					
Land	807,860	239,016	(828)	–	1,046,048
Buildings	42,442	–	(48)	(105)	42,289
	850,302	239,016	(876)	(105)	1,088,337
<b>Infrastructure</b>					
Roads	196,658	–	–	–	196,658
Bridges	20,324	–	–	–	20,324
Footpaths and cycleways	15,289	3,746	–	–	19,035
Drainage	183,446	–	–	–	183,446
Off street car parks	3,804	–	–	–	3,804
	419,521	3,746	–	–	423,267
<b>Total asset revaluation reserves</b>	<b>1,269,823</b>	<b>242,762</b>	<b>(876)</b>	<b>(105)</b>	<b>1,511,604</b>
<b>2020</b>					
<b>Property</b>					
Land	797,514	10,364	(18)	–	807,860
Buildings	24,772	18,788	(375)	(743)	42,442
	822,286	29,152	(393)	(743)	850,302
<b>Infrastructure</b>					
Roads	196,658	–	–	–	196,658
Bridges	20,324	–	–	–	20,324
Footpaths and cycleways	15,289	–	–	–	15,289
Drainage	183,446	–	–	–	183,446
Off street car parks	3,804	–	–	–	3,804
	419,521	–	–	–	419,521
<b>Total asset revaluation reserves</b>	<b>1,241,807</b>	<b>29,152</b>	<b>(393)</b>	<b>(743)</b>	<b>1,269,823</b>

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



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	Balance at beginning of reporting period	Transfer to accumulated surplus	Transfer from accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>9.1 Reserves (continued)</b>				
<b>(b) Other reserves</b>				
<b>2021</b>				
Insurance reserve	999	(93)	–	906
Re-vegetation reserves	406	(63)	–	343
Open space – planning, development and improvements	9,709	(7,829)	2,506	4,386
Open space – acquisitions	6,000	(6,545)	6,545	6,000
Keysborough South maintenance levy	1,721	(1,373)	1,599	1,947
Major projects reserve	26,250	–	1,108	27,358
General reserve	334	–	768	1,102
Council funded development contributions reserve	19,430	(490)	706	19,646
Spring Valley landfill rehabilitation	890	(595)	1,263	1,558
Springvale Activity Precinct – parking and development	235	–	–	235
Dandenong Activity Precinct – parking and development	1,148	(621)	1,000	1,527
Future maintenance reserve	214	(8)	–	206
<b>Total other reserves</b>	<b>67,336</b>	<b>(17,617)</b>	<b>15,495</b>	<b>65,214</b>
<b>2020</b>				
Insurance reserve	987	(72)	84	999
Re-vegetation reserves	272	(123)	257	406
Open space – planning, development and improvements	9,170	(2,327)	2,866	9,709
Open space – acquisitions	5,918	(1,658)	1,740	6,000
Keysborough South maintenance levy	1,613	(1,442)	1,550	1,721
Major projects reserve	38,810	(13,537)	977	26,250
General reserve	840	(506)	–	334
Council funded development contributions reserve	15,703	(343)	4,070	19,430
Spring Valley landfill rehabilitation	924	(34)	–	890
Springvale Activity Precinct – parking and development	235	–	–	235
Dandenong Activity Precinct – parking and development	382	(234)	1,000	1,148
Local Government Funding Vehicle	4,900	(4,900)	–	–
Future maintenance reserve	–	–	214	214
Grants in advance reserve	1,220	(1,220)	–	–
Keysborough South Community Infrastructure Levies	1,540	(1,540)	–	–
<b>Total other reserves</b>	<b>82,514</b>	<b>(27,936)</b>	<b>12,758</b>	<b>67,336</b>

## 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.



**(b) Other reserves (continued)**

Open space – planning, development and improvements

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

Open space – acquisitions

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

Keysborough South maintenance levy

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

Major projects reserve

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

General reserve

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

Council funded development contributions reserve

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

Spring Valley landfill rehabilitation reserve

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

Springvale Activity Precinct – parking and development reserve

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

Dandenong Activity Precinct – parking and development reserve

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

Local Government Funding Vehicle

The purpose of this reserve was 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.

Future maintenance reserve

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

Grants in advance reserve

This reserve holds funds from capital grants received in advance of the project works. Discontinued in 2019–20.

Keysborough South Community Infrastructure Levies

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

**(c) Total reserves summary**

	Note	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Asset revaluation reserve	9.1(a)	1,511,604	1,269,823
Other reserves	9.1(b)	65,214	67,336
<b>Total reserves</b>		<b>1,576,818</b>	<b>1,337,159</b>

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## 9.2 Reconciliation of cash flows from operating activities to surplus

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<b>Surplus for the year</b>	<b>16,564</b>	<b>16,478</b>
Depreciation	32,495	31,259
Amortisation intangible assets	97	77
Amortisation right-of-use assets	597	562
Impairment loss	89	–
Gain on disposal of property, infrastructure, plant and equipment	(368)	(583)
Fair value adjustments expense	954	383
Contributions of non-monetary assets	(4,634)	(8,043)
Works in progress unable to be capitalised (expensed)	3,708	3,891
Assets written-off	1,992	4,053
Borrowing costs	2,924	3,041
Finance cost – leases	23	34
<b>Change in assets and liabilities</b>		
Increase in trade and other receivables	(1,618)	(1,860)
Decrease in trust funds and deposits	(2,141)	(553)
Increase in other assets	(377)	(89)
Increase in trade and other payables	22,531	4,650
Increase in provisions	3,059	1,953
<b>Net cash provided by operating activities</b>	<b>75,895</b>	<b>55,253</b>

### 9.3 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 Comprehensive Income Statement when they are made or due.

#### *Accumulation*

The Fund's accumulation categories 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 2021, this was 9.5% required under Superannuation Guarantee legislation).

#### *Defined Benefit*

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

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

#### *Funding arrangements*

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

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

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

As at 30 June 2021, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category.

Vision Super has advised that the estimated VBI at quarter end 30 June 2021 was 109.7%.

Vision Super has advised that the VBI at 30 June 2021 was 109.7%. The financial assumptions used to calculate this VBI were:

- Net investment returns 4.8% pa
- Salary information 2.75% pa
- Price inflation (CPI) 2.25% pa

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2020 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

#### **Employer contributions**

##### *Regular contributions*

On the basis of the results of the 2020 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2021, this rate was 9.5% of members' salaries (9.5% in 2019–20). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation.

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including 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.

## 9.3 Superannuation (continued)

### The 2020 triennial actuarial investigation surplus amounts

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

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2020.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2020.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2020.

The Council was notified of the 30 June 2020 VBI during August 2020 (2019: in August 2019)

### The 2021 interim actuarial investigation

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

#### Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2021 are detailed below:

Scheme	Type of scheme	Rate	Consolidated 2021 \$'000	Consolidated 2020 \$'000
			Vision Super	Defined benefits
Vision Super	Accumulation	9.50%	3,389	3,316
Other funds	Accumulation	9.50%	2,573	2,174

There were no payments made to Vision Super unfunded liability during 2020–21 (2019–20 – \$nil).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2021.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 is \$346,000.

## Note 10 Change in accounting policy

### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020–21 for the Local Government Sector)**

This Standard addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. Council has assessed that this Standard has not resulted in changes in accounting policies or adjustments to the amounts recognised in the financial statements.

### **AASB 2018–7 Amendments to Australian Accounting Standards – Definition of Material (applies 2020–21 for the Local Government Sector)**

The Standard principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The introduction of this Standard has not resulted in a change in Council's accounting policy or adjustments to be recognised in the financial statements.

### **AASB 2019–1 Amendments to Australian Accounting Standards – References to the Conceptual Framework (applies 2020–21 for the Local Government Sector)**

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The application of the Conceptual Framework is at present limited to:

- (a) for-profit private sector entities that have public accountability and are required by legislation to comply with Australian Accounting Standards; and
- (b) other for-profit entities that voluntarily elect to apply the Conceptual Framework, which would permit compliance with Australian Accounting Standards (Tier 1) and International Financial Reporting Standards (IFRS Standards).

The introduction of this Standard has not resulted in a change in Council's accounting policy or adjustments to be recognised in the financial statements.