



Springvale Community Hub



**Annual
Financial
Report**

Annual Financial Report

For the year ended 30 June 2022

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Annual Financial Report

For the year ended 30 June 2022

Certification of the Financial Statements

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



Kirsten Geri CA
Principal Accounting Officer
Date: 12 September 2022

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 2022 and the consolidated financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify the financial statements in their final form.



Jim Memeti
Mayor
Date: 12 September 2022



Rhonda Garad
Councillor
Date: 12 September 2022



John Bennie PSM
Chief Executive Officer
Date: 12 September 2022

Independent Auditor's Report

To the Councillors of Greater Dandenong City Council

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

- consolidated balance sheet as at 30 June 2022
- consolidated comprehensive income statement for the year then ended
- consolidated statement of changes in equity for the year then ended
- consolidated statement of cash flows for the year then ended
- consolidated statement of capital works for the year then ended
- notes to the financial statements, including significant accounting policies
- certification of the financial statements.

In my opinion the financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2022 and the consolidated entity's financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 4 of the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020* and applicable Australian Accounting Standards.

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

My independence is established by the *Constitution Act 1975*. My staff and I are independent of the council and the consolidated entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Councillors' responsibilities for the financial report The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the council's and the consolidation entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Annual Financial Report

For the year ended 30 June 2022

Auditor's responsibilities for the audit of the financial report

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

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

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

Auditor's responsibilities for the audit of the financial report (continued) I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
16 September 2022



Travis Derricott
as delegate for the Auditor-General of Victoria



Heritage Hill

Comprehensive Income Statement

For the year ended 30 June 2022

	Note	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Income			
Rates and charges	3.1	156,711	152,228
Statutory fees and fines	3.2	7,633	7,131
User fees	3.3	6,812	5,698
Grants – operating	3.4	40,225	40,056
Grants – capital	3.4	13,919	6,466
Contributions – monetary	3.5	8,069	3,317
Contributions – non-monetary	3.5	3,685	4,634
Net gain on disposal of property, infrastructure, plant and equipment	3.6	482	368
Other income	3.7	11,947	10,493
Total income		249,483	230,391
Expenses			
Employee costs	4.1	(86,252)	(84,572)
Materials and services	4.2	(85,892)	(81,716)
Depreciation	4.3	(32,416)	(32,495)
Amortisation – intangible assets	4.4	(103)	(97)
Amortisation – right-of-use assets	4.5	(664)	(597)
Bad and doubtful debts	4.6	(1,487)	(1,129)
Borrowing costs	4.7	(2,803)	(2,924)
Finance costs – leases	4.8	(30)	(23)
Fair value adjustments for investment property	6.4	(99)	(954)
Other expenses	4.9	(5,802)	(9,320)
Total expenses		(215,548)	(213,827)
Surplus for the year		33,935	16,564
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation (decrement) increment	9.1(a)	(39,021)	242,762
Impairment (loss) reversal of previous revaluation	9.1(a)	–	(105)
Total other comprehensive income		(39,021)	242,657
Total comprehensive result		(5,086)	259,221

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

Annual Financial Report

For the year ended 30 June 2022

Balance Sheet

As at 30 June 2022

	Note	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1(a)	33,343	179,021
Trade and other receivables	5.1(c)	30,180	26,667
Other financial assets	5.1(b)	150,504	–
Inventories	5.2(a)	19	–
Other assets	5.2(b)	7,907	4,938
Total current assets		221,953	210,626
Non-current assets			
Trade and other receivables	5.1(c)	281	295
Property, infrastructure, plant and equipment	6.2	2,431,765	2,446,793
Investment property	6.4	6,336	10,860
Right-of-use assets	5.8	1,846	563
Intangible assets	5.2(c)	195	202
Total non-current assets		2,440,423	2,458,713
Total assets		2,662,376	2,669,339
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	24,629	19,349
Trust funds and deposits	5.3(b)	4,980	4,847
Unearned income/revenue	5.3(c)	55,822	60,408
Provisions	5.5(c)	21,864	22,528
Interest-bearing liabilities	5.4	3,484	3,372
Lease liabilities	5.8	524	415
Total current liabilities		111,303	110,919
Non-current liabilities			
Trust funds and deposits	5.3(b)	2,409	2,035
Provisions	5.5(c)	1,120	1,434
Interest-bearing liabilities	5.4	49,779	53,264
Lease liabilities	5.8	1,324	160
Total non-current liabilities		54,632	56,893
Total liabilities		165,935	167,812
Net assets		2,496,441	2,501,527
Equity			
Accumulated surplus		955,457	924,709
Reserves	9.1(c)	1,540,984	1,576,818
Total equity		2,496,441	2,501,527

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

Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Consolidated			Other Reserves \$'000
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	
2022					
Balance at beginning of the financial year		2,501,527	924,709	1,511,604	65,214
Surplus for the year		33,935	33,935	–	–
Net asset revaluation decrement	9.1(a)	(39,021)	–	(39,021)	–
Transfers to other reserves	9.1(b)	–	(22,197)	–	22,197
Transfers from other reserves	9.1(b)	–	19,010	–	(19,010)
Balance at end of the financial year		2,496,441	955,457	1,472,583	68,401
2021					
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)
Balance at end of the financial year		2,501,527	924,709	1,511,604	65,214

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

Annual Financial Report

For the year ended 30 June 2022

Statement of Cash Flows

For the year ended 30 June 2022

	Note	Consolidated 2022 Inflows/ (Outflows) \$'000	Consolidated 2021 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		154,253	150,602
Statutory fees and fines		5,795	5,741
User fees		6,600	4,415
Grants – operating		43,187	41,676
Grants – capital		4,483	15,879
Contributions – monetary		9,065	14,397
Interest received		358	676
Trust funds and deposits taken		31,586	28,379
Other receipts		13,389	10,768
Net GST refund		10,462	10,601
Employee costs		(86,710)	(81,217)
Materials and services		(98,870)	(88,360)
Short-term, low value and variable lease payment		(730)	(613)
Trust funds and deposits repaid		(30,651)	(30,437)
Other payments		(4,849)	(6,612)
Net cash provided by operating activities	9.2	57,368	75,895
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(46,205)	(49,311)
Proceeds from sale of property, infrastructure, plant and equipment		551	1,495
Proceeds from sale of investments		–	2,000
Payments for investments		(150,504)	–
Net cash used in investing activities		(196,158)	(45,816)
Cash flows from financing activities			
Finance costs		(2,815)	(2,945)
Repayment of borrowings		(3,373)	(3,255)
Interest paid – lease liabilities		(26)	(25)
Repayment of lease liabilities		(674)	(600)
Net cash (used in) provided by financing activities		(6,888)	(6,825)
Net (decrease) increase in cash and cash equivalents		(145,678)	23,254
Cash and cash equivalents at the beginning of the financial year		179,021	155,767
Cash and cash equivalents at the end of the financial year	5.1(a)	33,343	179,021
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 2022

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Property		
Land	6,155	7,592
Total land	6,155	7,592
Buildings	14,573	12,317
Leasehold improvements	528	171
Total buildings	15,101	12,488
Total property	21,256	20,080
Plant and equipment		
Plant, machinery and equipment	1,313	1,215
Fixtures, fittings and furniture	186	182
Computers and telecommunications	80	375
Library books	761	695
Total plant and equipment	2,340	2,467
Infrastructure		
Roads	10,983	7,958
Bridges	60	10
Footpaths and cycleways	1,586	1,027
Drainage	1,574	1,045
Recreational, leisure and community facilities	3,300	3,675
Parks, open space and streetscapes	10,741	9,170
Off street car parks	122	1,486
Total infrastructure	28,366	24,371
Sub-total capital works expenditure (Property, infrastructure, plant and equipment)	51,962	46,918
Investment property	5	–
Intangibles – software	80	175
Total capital works expenditure (This includes Property, infrastructure, plant and equipment, Investment property and Intangibles)	52,047	47,093
Represented by:		
New asset expenditure	12,176	16,919
Asset renewal expenditure	16,509	14,899
Asset upgrade expenditure	19,209	14,446
Asset expansion expenditure	4,153	829
Total capital works expenditure	52,047	47,093

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

Annual Financial Report

For the year ended 30 June 2022

Notes to the Financial Report

Note 1 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 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

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

Significant accounting policies

(a) Basis of accounting

These consolidated financial statements for the year ended 30 June 2022 comprise the results of operations for both Council and its wholly owned subsidiaries, namely the Dandenong Market Pty Ltd and South East Leisure Pty Ltd.

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other

factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings and infrastructure (refer to note 6.2 and 8.4).
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 6.2).
- the determination of employee provisions (refer to note 5.5(a)).
- the determination of landfill provisions (refer to note 5.5(b)).
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities (refer to note 3).
- the determination, in accordance with AASB 16 Leases, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to note 5.8).
- whether or not AASB 1059 Service Concession Arrangements: Grantors is applicable
- other areas requiring judgements.

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

(b) Impact of COVID-19

During 2021-22 the COVID-19 pandemic continued to impact on Council's operations. Council has noted the following significant impacts on its financial operations:

Revenue reductions

Council experienced COVID-19 impacted revenue reductions of approximately \$5.91 million from pre-COVID budget levels in the following areas (comments also included regarding adjustments included in the 2021-22 Original Budget):

- Parking related income (\$2.47 million) which includes parking fines and recoveries net of costs, parking ticket meters and car park permits and machines. A reduction of \$1.86 million was included in the 2021-22 Original Budget.
- Interest income of \$1.45 million (due to low interest rates). A reduction of \$1.31 million was included in the 2021-22 Original Budget. Interest on investment income has been one of Council's largest areas of COVID-19 financial impact, however, this is expected to improve with the recent interest rate rise trend in Australia.
- Statutory and user fees and fines of \$1.09 million across a number of areas most notably fine income (including health, littering, animals and local law infringements) combined with building permits, planning applications and health registrations. A reduction of \$59,000 was included in the 2021-22 Original Budget.
- Drum Theatre net result of \$599,000 due to required closures in lockdown periods, restrictions on event sizes and social distancing. This was also not anticipated at the time of preparing the 2021-22 Original Budget (minor reduction of \$77,000 was included).
- Community Care net program result of \$294,000 due to COVID-19 impacting on Council's ability to provide Home and Community Care services and target achievement. This was not anticipated at the time of preparing the 2021-22 Original Budget resulting in an unfavourable variance to the Original Budget of \$351,000.

Revenue foregone

Council introduced a series of measures in 2019-20, 2020-21 and 2021-22 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 2021-22:

- Dandenong Market (DMPL): In response to the COVID-19 pandemic, Council again waived the requirement for DMPL to pay a return to Council in 2021-22. This has allowed DMPL to provide support to Market traders in the form of rent relief and fee abatements which has resulted in \$1.03 million of foregone consolidated revenue in 2021-22.
- Commercial and community facility rental waivers and rebates (\$386,000). Over the past three years, Council has waived rents for many of Council's commercial leaseholders and for those that continued to trade during COVID-19 lockdowns, 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. This was not anticipated at the time of preparing the 2021-22 Original Budget with only a minor reduction of \$65,000 being included.
- Council also waived penalty interest on outstanding rates balances for the period 1 July 2021 to 31 December 2021 (\$200,000).

Additional revenue

Council has continued to receive some operating and capital grant income in 2021-22 due to COVID-19 initiatives and stimulus funding, however this is to a much lesser extent than in the previous financial year. Examples of specific COVID-19 operating grants include Local Partnership Program (\$620,000), COVID-Safe Outdoor Activation \$575,000 and COVID Relief Program and Community Liaison Officer (\$240,000). Additionally, whilst most of the capital grant funding was received during the prior financial year (2020-21), Council was able to be recognise the income in the 2021-22 Income Statement to the extent of \$13.9 million in satisfied obligations for grant funded projects (ie. as the project expenditure is incurred). The more significant grants include \$3.38 million for the Local Roads Community Infrastructure program (phases one to three), \$2.05 million for Noble Park Aquatic Centre gym redevelopment and \$1.51 million for Roads to Recovery. Therefore, unearned capital grants in the Balance Sheet has decreased by \$7.57 million since the prior financial year (refer note 5.3(c) for further details).

Annual Financial Report

For the year ended 30 June 2022

Note 1 Overview (continued)

(b) Impact of COVID-19 (continued)

Additional costs

The operation of Council's leisure and aquatic facilities during 2021-22 cost Council \$981,000 more than pre-COVID budget levels (adjusted in the 2021-22 Original Budget).

Council will continue to monitor COVID-19 impacts during 2022-23 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

Council's land and buildings were subject to a formal revaluation as at 1 January 2022 by independent valuers, Patel Dore Valuers Pty Ltd. The revaluation at 1 January 2022 resulted in an \$82.91 million decrease in Council's land value and an increase in the valuation of buildings of \$2.45 million. Refer to note 6.2(h) for further details. There is no indication that these valuations have been impacted materially by COVID-19 or any other factor at 30 June 2022.

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 2022 update of the Rawlinsons Australian Construction Handbook.

The drainage and bridges asset classes were revalued during 2021-22 resulting in increments of \$40.52 million (15%) and \$5.82 million (13%) respectively. Refer to note 6.2(h) for further details.

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, however, there is no objective evidence to indicate the current valuations recognised have moved materially at 30 June 2022.

Investments in associates, joint arrangements and subsidiaries

Dandenong Market Pty Ltd (DMPL)

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 waived the requirement for DMPL to pay a return to Council in the 2020-21 and 2021-22 financial years. This has allowed the provision of support to Market traders in the form of rent relief. Council is not expecting a return from the Dandenong Market in 2022-23. This will allow the Market to re-establish its business in the current environment.

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.

South East Leisure (SEL)

South East Leisure is a 100% owned subsidiary of Council and the financial result and position of SEL is included in Council's consolidated accounts (refer note 6.3). Council has prepaid \$1.21 million of the 2022-23 Management Services fee to SEL at 30 June 2022 to assist with start up cash flow and operations commencing from 1 July 2022.

2.1 Performance against budget

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of greater than 10 per cent and greater than \$1 million or where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 28 June 2021. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

Annual Financial Report

For the year ended 30 June 2022

2.1.1 Income and expenditure

	Consolidated Actual 2022 \$'000	Council Actual 2022 \$'000 <i>(note 6.3)</i>	Council Budget 2022 \$'000	Council Variance \$'000 <i>Fav (Unfav)</i>	Council Variance % <i>Fav (Unfav)</i>	Note 2.1.1 Ref
Income						
Rates and charges	156,711	156,813	156,253	560	0.4%	
Statutory fees and fines	7,633	7,633	8,227	(594)	(7.2%)	
User fees	6,812	6,812	7,972	(1,160)	(14.6%)	(a)
Grants – operating	40,225	40,225	30,551	9,674	31.7%	(b)
Grants – capital	13,919	13,919	9,996	3,923	39.2%	(c)
Contributions – monetary	8,069	8,069	4,935	3,134	63.5%	(d)
Contributions – non-monetary	3,685	3,685	10,000	(6,315)	(63.2%)	(e)
Net gain on disposal of property, infrastructure, plant and equipment	482	482	403	79	19.6%	
Other income	11,947	7,132	7,125	7	0.1%	
Total income	249,483	244,770	235,462	9,308	4.0%	
Expenses						
Employee costs	(86,252)	(84,628)	(86,802)	2,174	2.5%	(f)
Materials and services	(85,892)	(81,850)	(74,566)	(7,284)	(9.8%)	(g)
Depreciation	(32,416)	(32,395)	(33,277)	882	2.7%	
Amortisation – intangible assets	(103)	(102)	(60)	(42)	(70.0%)	
Amortisation – right-of-use assets	(664)	(664)	(604)	(60)	(9.9%)	
Bad and doubtful debts	(1,487)	(1,480)	(1,568)	88	5.6%	
Borrowing costs	(2,803)	(2,803)	(2,802)	(1)	(0.0%)	
Finance costs – leases	(30)	(30)	(22)	(8)	(36.4%)	
Fair value adjustments for investment property	(99)	(99)	–	(99)	(100.0%)	(h)
Other expenses	(5,802)	(7,113)	(4,356)	(2,757)	(63.3%)	(i)
Total expenses	(215,548)	(211,164)	(204,057)	(7,107)	(3.5%)	
Surplus for the year	33,935	33,606	31,405	2,201	7.0%	

2.1.1 Income and expenditure (continued)

Explanation of material variations

Ref	Item	Explanation
(a)	User fees	<p>User fee income was \$1.16 million lower than the Budget due to:</p> <ul style="list-style-type: none"> – lower car park ticket machine and parking meter income (\$766,000) due to reduced business activity as a result of COVID-19. – lower than anticipated income from Building permits and Drum Theatre box office and reception (\$420,000) mostly due to COVID-19 impacts.
(b)	Grants – operating	<p>Operating grant income was \$9.67 million higher than the Budget due to:</p> <ul style="list-style-type: none"> – the early distribution of 75% (usually 50%) of Council's 2022-23 Financial Assistance grant allocation via the Victorian Local Government Grants Commission (VLGGC) (\$3.04 million). – higher than anticipated Family Day Care grant income due to increased service delivery during COVID-19 (\$2.64 million). – unbudgeted grant income for various projects which were advised after the adoption of Council's Budget including Local Partnerships (\$620,000), COVID-Safe Outdoor Activation (\$575,000), Child First (\$393,000), Pathways to Economic Participation (\$350,000), New Directions – Mothers and Babies (\$343,000), COVID Emergency Management (\$300,000), Empowering Communities (\$280,000), Maternal and Child Health additional support (\$185,000), Refugee Immunisation (\$179,000), Outreach Support for Culturally and Linguistically Diverse Communities (\$171,000), Let's Read (\$170,000), Recycling (\$167,000), COVID Vaccine Case Management (\$150,000), Precinct Energy Plant building – Creative Activation (\$150,000) and Drug Strategy (\$139,000). <p>These favourable variances were partly offset by \$1.13 million lower than anticipated Home and Community Care grant funding recognised based on target achievement, restricted due to COVID-19.</p>
(c)	Grants – capital	<p>Capital grant income was \$3.92 million favourable to the Budget due mainly to a grant carried over from the previous financial year (Noble Park Aquatic Centre gymnasium redevelopment \$1.75 million) and funding advised after the adoption of Council's budget (Black Spot Works Program \$1.11 million and Springvale Road Boulevard \$900,000).</p>

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2.1.1 Income and expenditure (continued)

Explanation of material variations

Ref	Item	Explanation
(d)	Contributions – monetary	<p>Monetary contributions were \$3.13 million favourable to the Budget due to:</p> <ul style="list-style-type: none">– unbudgeted contribution income received for future maintenance responsibilities relating to assets transferred to Council as part of the Level Crossing Removal Authority project (\$4.68 million). This has been transferred to reserves and will offset required maintenance costs over the next ten years.– better than anticipated Public Open Space contributions which are transferred to reserves (\$1.06 million). <p>These favourable variances were partially offset by an unfavourable variance due to the delay in the Keysborough South Community Hub major project which was deferred to 2022-23 and adjusted in the Mid-Year Budget (\$2.91 million).</p>
(e)	Contributions – non-monetary	<p>These contributions represent assets that are transferred to Council's ownership from developers upon completion of subdivisions. Refer to note 6.2(a) for further details about contributed assets. In 2021-22, 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>
(f)	Employee costs	<p>Employee costs were \$2.18 million favourable to the Budget due to various reasons including \$1.51 million lower annual leave and long service leave expense as a result of the higher interest rates at 30 June 2022 which result in a greater discount of the year end employee entitlement provisions, a delay in recruitment of vacant positions across Council partly offset by a required MAV WorkCare Scheme contribution (\$1.26 million).</p>
(g)	Materials and services	<p>The unfavourable variance of \$7.28 million is attributable to \$6.08 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 (\$3.49 million relating to current year capital expenditure and \$2.59 million relating to prior year capital expenditure in work in progress). Additionally, Family Day Care contract services expenditure was higher than the Budget as a result of an increased program in 2021-22 (\$2.67 million).</p>
(h)	Fair value adjustments for investment property	<p>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.</p>

2.1.1 Income and expenditure (continued)

Explanation of material variations

Ref	Item	Explanation
(i)	Other expenses	The unfavourable variance of \$2.76 million to the Budget is mainly due to Council's contribution to the establishment of its new wholly-owned entity, South East Leisure which was budgeted in Materials and Services (\$1.68 million) combined with \$991,000 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.

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2.1.2 Capital works

	Consolidated Actual 2022 \$'000	Council Actual 2022 \$'000	Council Budget 2022 \$'000	Council Variance \$'000 <i>Fav (Unfav)</i>	Council Variance % <i>Fav (Unfav)</i>	Note 2.1.2 Ref
Property						
Land	6,155	6,155	–	(6,155)	(100.00%)	(a)
Total land	6,155	6,155	–	(6,155)	(100.00%)	
Buildings	14,573	14,573	34,448	19,875	57.70%	(b)
Leasehold improvements	528	528	350	(178)	(50.86%)	
Total buildings	15,101	15,101	34,798	19,697	56.60%	
Total property	21,256	21,256	34,798	13,542	38.92%	
Plant and equipment						
Plant, machinery and equipment	1,313	1,250	2,837	1,587	55.94%	(c)
Fixtures, fittings and furniture	186	78	80	2	2.50%	
Computers and telecommunications	80	52	500	448	89.60%	
Library books	761	761	878	117	13.33%	
Total plant and equipment	2,340	2,141	4,295	2,154	50.15%	
Infrastructure						
Roads	10,983	10,983	8,961	(2,022)	(22.56%)	(d)
Bridges	60	60	100	40	40.00%	
Footpaths and cycleways	1,586	1,586	2,130	544	25.54%	
Drainage	1,574	1,574	2,400	826	34.42%	
Recreational, leisure and community facilities	3,300	3,300	3,295	(5)	(0.15%)	
Parks, open space and streetscapes	10,741	10,741	7,277	(3,464)	(47.60%)	(e)
Off street car parks	122	122	106	(16)	(15.09%)	
Total infrastructure	28,366	28,366	24,269	(4,097)	(16.88%)	
Sub-total	51,962	51,763	63,362	11,599	18.31%	
<i>(Property, infrastructure, plant and equipment)</i>						
Investment property	5	5	–	(5)	(100.00%)	
Intangibles	80	–	–	–	0.00%	
Total capital works expenditure	52,047	51,768	63,362	11,594	18.30%	
<i>(Property, infrastructure, plant & equip, Investment property & Intangibles)</i>						
Represented by:						
New asset expenditure	12,176	11,897	15,451	3,554	23.00%	(f)
Asset renewal expenditure	16,509	16,509	19,984	3,475	17.39%	(g)
Asset upgrade expenditure	19,209	19,209	23,727	4,518	19.04%	(h)
Asset expansion expenditure	4,153	4,153	4,200	47	1.12%	
Total capital works expenditure	52,047	51,768	63,362	11,594	18.30%	

2.1.2 Capital works (continued)

Explanation of material variations

Ref	Item	Explanation
(a)	Land	Acquisitions of land were unfavourable by \$6.16 million due to four land acquisitions that were not forecast at the time of adopting the Budget. Two land acquisitions were purchased to increase open space in the municipality (funded from the Open Space Acquisitions reserve), one land site was purchased for strategic purposes and the fourth site was purchased to support a philanthropic social housing initiative (funded from the Major Projects Reserve).
(b)	Buildings	Capital expenditure on buildings was lower than the Budget by \$19.88 million due to the deferral of \$10.13 million of capital expenditure for the Keysborough South Community Hub major project to 2022-23 (which was adjusted in the Mid-Year Budget) combined with a delay in the following projects which will be carried over to 2022-23: <ul style="list-style-type: none"> – Ross Reserve Pavilion (\$3.23 million). – Thomas Carroll Pavilion (\$2.11 million). – Dandenong Oasis replacement design (\$1.83 million). – Balmoral Car Park (\$826,000).
(c)	Plant, machinery and equipment	The favourable variance of \$1.59 million to the Budget is due to the COVID-19 impact on the manufacturing and supply of automotive plant and equipment in the fleet renewal program. There were a number of fleet items on order that have been delayed to 2022-23. 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. This favourable variance will be carried over to 2022-23 to fund the delayed purchases.
(d)	Roads	The unfavourable variance of \$2.02 million to the Budget is due to various factors including: <ul style="list-style-type: none"> – Abbotts Road project which was carried over from the previous financial year (\$1.76 million). Carry overs are not included in the Budget. – Black Spot works program which is grant funded and not known at the time of adopting the 2021-22 Budget (\$1.23 million). Partly offset by \$675,000 of the Road Resurfacing 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.

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2.1.2 Capital works (continued)

Explanation of material variations

Ref	Item	Explanation
(e)	Parks, open space and streetscapes	<p>Capital expenditure on parks, open space and streetscapes was \$3.46 million higher than the Budget due to a combination of factors including:</p> <ul style="list-style-type: none"> – Springvale Road Boulevard project which was carried over from the previous financial year (\$4.59 million unfavourable to the Budget). – a grant funded project relating to Tattersson Park Oval 1 lighting which was not known at the time of adopting the 2021-22 Budget (\$404,000). <p>Partly offset by a favourable variance of \$1.92 million due to a delay in the Noble Park Revitalisation, Ian Street and Frank Street streetscape projects. These projects will be carried over to the 2022-23 financial year.</p>
(f)	New asset expenditure	<p>New asset expenditure was \$3.55 million lower than anticipated in the Budget due to the deferral of \$10.13 million in capital expenditure budget for the Keysborough South Community Hub major project to 2022-23 (adjusted in the Mid-Year Budget), partly offset by four property acquisitions that were not forecast at the time of adopting the Budget (\$5.82 million, mostly funded from reserves). Refer to note 1.2.1 Land for further details.</p>
(g)	Asset renewal expenditure	<p>Asset renewal expenditure was \$3.48 million lower than anticipated in the Budget due to:</p> <ul style="list-style-type: none"> – A favourable variance of \$2.19 million across Council's asset renewal programs such roads, footpaths, kerb and channel, local area traffic management devices, buildings, open space, fencing, car parks, audio visual equipment, furniture, bridges, libraries, playgrounds, drainage and signage. This is due mainly to \$1.75 million being recorded in operating expenditure (instead of capital renewal expenditure) as the expenditure was either not capital in nature (for example, road patching works) or it was below the relevant capitalisation threshold of the asset class, combined with COVID-19 restrictions. – A delay in the Dandenong Oasis replacement project (\$1.83 million) and Colemans Road Reconstruction (Local Road and Community Infrastructure grant funded) project (\$638,000) which will be carried over to the 2022-23 financial year. – A favourable variance in the fleet renewal program of \$1.59 million detailed in note 2.1.2(c) Plant, machinery and equipment. <p>These favourable variances are partly offset by:</p> <ul style="list-style-type: none"> – The Springvale Road Boulevard project which was carried forward from the previous financial year (\$1.49 million). Carry overs are not included in the Budget. – \$1.23 million of capital works transferred from operating expenditure because it satisfied asset recognition criteria but was budgeted in operating expenditure in the Budget.

2.1.2 Capital works (continued)

Explanation of material variations

Ref	Item	Explanation
(h)	Asset upgrade expenditure	<p>Asset upgrade expenditure was \$4.52 million lower than anticipated in the Budget due to:</p> <ul style="list-style-type: none"> – delays in the Ross Reserve pavilion (\$3.23 million) and Thomas Carroll pavilion (\$2.51 million) projects, which will be carried over to the 2022-23 financial year. – delays in grant funded projects Callander Road drainage (\$1.15 million) and Noble Park Revitalisation streetscape projects at Ian Street (\$843,000) and Frank Street (\$471,000), Noble Park. These projects will also be carried over to the 2022-23 financial year. <p>Partly offset by projects carried over from the previous financial year – Springvale Road Boulevard (\$2.78 million) and Abbots Road widening (\$1.76 million). Carry overs are not included in the Budget.</p>

Note 2.2 Analysis of Council results by program

2.2.1 Council delivers its functions and activities through the following programs

Chief Executive Office (CEO)

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

Corporate Services

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

Business, Engineering and Major Projects

Greater Dandenong Business

Greater Dandenong Business is responsible for Council's major activity centres, economic development, investment attraction and future growth. Attracting investment and showcasing business are key roles in establishing Greater

Dandenong as a regional capital. The departments which make up Greater Dandenong Business include Economic Development, 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.

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2.2.1 Council delivers its functions and activities through the following programs (continued)

Non-attributable

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

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

	Income \$'000	Expenses \$'000	Surplus/ (Deficit) \$'000	Grants included in income \$'000	Total assets \$'000
2022					
CEO Services	–	(668)	(668)	–	–
Corporate Services	156,834	(28,708)	128,126	15,800	307,128
Business, Engineering & Major Projects	32,822	(93,946)	(61,124)	1,113	1,539,605
City Planning, Design & Amenity	14,723	(19,320)	(4,597)	801	113,537
Community Services	40,391	(65,925)	(25,534)	36,430	699,374
Non-attributable*	–	(2,597)	(2,597)	–	139
Council Total	244,770	(211,164)	33,606	54,144	2,659,783
Dandenong Market Pty Ltd	4,846	(4,870)	(24)	–	1,897
South East Leisure Pty Ltd	1,680	(1,327)	353	–	1,915
Consolidated elimination	(1,813)	1,813	–	–	(1,219)
Consolidated Total	249,483	(215,548)	33,935	54,144	2,662,376
2021					
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
Total for Council	226,525	(210,145)	16,380	46,522	2,667,550
Dandenong Market Pty Ltd	4,013	(3,829)	184	–	1,789
Consolidation elimination	(147)	147	–	–	–
Consolidated Total	230,391	(213,827)	16,564	46,522	2,669,339

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

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 2021-22 was \$50.10 billion (\$50.58 billion in 2020-21).

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Residential	58,613	57,332
Commercial	12,424	12,827
Industrial	57,848	55,716
Farm	478	433
Cultural and recreational	437	486
Waste management charge – residential	23,187	22,369
Supplementary rates and rates adjustment	1,472	984
Maintenance levy	1,647	1,599
Rate waivers*	–	(119)
Interest on rates and charges	605	601
Total rates and charges	156,711	152,228

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2021 and the valuation is first applied to the rating period commencing 1 July 2021.

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.

*Rate waivers relates to COVID-19 pandemic rate relief provided to residents receiving jobseeker or pensioners in 2020-21.

3.2 Statutory fees and fines

Infringements and costs	3,571	3,249
Court recoveries	1,260	1,237
Building and town planning fees	2,122	2,017
Subdivision	233	198
Land information certificates	136	106
Election fines	83	66
Permits	228	258
Total statutory fees and fines	7,633	7,131

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 note 1, section (b).

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	Consolidated 2022 \$'000	Consolidated 2021 \$'000
3.3 User fees		
Aged and health services	1,090	1,108
Child care/children's programs	1,565	717
Parking	1,632	1,446
Registration and other permits	1,624	1,570
Asset protection fees	444	398
Other fees and charges	457	459
Total user fees	6,812	5,698
User fees by timing of revenue recognition		
User fees recognised over time	313	262
User fees recognised at point in time	6,499	5,436
Total user fees	6,812	5,698

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.

Impact of COVID-19 on user fees are presented in note 1, section (b).

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	33,602	26,085
State funded grants	20,511	20,437
Other grant sources	31	–
Total grants received	54,144	46,522
a) Operating grants		
Recurrent – Commonwealth Government		
Financial Assistance Grants (via Victoria Local Government Grants Commission)*	15,107	12,238
Family Day Care	5,976	5,017
General Home Care	5,807	5,527
Family, Youth and Children Services	343	339
COVID Safety and Support	–	68
Libraries	170	170
Immunisation	10	14
Volunteer Services	18	18
	27,431	23,391

*Payments for Financial Assistance Grants received via the Victorian Local Government Grants Commission can vary year on year. Due to early distributions, 2020-21 reflects 100% of funding received (50% of 2020-21 and 50% of 2021-22) and the 2021-22 financial year reflects 125% of funding received (50% of 2021-22 and 75% of 2022-23).

**Prior year comparatives have been amended within the various service type categories to ensure consistent classification across both years – mainly to remove 'Community Wellbeing' as a service type and to separate 'Immunisation' out from 'Maternal and Child Health'. The totals of each grouping (recurrent/non-recurrent, Commonwealth/State) and the overall note amount has not changed.

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	Consolidated 2022 \$'000	Consolidated 2021 \$'000
a) Operating grants (continued)		
Recurrent – State Government		
		**
Aged Care	1,650	2,299
Maternal and Child Health	2,456	2,348
Family, Youth and Children Services	2,012	1,894
Libraries	1,126	1,109
Community Health	238	239
Immunisation	135	315
COVID Safety and Support	620	700
School Crossing Supervisors	441	441
Emergency Management	138	170
Education and Employment	350	124
Open Space and Environment	324	267
Volunteer Services	8	8
	9,498	9,914
Total recurrent operating grants	36,929	33,305
Non-recurrent – Commonwealth Government		
Family, Youth and Children Services	70	80
Libraries	72	–
COVID Safety and Support	20	–
Community Development	–	14
	162	94
Non-recurrent – State Government		
Working for Victoria	–	4,482
Community Development	55	787
Aged Care	107	59
Waste Management	167	154
Emergency Management	46	–
COVID Safety and Support	1,085	257
Family, Youth and Children Services	371	89
Maternal and Child Health	234	85
Community Health	207	35
Community Safety	280	–
Libraries	60	38
Transport and Access	27	38
Sports and Recreation	90	50
Open Space and Environment	80	223
Education and Employment	133	360
Arts and Culture	161	–
	3,103	6,657

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
a) Operating grants (continued)		
Non-recurrent – Other		
Community development	31	–
	31	–
Total non-recurrent operating grants	3,296	6,751
Total operating grants	40,225	40,056
<p>**Prior year comparatives (2020-21) have been amended within the various service type categories to ensure consistent classification across both years – mainly to remove 'Community Wellbeing' as a service type and to separate 'Immunisation' out from 'Maternal and Child Health'. The totals of each grouping (recurrent/non-recurrent, Commonwealth/State) and the overall note amount has not changed.</p>		

b) Capital grants		
Recurrent – Commonwealth Government		
Roads to Recovery	1,512	1,085
Non-recurrent – Commonwealth Government		
Local Roads Community Infrastructure Program	3,376	986
Black Spot Program	1,109	415
Sports and Recreation	12	114
	4,497	1,515
Non-recurrent – State Government		
Sports and recreation	5,688	2,859
Parks, Open Space and Streetscapes	1,737	155
Community Safety	186	–
Noble Park Revitalisation Program	183	87
Roads	–	17
Family, Youth and Children Services	–	33
Libraries	–	513
Footpaths and Cycleways	49	–
Community Facilities	67	202
	7,910	3,866
Total non-recurrent capital grants	12,407	5,381
Total capital grants	13,919	6,466

***Comparative figures for 2020-21 have been amended to reflect the correct classification of funding source from State to Federal for Black Spot Program. The service type categories have also been amended to ensure consistent classifications across both years. The total of the capital grants amount for the prior year has not changed.

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	Consolidated 2022 \$'000	Consolidated 2021 \$'000
3.4 Funding from other levels of government (continued)		
c) Unspent grants received on condition that they be spent in a specific manner		
<i>The unspent grant income disclosed below relate to contracts that do not have sufficiently specific performance obligations. The income for these contracts are recognised when Council obtains control of the contribution, which is normally upon receipt. For details of grant funding relating to unsatisfied performance obligations and transfers to construct a recognisable non-financial to be controlled by Council, please refer to note 5.3(c) for further details.</i>		
Operating		
Balance at start of the year	12,684	10,244
Received in prior years and spent during the financial year	(10,960)	(9,384)
Received during the financial year and remained unspent at balance date	14,725	11,824
Balance at end of the year*	16,449	12,684

*The large balance of unspent operating grants in the 2022 and 2021 years relates to the early distribution by the Victoria Local Government Grants Commission of 75% and 50% respectively of the Financial Assistance Grants funding for the following financial year (2022: \$9.15 million and 2021: \$6.35 million).

(d) Recognition of grant income

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

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

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

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

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
(d) Recognition of grant income (continued)		
Income recognised under AASB 1058 Income of Not-for-Profit Entities		
General purpose	15,107	12,238
Specific purpose grants to acquire non-financial assets	13,919	6,466
Other specific purpose grants	15,823	18,310
Revenue recognised under AASB 15 Revenue from Contracts with Customers		
Specific purpose grants	9,295	9,508
	54,144	46,522
3.5 Contributions		
Monetary		
Community contributions (for capital works)	47	4
Level Crossing Removal Maintenance	4,685	–
Other contributions	277	60
Total non-developer contributions	5,009	64
Open space contributions (for future capital works) (note 3.5(a))	3,060	2,506
Development infrastructure levies (for capital works completed)	–	747
Total developer contributions	3,060	3,253
Total monetary contributions	8,069	3,317
Non-monetary	3,685	4,634
Total contributions	11,754	7,951
<i>Contributions of non-monetary assets were received in relation to the following asset classes:</i>		
Land	192	1,789
Infrastructure	3,493	2,845
Total non-monetary contributions	3,685	4,634

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

Additional notes:

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

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	Consolidated 2022 \$'000	Consolidated 2021 \$'000
3.6 Net gain on disposal of property, infrastructure, plant and equipment		
<i>Net gain on sale of property, infrastructure, plant and equipment</i>		
Proceeds of sale	551	495
Less carrying amount of assets sold	(69)	(127)
Total net gain on disposal of property, infrastructure, plant and equipment	482	368

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

3.7 Other income

Interest on investments	615	562
Interest – other	–	2
Dandenong Market revenue from operations	4,813	3,964
Investment property rental	1,513	1,021
Other rent	648	725
Recoveries	4,066	3,332
Other	292	887
Total other income	11,947	10,493

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 note 1, section (b).

Note 4 The cost of delivering services

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
4.1 a) Employee costs		
Wages and salaries	68,510	67,839
WorkCover	2,582	1,518
Casual staff	962	932
Superannuation	6,838	6,312
Long service leave oncost	981	1,914
Fringe benefits tax	281	217
Other	6,098	5,840
Total employee costs	86,252	84,572

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
b) Superannuation		
Council made contributions to the following funds:		
<u>Defined benefit fund</u>		
Employer contribution to Local Authorities Superannuation Fund (Vision Super)	342	337
	342	337
<u>Accumulation funds</u>		
Employer contribution to Local Authorities Superannuation Fund (Vision Super)	3,512	3,389
Employer contribution – other funds	2,963	2,573
	6,475	5,962

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

There were no employer contributions payable in respect of the Defined benefit fund or Accumulated funds at balance date.

4.2 Materials and services

		**
Waste management	17,343	17,502
Other contract payments	9,028	8,410
Park maintenance	7,476	7,325
Consultants and professional services	6,645	5,696
Office administration	6,671	5,153
General maintenance	3,862	4,999
Educator services	6,001	4,650
Utilities	3,850	3,815
Works in progress (unable to be capitalised)	2,593	3,708
Cleaning services	4,515	3,624
Building maintenance	3,405	3,758
Information technology	3,378	3,147
Leisure centre contract	3,693	2,853
Springvalley landfill rehabilitation and monitoring costs	3,045	2,645
Security services	1,584	1,670
Insurance	1,523	1,467
Meals for delivery	424	522
Library resources	550	487
Cash collection services	178	165
Property valuation services	128	120
Total materials and services	85,892	81,716

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

***Comparative figures for 2020-21 have been amended within the materials and services categories to reflect consistent classifications across both years. The total amount of materials and services expenditure for the prior year has not changed.*

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	Consolidated 2022 \$'000	Consolidated 2021 \$'000
4.3 Depreciation		
Property	7,065	7,074
Plant and equipment	3,855	3,987
Infrastructure	21,496	21,434
Total depreciation	32,416	32,495

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

4.4 Amortisation – intangible assets

Software	103	97
Total Amortisation – intangible assets	103	97

4.5 Amortisation – right-of-use assets

Property	387	380
Vehicles	54	61
IT and office equipment	223	156
Total Amortisation – right-of-use assets	664	597

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

4.6 Bad and doubtful debts

Parking fine debtors	1,180	857
Other debtors	307	272
Total bad and doubtful debts	1,487	1,129

Movement in provisions for doubtful debts

Balance at the beginning of the year	1,734	1,760
New provisions recognised during the year	1,485	1,133
Amounts already provided for and written off as uncollectible	(1,843)	(1,159)
Balance at end of year	1,376	1,734

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.

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
4.7 Borrowing costs		
Interest – borrowings	2,800	2,924
Interest – other	3	–
Total borrowing costs	2,803	2,924

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

4.8 Finance costs – leases

Interest – lease liabilities	30	23
Total finance costs – leases	30	23

4.9 Other expenses

Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals	85	91
Auditors' remuneration – Internal Audit	75	88
Auditors' remuneration – Other	9	1
Councillors' allowances	487	435
Council election	20	550
Operating lease / rentals	574	561
Assets written-off	991	1,992
Landfill provision	(184)	50
Impairment loss	–	89
Other expenses	1,142	1,462
Community grants and contributions	2,603	3,740
Contributions – non-Council assets	–	261
Total other expenses	5,802	9,320

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Note 5 Our financial position

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	8,896	17,922
Cash at bank	10,932	12,499
Term deposits	13,515	148,600
Total cash and cash equivalents	33,343	179,021
(b) Other financial assets		
Current		
Term deposits – current	150,504	–
Total other financial assets	150,504	–
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
– Trust funds and deposits (note 5.3(b))	7,389	6,882
Total restricted funds	7,389	6,882
Total unrestricted cash and cash equivalents	25,954	172,139
Intended allocations*		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
Employee provisions (note 5.5 (a))	22,114	22,908
Development Contribution Plans (DCP) unearned income (note 5.3 (c))	40,460	39,464
Statutory and other reserves (note 9.1(b))	68,401	65,214
Cash held to fund carried forward operational projects	17,380	13,861
Cash held to fund carried forward capital works (net)	24,271	16,408
Total funds subject to intended allocations	172,626	157,855

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

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.

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	13,432	11,184
Infringement debtors	10,350	10,348
Provision for doubtful debts – infringements	(1,035)	(1,035)
Other statutory debtors	707	1,605
Provision for doubtful debts – other statutory debtors	(37)	(51)
Net GST receivable	2,322	1,895
<i>Non-statutory receivables</i>		
Other debtors	4,745	3,369
Provision for doubtful debts – other debtors	(304)	(648)
Total current trade and other receivables	30,180	26,667
Non-current		
<i>Non-statutory receivables</i>		
Narre Warren landfill – financial contribution	208	222
Other debtors – refundable deposit	73	73
Total non-current trade and other receivables	281	295
Total trade and other receivables	30,461	26,962

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.

i) Ageing of receivables

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	1,287	837
Past due by up to 30 days	185	167
Past due between 31 and 180 days	854	1,021
Past due between 181 and 365 days	616	63
Past due by more than 1 year	1,780	928
Total trade and other receivables (excluding statutory receivables)	4,722	3,016

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	Consolidated 2022 \$'000	Consolidated 2021 \$'000
(c) Trade and other receivables (continued)		
ii) Ageing of individually impaired receivables		
At balance date, trade and other receivables (excluding statutory receivables) representing financial assets with a nominal value of \$213,500 (2021 \$549,000) were impaired. The amount of the provision raised against these debtors was \$213,500 (2021 \$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)	19	28
Past due by up to 30 days	4	5
Past due between 31 and 180 days	19	25
Past due between 181 and 365 days	7	6
Past due by more than 1 year	254	584
Total trade and other receivables (excluding statutory receivables)	303	648
5.2 Non-financial assets		
a) Inventories		
Inventories held for distribution	19	–
Total inventories	19	–
b) Other assets		
Prepayments	2,003	2,164
Accrued income	5,345	2,215
Other	559	559
Total other assets	7,907	4,938

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
(c) Intangible assets		
<i>Software</i>		
Gross carrying amount		
Balance at 1 July 2021	2,954	2,779
Transfer from work in progress	12	–
Other additions	84	175
Balance at 30 June 2022	3,050	2,954
Accumulated amortisation and impairment		
Balance at 1 July 2021	(2,752)	(2,655)
Amortisation expense	(103)	(97)
Balance at 30 June 2022	(2,855)	(2,752)
Net book value at 30 June 2021	202	124
Net book value at 30 June 2022	195	202

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 2022 \$'000	Consolidated 2021 \$'000
5.3 Payables, trust funds and deposits and unearned income/revenue		
(a) Trade and other payables		
<i>Non-statutory payables</i>		
Trade payables	17,736	12,554
Accrued expenses	6,766	6,795
<i>Statutory payables</i>		
Net GST payable	127	–
Total trade and other payables	24,629	19,349
(b) Trust funds and deposits		
Current		
Fire services property levy	816	843
Road deposits	394	532
Landscape deposits	1,124	782
Open space contributions	270	698
Other refundable deposits	2,376	1,992
Total current trust funds and deposits	4,980	4,847
Non-current		
Other refundable deposits	2,409	2,035
Total non-current trust funds and deposits	2,409	2,035
Total trust funds and deposits	7,389	6,882

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

Purpose and nature of items

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

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

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

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
(c) Unearned income/revenue		
Grants received in advance – operating grants*	8,253	5,475
Grants received in advance – capital grants*	5,550	13,120
Unearned income – Development Contribution Plans (DCP)*	40,460	39,464
Other	1,559	2,349
Total unearned income/revenue	55,822	60,408

*Movement reconciliations for 2022 provided on the following pages.

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

Revenue from contracts (AASB 15)	Consolidated			
	2021 Opening balance \$'000	2022 Income received during current year \$'000	2022 Income recognised due to satisfied obligations \$'000	2022 Closing balance of unsatisfied obligations \$'000
Operating grants				
Home and Community Care*	5,023	9,602	(7,112)	7,513
COVID-19 Community Support	–	150	(150)	–
Families and Children	360	2,297	(2,033)	624
Parks and Open Space	92	15	–	107
Other	–	9	–	9
	5,475	12,073	(9,295)	8,253

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

*The most significant item above relates to grants received by Council's Community Care department from the Commonwealth Government for the Commonwealth Home Support Program (CHSP) and the Victorian Government for the HACC Program for Younger People (PYP). The \$7.51 million relates to unsatisfied performance obligations from 2019-20, 2020-21 and 2021-22. These funds were received under an agreement that was initially to end in 2019 but due to delays in implementing the new Aged Care Reform Agenda Council has been receiving one year contract extensions for the 2019-20, 2020-21 and 2021-22 years. The current contract extension finishes 30 June 2023. The Commonwealth Government recently announced that they are delaying the implementation of the new In Home Support Program until 1 July 2024. At 30 June 2022, Council has not received advice regarding any further contract extensions.

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.

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(c) Unearned income/revenue (continued)

Transfers to construct a recognisable non-financial asset to be controlled by Council (AASB 1058)	Consolidated			
	2021 Opening balance \$'000	2022 Income received or accrued \$'000	2022 Income recognised due to satisfied obligations \$'000	2022 Closing balance of unsatisfied obligations \$'000
Capital grants				
Alan Corrigan Reserve	80	80	(160)	–
Burden Park Tennis Redevelopment	900	–	(516)	384
Frank Street Open Space Redevelopment	382	43	(36)	389
Springvale Road Boulevard	–	900	(900)	–
Herbert Street Pocket Park	274	137	(392)	19
Ian Street Streetscape	612	–	(6)	606
Keysborough South Community Hub	1,198	–	(66)	1,132
Clow Street Bridge Path	–	49	(49)	–
Local Roads Community Infrastructure (LRCI)	2,550	1,123	(3,376)	297
Noble Park Aquatic Centre redevelopment (gym)	2,661	280	(2,051)	890
Noble Park Revitalisation	192	522	(406)	308
Black Spot Works Program	–	1,154	(1,109)	45
Parkfield Reserve Cricket Net	90	27	(102)	15
Keysborough Tennis Facility Lighting	–	165	–	165
Police Paddocks – Grandstand (Frank Holohan Soccer Complex) and Infrastructure	203	126	(176)	153
Roads to Recovery	497	1,018	(1,513)	2
Ross Reserve Pavilion	631	5	(636)	–
Ross Reserve Playground, Plaza, Path and Oval	600	225	(746)	79
Ross Reserve Synthetic Soccer Pitch	1,575	–	(741)	834
Safety, Security and Space Activation	17	169	(186)	–
Hemmings Street Precinct	–	147	(19)	128
Tattersson Park Oval 1 Lighting	225	25	(250)	–
Thomas Carroll Reserve Pavilion and Lighting	433	154	(483)	104
	13,120	6,349	(13,919)	5,550

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

(c) Unearned income/revenue (continued)

Transfers to construct a recognisable non-financial asset to be controlled by Council (AASB 1058)	Consolidated			
	2021 Opening balance \$'000	2022 Income deferred during current year \$'000	2022 Developer reimbursements \$'000	2022 Closing balance of unsatisfied obligations \$'000
Development Contribution Plans (DCP)				
Keysborough Residential DCP	23,212	3,512	(202)	26,522
Dandenong Industrial DCP (Keysborough & Lyndhurst)	16,252	432	(2,746)	13,938
	39,464	3,944	(2,948)	40,460

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.

5.4 Interest-bearing liabilities

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Current		
Other borrowings – secured	3,484	3,372
	3,484	3,372
Non-current		
Other borrowings – secured	49,779	53,264
	49,779	53,264
Total interest-bearing liabilities	53,263	56,636
Borrowings are secured over the general rates of Council.		
a) The maturity profile for Council's borrowings is:		
Not later than one year	3,484	3,372
Later than one year and not later than five years	15,196	14,660
Later than five years	34,583	38,604
	53,263	56,636

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
2022			
Balance at beginning of the financial year	22,908	1,054	23,962
Additional provisions	7,599	85	7,684
Amounts used	(7,418)	(250)	(7,668)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(975)	(19)	(994)
Balance at the end of the financial year	22,114	870	22,984
2021			
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

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
(a) Employee provisions		
<i>Current provisions expected to be wholly settled within 12 months</i>		
Annual leave	8,029	8,034
Long service leave	905	975
Other	545	552
	9,479	9,561
<i>Current provisions expected to be wholly settled after 12 months</i>		
Annual leave	624	564
Long service leave	11,577	12,072
	12,201	12,636
Total current employee provisions	21,680	22,197
<i>Non-current</i>		
Long service leave	434	711
Total non-current employee provisions	434	711
<i>Aggregate carrying amount of employee provisions:</i>		
Current	21,680	22,197
Non-current	434	711
Total aggregate carrying amount of employee provisions	22,114	22,908

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

(a) Employee provisions (continued)

Annual leave

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

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

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability and measured at present value.

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Key assumptions:		
– discount rate	2.48%	0.29%
– index rate	3.50%	2.75%
– settlement rate long service leave (years)		
long service leave (years)	7	7
annual leave (days)	260	260
(b) Landfill restoration	\$'000	\$'000
Current	184	331
Non-current	686	723
Total provision for landfill restoration	870	1,054

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.

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(b) Landfill restoration (continued)

The City of Greater Dandenong shares the commitment for rehabilitation and aftercare management of the landfill with other stakeholder Council's. Council's interest or share of the costs is 19.88%. In the financial report for 30 June 2022, Council has an amount of \$871,000 (30 June 2021 \$1.05 million) as a provision for the restoration of the Springvalley Road landfill site which includes aftercare costs to meet EPA obligations.

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Key assumptions:		
– discount rate	3.50%	1.01%
– index rate	3.50%	1.50%
– settlement rate	15 years	15 years
(c) Total provisions summary	\$'000	\$'000
Current		
Employee provisions	21,680	22,197
Landfill restoration	184	331
Total current provisions	21,864	22,528
Non-current		
Employee provisions	434	711
Landfill restoration	686	723
Total non-current provisions	1,120	1,434
Total provisions	22,984	23,962
5.6 Financing arrangements		
Bank overdraft	2,500	2,500
Interest-bearing liabilities – secured	53,263	56,636
Credit card facilities	200	200
Total facilities	55,963	59,336
Used facilities	53,269	56,637
Unused facilities	2,694	2,699

5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of note and presented inclusive of the GST payable.

(a) Commitments for expenditure

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

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(a) Commitments for expenditure (continued)

	Consolidated				Total \$'000
	Not later than 1 year \$'000	Later than 1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	
2021					
Operating					
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 collection	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
Total Operating Commitments	24,799	5,674	3,247	610	34,330
Capital					
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
Total Capital Commitments	29,928	2,888	407	–	33,223
Total Commitments 2021	54,727	8,562	3,654	610	67,553

(b) Operating lease receivables

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

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

	Consolidated	
	2022 \$'000	2021 \$'000
Not later than one year	1,408	1,653
Later than one year and not later than five years	2,150	1,276
Later than five years	140	233
	3,698	3,162

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.

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.

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5.8 Leases (continued)

<i>Right-of-Use Assets</i>	Consolidated			
	Property	Vehicles	IT and Office Equip.	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2020	672	85	241	998
Additions/lease modifications	2	(4)	164	162
Amortisation charge	(380)	(61)	(156)	(597)
Balance at 30 June 2021	294	20	249	563
	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2021	294	20	249	563
Additions/lease modifications	1,278	94	575	1,947
Amortisation charge	(387)	(54)	(223)	(664)
Balance at 30 June 2022	1,185	60	601	1,846

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Lease Liabilities		
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	570	425
One to five years	1,392	164
More than five years	–	–
Total undiscounted lease liabilities as at 30 June	1,962	589
Lease liabilities included in the Balance Sheet at 30 June:		
Current	524	415
Non-current	1,324	160
Total lease liabilities	1,848	575

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of \$10,000). This includes IT and office related equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

5.8 Leases (continued)

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Expenses relating to:		
Leases of low value assets*	574	561
Total	574	561
<p>*Comparative figures for 2020-21 have been amended to reflect the correct classification of DMPL lease expenses from short-term leases to leases of low value assets.</p>		
Non-cancellable lease commitments – Short-term and low value leases		
Commitments for minimum lease payments for short-term and low value leases are payable as follows:		
Payable:		
Within one year	680	562
Later than one year but not later than five years	595	1,372
Total lease commitments	1,275	1,934

Note 6 Assets we manage

Note content:

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

8.4* Fair value measurement

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

6.1 Non-current assets classified as held for sale

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

There are no non-current assets classified as held for sale at 30 June 2022.

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Note 6.2 Property, infrastructure, plant and equipment

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

	Carrying amount 1 July 2021	Stmnt Cap Works	Contributions (Note 3.5)	Revaluation (Note 9.1(a))	Depreciation (Note 4.3)	Impairment (loss)/ reversal*	Disposals (Note 3.6)	Write Offs (Note 4.2 & 4.9)	Transfers (Note # below)	Consolidated
										Carrying amount 30 June 2022
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,403,227	5,700	192	(82,905)	-	-	(288)	-	-	1,325,926
Buildings	290,290	958	-	(2,451)	(7,065)	-	-	-	5,278	287,010
Plant and equipment	13,250	2,236	-	-	(3,855)	-	(69)	-	255	11,817
Infrastructure	714,348	4,303	3,493	46,335	(21,496)	-	(703)	4,868	4,868	751,148
Work in progress (WIP)	25,678	38,752	-	-	-	-	(2,593)	(5,973)	(5,973)	55,864
Total carrying amount	2,446,793	51,949	3,685	(39,021)	(32,416)	-	(69)	(3,584)	4,428	2,431,765

#The balance of \$4.43 million for Transfers comprises a \$4.44 million transfer from Investment Property (Note 6.4) for a building no longer held as Investment Property and a transfer to Intangibles from Work in progress (WIP) of \$12,000 (Note 5.2(c)).

(b) SUMMARY OF WORK IN PROGRESS

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Write Offs \$'000	Closing WIP \$'000
Property	9,585	14,538	(771)	(155)	23,197
Plant and equipment	405	175	(229)	(176)	175
Infrastructure	15,688	24,039	(4,973)	(2,262)	32,492
Total	25,678	38,752	(5,973)	(2,593)	55,864

(c) PROPERTY

	Consolidated							
	* Land – specialised	Land – non-specialised	Total land	Buildings – specialised	Leasehold improvements	Total buildings	Work in progress	TOTAL PROPERTY
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2021								
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)
	1,187,210	216,017	1,403,227	288,263	2,027	290,290	9,585	1,703,102
Movements in fair value/cost								
Additions at cost	14	–	14	–	–	–	14,538	14,552
Additions at fair value	5,686	–	5,686	1,782	–	1,782	–	7,468
Contributed assets at cost	157	–	157	–	–	–	–	157
Contributed assets at fair value	35	–	35	–	–	–	–	35
Revaluation increments (decrements)	(77,318)	(5,587)	(82,905)	19,465	–	19,465	–	(63,440)
Fair value/cost of assets written off	(288)	–	(288)	(461)	–	(461)	(155)	(904)
Transfers in (out)	26,015	(26,015)	–	5,242	36	5,278	(771)	4,507
	(45,699)	(31,602)	(77,301)	26,028	36	26,064	13,612	(37,625)
Movements in accumulated depreciation								
Depreciation	–	–	–	(6,926)	(139)	(7,065)	–	(7,065)
Accumulated depreciation of acquisitions	–	–	–	(824)	–	(824)	–	(824)
Accumulated depreciation of write offs	–	–	–	461	–	461	–	461
Revaluation (increments) decrements	–	–	–	(21,916)	–	(21,916)	–	(21,916)
	–	–	–	(29,205)	(139)	(29,344)	–	(29,344)
Closing balance at 30 June 2022								
At cost	47,019	–	47,019	–	3,709	3,709	23,197	73,925
At fair value	1,094,492	184,415	1,278,907	492,202	–	492,202	–	1,771,109
Accumulated depreciation	–	–	–	(207,116)	(1,785)	(208,901)	–	(208,901)
	1,141,511	184,415	1,325,926	285,086	1,924	287,010	23,197	1,636,133

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

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(d) PLANT AND EQUIPMENT							Consolidated
	Plant, machinery and equipment	Fixtures, fittings and furniture	Computers and telecomm's	Library books	Work in progress	TOTAL PLANT AND EQUIPMENT	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Opening balance at 1 July 2021							
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)	
	6,601	1,689	2,524	2,436	405	13,655	
Movements in cost							
Acquisition of assets at cost	1,313	79	91	753	175	2,411	
Cost of assets disposed	(1,275)	-	-	-	-	(1,275)	
Cost of assets written off	-	-	-	-	(176)	(176)	
Transfers in (out)	17	125	113	-	(229)	26	
	55	204	204	753	(230)	986	
Movements in accumulated depreciation							
Depreciation	(1,864)	(395)	(720)	(876)	-	(3,855)	
Accumulated depreciation of disposals	1,206	-	-	-	-	1,206	
	(658)	(395)	(720)	(876)	-	(2,649)	
Closing balance at 30 June 2022							
At cost	15,561	8,977	7,398	10,152	175	42,263	
Accumulated depreciation	(9,563)	(7,479)	(5,390)	(7,839)	-	(30,271)	
Carrying amount	5,998	1,498	2,008	2,313	175	11,992	

(e) INFRASTRUCTURE

	Consolidated									
	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Parks, open space and streetscapes	Off street car parks	Work in progress	TOTAL INFRA-STRUCTURE	GRAND TOTAL PROPERTY, PLANT & EQUIP, INFRAST.
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2021										
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)
	274,534	44,961	62,709	269,956	23,147	24,467	14,574	15,688	730,036	2,446,793
Movements in fair value/cost										
Acquisition of assets at cost	-	-	-	-	175	398	-	24,039	24,612	41,575
Acquisition of assets at fair value	1,539	313	970	822	-	-	86	-	3,730	11,198
Contributed assets at cost	-	-	-	-	-	-	-	-	-	157
Contributed assets at fair value	2,051	-	203	1,260	-	-	-	-	3,514	3,549
Revaluation increments (decrements)	-	9,346	-	42,671	-	-	-	-	52,017	(11,423)
Fair value/cost of assets disposed	-	-	-	-	-	-	-	-	-	(1,275)
Fair value/cost of assets written off	(823)	(77)	(623)	(261)	(16)	-	(25)	(2,262)	(4,087)	(5,167)
Transfers in (out)	951	892	335	254	1,032	1,337	67	(4,973)	(105)	4,428
	3,718	10,474	885	44,746	1,191	1,735	128	16,804	79,681	43,042
Movements in accumulated depreciation										
Depreciation	(9,776)	(908)	(2,122)	(4,316)	(2,060)	(1,978)	(336)	-	(21,496)	(32,416)
Accumulated depreciation of contributed assets	-	-	-	(21)	-	-	-	-	(21)	(21)
Accumulated depreciation of acquisitions	-	-	-	-	-	-	-	-	-	(824)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	1,206
Accumulated depreciation of write offs	654	62	244	136	10	-	16	-	1,122	1,583
Revaluation (increments) decrements	-	(3,529)	-	(2,153)	-	-	-	-	(5,682)	(27,598)
	(9,122)	(4,375)	(1,878)	(6,354)	(2,050)	(1,978)	(320)	-	(26,077)	(58,070)
Closing balance at 30 June 2022										
At cost	-	10	-	-	46,528	55,887	-	32,492	134,917	251,105
At fair value	514,456	75,326	97,561	475,794	-	-	20,572	-	1,183,709	2,954,818
Accumulated depreciation	(245,326)	(24,276)	(35,845)	(167,446)	(24,240)	(31,663)	(6,190)	-	(534,986)	(774,158)
Carrying amount	269,130	51,060	61,716	308,348	22,288	24,224	14,382	32,492	783,640	2,431,765

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(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.

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.

(g) Depreciation (continued)

Asset recognition thresholds and depreciation periods

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

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

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

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(g) Depreciation (continued)

Asset recognition thresholds and depreciation periods

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

(h) Valuation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details of the fair value hierarchy are included in note 8.4 and are explained below for each asset class.

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

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

Valuation of land and buildings

The last formal valuation of land and buildings at 1 January 2022 was undertaken by qualified independent valuers, Patel Dore Valuers Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement.

The revaluation of land at 1 January 2022 resulted in an \$82.91 million decrease in Council's land value, which is a 6% reduction on 2021-22 opening values. This is a formal valuation conducted by expert valuers which involved a full review of all land assessments and follows an indexed revaluation at 30 June 2021 which recognised in an increment of \$239 million (21%) based on indexation provided by ProVal Pty Ltd valuers. The buildings revaluation resulted in a \$2.45 million (0.8%) increment at 1 January 2022.

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.

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(h) Valuation (continued)

Valuation of land and buildings (continued)

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 2022 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 valuation</u>
Land*	–	184,415	1,094,492	1-Jan-22
Buildings*	–	–	285,086	1-Jan-22
Total written down value	–	184,415	1,379,578	

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

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

Land under roads

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

Valuation of Infrastructure

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

The drainage asset class was revalued at 31 May 2022 due to review of the unit rates of pits and pipes (sourced from Rawlinsons Construction Handbook 2022) which indicated a material movement (10%) since the last revaluation at 30 June 2019. This revaluation at 31 May 2022 resulted in a \$40.52 million net revaluation increment of drainage assets which represents a 15% increase on 2021-22 opening values. Higher drainage pit values were the predominant reason for the increase.

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

The valuation of bridges at 31 January 2022 was undertaken by qualified independent valuers, Sterling Infrastructure Pty Ltd. The methodology used current replacement costs to quantify fair value and remaining useful life was revised based on condition. The 2021-22 revaluation of bridges resulted in a \$5.82 million increment in the valuation of bridges which is a 13% increase on opening values.

(h) Valuation (continued)

Details of the written down value of Council's infrastructure and information about the fair value hierarchy as at 30 June 2022 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 valuation</u>
Roads	–	–	269,130	Jun-19
Bridges	–	–	51,060	Jan-22
Footpaths and cycleways	–	–	61,716	Jun-21
Drainage	–	–	308,348	May-22
Off street car parks	–	–	14,382	Jun-19
Total written down value	–	–	704,636	

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 2022 update of the Rawlinsons Australian Construction Handbook. At balance date, adjustments have not been made to the fair value valuation (except for bridges and drainage assets) 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 and recent rises in construction costs on these asset valuations are particularly difficult to assess at balance date, as there is generally no observable market for these assets.

Description of significant unobservable inputs into level 3 valuations

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

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

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

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

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	Consolidated 2022 \$'000	Consolidated 2021 \$'000
(i) Reconciliation of specialised land at fair value*		
Parks and reserves	711,740	780,924
Floodway	7,000	9,625
Public use	23,550	23,636
Industrial	46,665	57,493
Other	305,537	268,684
Total specialised land	1,094,492	1,140,362

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

Note 6.3 Investments in associates, joint arrangements and subsidiaries

a) Principles of consolidation

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

In the process of preparing consolidated financial statements all material transactions and balances between consolidated entities are eliminated.

Entities consolidated into Council include:

- Dandenong Market Pty Ltd
- South East Leisure Pty Ltd

b) Reconciliation of Council, it's subsidiaries and consolidated accounts

Dandenong Market Pty Ltd

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

In response to the pandemic, Council waived the requirement for DMPL to pay a return to Council in 2021-22 of \$1.08 million. The return was based on assumptions that the COVID-19 pandemic would ease, and market trading would return to pre COVID-19 conditions. Further lockdowns, increased restrictions and the forced closure of non-essential retail businesses associated with the ongoing COVID-19 pandemic in the first half of the financial year meant that DMPL needed to provide further support to its traders in the form of rent relief and fee abatements. Council provided DMPL with a letter of support ensuring the long term viability of the Market and has agreed not to require a return from DMPL for 2022-23 recognising that substantial resources will be required to rebuild the DMPL following two years of disrupted trading.

South East Leisure Pty Ltd

Council resolved on February 2021 to establish a proprietary company limited by shares entitled South East Leisure Pty Ltd (SEL) to manage and operate four of its leisure centres from 1 July 2022 and to provide services in advance of commencing management and operation of the centres:

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

SEL was established on 7 July 2021 and will commence operations on 1 July 2022. SEL will manage and operate the four leisure facilities on the terms set out in a Management Services Agreement dated September 2021 from 1 July 2022 through to 30 June 2032. Council also granted a lease to SEL in respect of each of the four major leisure facilities which runs concurrently with the Management Services Agreement for the next 10 years.

During the 2021-22 financial year, Council provided initial seed funding of \$1.68 million to SEL to allow the company to commence operations. The principal activities of SEL during the year were the establishment of operations for the management of the leisure centres.

Leisure facilities management and operation during 2021-22

The YMCA managed and operated Dandenong Oasis, NPAC and Springers Leisure Centre under contract which concluded 30 June 2022 (extension of initial contract received under Ministerial Exemption as required by the *Local Government Act 1989* – in force at that time). Elite Stadium Management for the management of the Dandenong Stadium concluded on 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, The Dandenong Market Pty Ltd, South East Leisure Pty Ltd and consolidated accounts for the 2021-22 financial year. These financial statements should be read in conjunction with the accompanying notes in the financial report.

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For the year ended 30 June 2022

Comprehensive Income Statement

For the year ended 30 June 2022

Consolidated

	Council	DMPL	SEL	Consolidation	Consolidated
	2022	2022	2022	Adjustment	Accounts
	\$'000	\$'000	\$'000	2022	2022
				\$'000	\$'000
Income					
Rates and charges	156,813	-	-	(102)	156,711
Statutory fees and fines	7,633	-	-	-	7,633
User fees	6,812	-	-	-	6,812
Grants – operating	40,225	-	-	-	40,225
Grants – capital	13,919	-	-	-	13,919
Contributions – monetary	8,069	-	-	-	8,069
Contributions – non-monetary	3,685	-	-	-	3,685
Net gain on disposal of property, infrastructure, plant and equipment	482	-	-	-	482
Other income	7,132	4,846	1,680	(1,711)	11,947
Total income	244,770	4,846	1,680	(1,813)	249,483
Expenses					
Employee costs	(84,628)	(905)	(719)	-	(86,252)
Materials and services	(81,850)	(3,753)	(403)	114	(85,892)
Bad and doubtful debts	(1,480)	(7)	-	-	(1,487)
Depreciation	(32,395)	(19)	(2)	-	(32,416)
Amortisation – intangible assets	(102)	-	(1)	-	(103)
Amortisation – right-of-use assets	(664)	-	-	-	(664)
Borrowing costs	(2,803)	-	-	-	(2,803)
Finance costs – leases	(30)	-	-	-	(30)
Fair value adjustments for investment property	(99)	-	-	-	(99)
Other expenses	(7,113)	(186)	(202)	1,699	(5,802)
Total expenses	(211,164)	(4,870)	(1,327)	1,813	(215,548)
Net surplus for the year	33,606	(24)	353	-	33,935
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation increment	(39,021)	-	-	-	(39,021)
Total comprehensive result	(5,415)	(24)	353	-	(5,086)

Balance Sheet

As at 30 June 2022

Consolidated

	Council 2022 \$'000	DMPL 2022 \$'000	SEL 2022 \$'000	Consolidation Adjustment 2022 \$'000	Consolidated Accounts 2022 \$'000
Assets					
Current assets					
Cash and cash equivalents	30,212	1,458	1,673	–	33,343
Trade and other receivables	29,840	350	2	(12)	30,180
Other financial assets	150,504	–	–	–	150,504
Inventories	–	–	19	–	19
Other assets	9,077	23	14	(1,207)	7,907
Total current assets	219,633	1,831	1,708	(1,219)	221,953
Non-current assets					
Trade and other receivables	281	–	–	–	281
Property, infrastructure, plant and equipment	2,431,571	66	128	–	2,431,765
Investment property	6,336	–	–	–	6,336
Right-of-use assets	1,846	–	–	–	1,846
Intangible assets	116	–	79	–	195
Total non-current assets	2,440,150	66	207	–	2,440,423
Total assets	2,659,783	1,897	1,915	(1,219)	2,662,376
Liabilities					
Current liabilities					
Trade and other payables	23,749	560	330	(10)	24,629
Trust funds and deposits	4,521	459	–	–	4,980
Unearned income/revenue	55,791	32	1,208	(1,209)	55,822
Provisions	21,730	110	24	–	21,864
Interest-bearing liabilities	3,484	–	–	–	3,484
Lease liabilities	524	–	–	–	524
Total current liabilities	109,799	1,161	1,562	(1,219)	111,303
Non-current liabilities					
Trust funds and deposits	2,409	–	–	–	2,409
Provisions	1,113	7	–	–	1,120
Interest-bearing liabilities	49,779	–	–	–	49,779
Lease liabilities	1,324	–	–	–	1,324
Total non-current liabilities	54,625	7	–	–	54,632
Total liabilities	164,424	1,168	1,562	(1,219)	165,935
Net assets	2,495,359	729	353	–	2,496,441
Equity					
Accumulated surplus	954,375	729	353	–	955,457
Reserves	1,540,984	–	–	–	1,540,984
Total equity	2,495,359	729	353	–	2,496,441

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For the year ended 30 June 2022

Statement of Cash Flows

For the year ended 30 June 2022

Consolidated

	Council	DMPL	SEL	Consolidation	Consolidated
	2022	2022	2022	Adjustment	Accounts
	\$'000	\$'000	\$'000	2022	2022
				\$'000	\$'000
Cash flows from operating activities					
Rates and charges	154,355	-	-	(102)	154,253
Statutory fees and fines	5,795	-	-	-	5,795
User fees	6,600	-	-	-	6,600
Grants – operating	43,187	-	-	-	43,187
Grants – capital	4,483	-	-	-	4,483
Contributions – monetary	9,065	-	-	-	9,065
Interest received	356	2	-	-	358
Trust funds and deposits taken	31,315	271	-	-	31,586
Other receipts	8,066	5,084	2,887	(2,648)	13,389
Net GST refund	10,788	(124)	119	(321)	10,462
Employee costs	(85,055)	(965)	(774)	84	(86,710)
Materials and services	(96,095)	(4,076)	(349)	1,650	(98,870)
Short-term, low value and variable lease payments	(704)	(26)	-	-	(730)
Trust funds and deposits repaid	(30,419)	(232)	-	-	(30,651)
Other payments	(6,186)	-	-	1,337	(4,849)
Net cash provided by/(used in) operating activities	55,551	(66)	1,883	-	57,368
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(45,926)	(69)	(210)	-	(46,205)
Proceeds from sale of property, infrastructure, plant and equipment	551	-	-	-	551
Payments for investments	(150,504)	-	-	-	(150,504)
Net cash used in investing activities	(195,879)	(69)	(210)	-	(196,158)
Cash flows from financing activities					
Finance costs	(2,815)	-	-	-	(2,815)
Repayment of borrowings	(3,373)	-	-	-	(3,373)
Interest paid – lease liability	(26)	-	-	-	(26)
Repayment of lease liabilities	(674)	-	-	-	(674)
Net cash used in financing activities	(6,888)	-	-	-	(6,888)
Net increase/(decrease) in cash and cash equivalents	(147,216)	(135)	1,673	-	(145,678)
Cash and cash equivalents at the beginning of the financial year	177,428	1,593	-	-	179,021
Cash and cash equivalents at the end of the financial year	30,212	1,458	1,673	-	33,343

(b) Community Asset Committee

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

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

6.4 Investment property

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Balance at beginning of financial year	10,860	11,814
Additions	15	–
Transfers to property, infrastructure, plant and equipment	(4,440)	–
Fair value adjustments	(99)	(954)
Balance at end of financial year	6,336	10,860

Valuation of investment property

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

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.

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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

South East Leisure Pty Ltd – detailed in note 6.3

(b) Key Management Personnel

Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of City of Greater Dandenong. The Councillors, Chief Executive Officer, Directors and Executive Managers are deemed KMP.

Details of KMP at any time during the year are:

Councillors	2022 No.	2021 No.
From 1 July 2021 to Current		
Councillor Jim Memeti (Mayor, 11 November 2021 – current)		
Councillor Eden Foster (Deputy Mayor, 11 November 2021 – current)		
Councillor Angela Long (Mayor, 19 November 2020 to 10 November 2021)		
Councillor Sophie Tan (Deputy Mayor, 19 November 2020 to 10 November 2021)		
Councillor Sean O'Reilly		
Councillor Loi Truong		
Councillor Tim Dark		
Councillor Bob Milkovic		
Councillor Rhonda Garad		
Councillor Lana Formoso		
Councillor Richard Lim		
From 1 July 2020 to 18 November 2020		
Councillor Peter Brown		
Councillor Youhorn Chea		
Councillor Matthew Kirwan		
Councillor Maria Sampey		
Councillor Zaynoun Melhem		
Total number of Councillors	11	16

(b) Key Management Personnel (continued)

	2022 No.	2021 No.
Other Key Management Personnel		
Jody Bosman – Director City Planning, Design and Amenity		
Martin Fidler – Director Community Services		
Paul Kearsley – Director Business, Engineering and Major Projects		
Michelle Hansen – Executive Manager Finance and Information Technology		
Kylie Sprague – Executive Manager Media and Communication		
Tilla Buden – Acting Director Community Services (6 April 2022 – 24 June 2022)		
Mick Jaensch – Director Corporate Services (1 July 2020 to 28 June 2021)		
Total number of other key management personnel	6	4
Chief Executive Officer		
John Bennie PSM	1	1
Summary		
Councillors	11	16
Other Key Management Personnel	6	4
Chief Executive Officer	1	1
Total Key Management Personnel	18	21
Dandenong Market Board Members		
Ms Donna McMaster 1 July 2021 – 30 June 2022	1	1
Mr Tom Mollenkopf 1 July 2021 – 30 June 2022	1	1
Mr Jerome Gauder 1 July 2021 – 30 June 2022	1	1
Ms Philippa Stocks 1 July 2021 – 30 June 2022	1	1
Mr Chad Hermsen 1 July 2021 – 30 June 2022	1	1
Mr Timothy Cockayne 1 July 2020 – 23 March 2021	–	1
Mr Franz Madlener 1 July 2020 – 7 November 2020	–	1
Executives	3	2
Total number of Dandenong Market Board Members	8	9
South East Leisure Board Members		
Mr Steven Wright 22 July 2021 to 30 June 2022	1	–
Mr Michael Jaensch 7 July 2021 to 30 June 2022	1	–
Mr Timothy Cockayne 22 July 2021 to 30 June 2022	1	–
Ms Laura Buckley 22 July 2021 to 30 June 2022	1	–
Dr. Malak Sukkar 22 July 2021 to 30 June 2022	1	–
General Managers	3	–
Chief Executive Officer	1	–
Total number of South East Leisure Board Members	9	–

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For the year ended 30 June 2022

(c) Remuneration of Key Management Personnel

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Total remuneration of key management personnel was as follows:*		
Short-term benefits	3,218	2,452
Long-term benefits	45	58
Post employment benefit	276	185
	3,539	2,695

*"Total remuneration" comprises base salary, superannuation, annual leave entitlements, long service leave entitlements, allowances and fringe benefits tax paid by Council. The movement in total remuneration between 2021 and 2022 is primarily due to the establishment of South East Leisure Pty Ltd and inclusion of board members.

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

	2022 No.	2021 No.
\$1 – \$9,999	–	2
\$10,000 – \$19,999	1	7
\$20,000 – \$29,999	8	8
\$30,000 – \$39,999	10	4
\$40,000 – \$49,999	1	–
\$50,000 – \$59,999	1	–
\$60,000 – \$69,999	1	1
\$70,000 – \$79,999	3	–
\$100,000 – \$109,999	1	–
\$120,000 – \$129,999	1	1
\$140,000 – \$149,999	–	1
\$170,000 – \$179,999	1	–
\$230,000 – \$239,999	–	1
\$240,000 – \$249,999	2	–
\$270,000 – \$279,999	2	–
\$290,000 – \$299,999	–	1
\$300,000 – \$309,999	1	2
\$310,000 – \$319,999	–	1
\$330,000 – \$339,999	1	–
\$440,000 – \$449,999	1	1
Total	35	30

(d) Senior Officers remuneration

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:

	2022 No.	2021 No.
Income range:		
\$151,000 – \$159,999	14	14
\$160,000 – \$169,999	13	8
\$170,000 – \$179,999	8	8
\$180,000 – \$189,999	5	4
\$190,000 – \$199,999	1	2
\$200,000 – \$209,999	2	4
\$210,000 – \$219,999	4	3
\$220,000 – \$229,999	2	3
\$230,000 – \$239,999	2	1
	51	47
	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to:*	9,025	8,409

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

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For the year ended 30 June 2022

7.2 Related party disclosure

(a) Transactions with related parties

(i) During 2021-22 Council entered into the following transactions with related parties Dandenong Market Pty Ltd (DMPL) and South East Leisure Pty Ltd (SEL).

Dandenong Market Pty Ltd

	2022 Excl GST \$'000	2021 Excl GST \$'000
Received from DMPL		
Rent received	–	–
Other reimbursements	–	10
Total received	–	10
Paid to DMPL		
Contributions for festival/events	–	40
Payment for gift vouchers	17	10
Payment for other items	9	8
Total paid	26	58

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.

South East Leisure Pty Ltd (SEL)

Received from SEL

Other reimbursements	3	–
Total received	3	–

Paid to SEL

Establishment funding	1,680	–
Management fee (advanced 2022-23 payment)	1,207	–
Payment for other items	2	–
Total paid	2,889	–

(ii) During the financial year ended 30 June 2022, 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 \$871,000 (2020-21 \$670,000) was paid for the provision of Local Government Liability insurance and claim excesses paid. A further value of \$1.3 million was paid as a wind down payment of the MAV Insurance Scheme (2020-21 Nil).
- Chisholm Institute \$69,000 (2020-21 \$66,000) for the provision of external training courses.

	2022 Excl GST \$'000	2021 Excl GST \$'000
(b) Outstanding balances with related parties		
The following transaction was outstanding at 30 June		
Other reimbursements (<i>settled on 15 July 2022</i>)	3	-
	3	-
(c) Loans to/from related parties		
No loans were made, guaranteed or secured by the Council to related parties during 2021-22 (2020-21 \$nil).		
(d) Commitments to or from related parties		
Dandenong Market Pty Ltd		
Under the Management Services Agreement with Dandenong Market Pty Ltd (DMPL) an extension has been exercised up to 30 June 2026.		
A commitment from DMPL for rent of Market premises is as follows*	-	1,080
	-	1,080
*In response to the COVID-19 pandemic, Council waived the requirement for DMPL to pay a return to Council in the 2020-21 and 2021-22 financial years. This has allowed the provision of support to Market traders in the form of rent relief. Council is not expecting a return from the Dandenong Market in 2022-23. This will allow the Market to re-establish its business in the current environment.		
South East Leisure Pty Ltd		
Under the Management Services Agreement Council appoints South East Leisure Pty Ltd to provide management services to Council, Council is required to pay a Management Fee under the terms and conditions of the Management Services Agreement which ends 30 June 2032.		
Council has committed to pay a net \$3.54 million to South East Leisure in 2022-23, which represents a management services fee less payroll tax which South East Leisure is required to pay to Council. At 30 June 2022, Council has prepaid \$1.21 million of the 2022-23 Management Services Fee to South East Leisure, so the amount disclosed below is the remaining management service fee payable for 2022-23.		
A commitment to pay a Management Fee to South East Leisure Pty Ltd	2,662	-
	2,662	-

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For the year ended 30 June 2022

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

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

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

Developer contributions

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

(b) Contingent liabilities

Contingent liabilities are:

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

- the amount of the obligation cannot be measured with sufficient reliability.

The following are potential contingencies to be considered by Council.

Superannuation

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

Development Contribution Plans (DCP)

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

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

New development in each of the areas is required to meet its share of the total cost of delivering the required infrastructure works – as measured by its projected share of usage – through development contributions collected under the DCP’s. The balance of works not covered by development contributions has been agreed to be funded by Council. The total value of these works is estimated to be around \$15.2 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 \$1.4 million (\$705,000 as at 30 June 2021).

MAV Workcare

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

(c) Guarantees for loans to other entities

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

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

As at 30 June 2022, Council's maximum potential exposure is as follows:

	Amount outstanding 30 June 2022 \$'000	Amount outstanding 30 June 2021 \$'000	Year loan commenced
Entities			
Keysborough Bowls Club Inc.	64	81	18 May 2015
Total Guarantees for loans to other entities	64	81	

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. Council assesses the impact of these new standards. As at 30 June 2022 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2023 that are expected to impact 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.

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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 2020*. We manage interest rate risk by adopting an investment policy that ensures:

- diversification of investment product
- monitoring of return on investment and

- benchmarking of returns and comparison with budget

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

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

(c) Credit risk

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

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

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

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

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

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of

those assets, as disclosed in the Balance Sheet and notes to the financial statements. Council does not hold any collateral (in respect to non-rate debtors).

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following

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

- A parallel shift of +1% and - 1% in market interest rates (AUD) from year-end rates of 0.85%.

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.

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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.

There are no required impairment adjustments at 30 June 2022.

8.5 Events occurring after balance date

Operation commencement of new wholly owned company (South East Leisure)

Greater Dandenong City Council (Council) resolved in February 2021 to create a wholly owned company, South East Leisure Pty Ltd, to operate the following four major aquatic and leisure centres in the City of Greater Dandenong from 1 July 2022:

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

South East Leisure Pty Ltd was established on 7 July 2021.

As at 30 June 2022 South East Leisure employed 10 staff. On 1 July 2022, a further 165 staff commenced employment with South East Leisure, primarily these staff members were recruited from the existing

facilities' management companies.

South East Leisure determined that a transfer of business occurred under the *Fair Work Act 2009* (The Act) in relation to employees who used to perform work at these facilities and who were subsequently employed to perform the same role with South East Leisure.

In accordance with the Act's business transition requirements, South East Leisure will recognise the employee's service with the previous employer(s) for the purposes of the following entitlements:

- Personal/Carer's leave,
- Parental leave,
- Long Service leave (LSL).

As part of the transfer of business, South East Leisure will not recognise the following service-related entitlements:

- Annual leave,
- Service for notice period of termination and redundancy, and
- Service periods for minimum employment for unfair dismissal rights.

The estimated amount of the liability is still being determined and is not recognised in the Consolidated Financial Statements of Council.

8.6 Adjustments directly to equity

There were no adjustments to opening equity balances in the 2021-22 financial year.

Note 9 Other matters

9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Reversal of previous revaluations for assets disposed \$'000	Impairment loss (credited against previous increments)/ reversal \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves					
2022					
Property					
Land	1,046,048	(82,905)	–	–	963,143
Buildings	42,289	(2,451)	–	–	39,838
	1,088,337	(85,356)	–	–	1,002,981
Infrastructure					
Roads	196,658	–	–	–	196,658
Bridges	20,324	5,817	–	–	26,141
Footpaths and cycleways	19,035	–	–	–	19,035
Drainage	183,446	40,518	–	–	223,964
Off street car parks	3,804	–	–	–	3,804
	423,267	46,335	–	–	469,602
Total asset revaluation reserves	1,511,604	(39,021)	–	–	1,472,583
2021					
Property					
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
Infrastructure					
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
Total asset revaluation reserves	1,269,823	242,762	(876)	(105)	1,511,604

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) Other reserves				
2022				
Insurance reserve	906	(1,327)	746	325
Re-vegetation reserves	343	(63)	–	280
Open space – planning, development and improvements	4,386	(4,504)	3,060	2,942
Open space – acquisitions	6,000	(3,939)	3,939	6,000
Keysborough South maintenance levy	1,947	(1,264)	1,647	2,330
Major projects reserve	27,358	(6,072)	4,932	26,218
General reserve	1,102	–	–	1,102
Council funded development contributions reserve	19,646	(644)	503	19,505
Spring Valley landfill rehabilitation	1,558	(608)	2,035	2,985
Springvale Activity Precinct – parking and development	235	–	–	235
Dandenong Activity Precinct – parking and development	1,527	(311)	650	1,866
Future maintenance reserve	206	(278)	4,685	4,613
Total other reserves	65,214	(19,010)	22,197	68,401
2021				
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
Total other reserves	67,336	(17,617)	15,495	65,214

Nature and purpose of other reserves:

Insurance reserve

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

Re-vegetation reserves

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

Open space – planning, development and improvements

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

Open space – acquisitions

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

Keysborough South maintenance levy

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

Major projects reserve

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

General reserve

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

Council funded development contributions reserve

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

Spring Valley landfill rehabilitation reserve

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

Springvale Activity Precinct – parking and development reserve

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

Dandenong Activity Precinct – parking and development reserve

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

Future maintenance reserve

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

Keysborough South Community Infrastructure Levies

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

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(c) Total reserves summary	Note	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Asset revaluation reserve	9.1(a)	1,472,583	1,511,604
Other reserves	9.1(b)	68,401	65,214
Total reserves		1,540,984	1,576,818

9.2 Reconciliation of cash flows from operating activities to surplus

	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Surplus for the year	33,935	16,564
Depreciation	32,416	32,495
Amortisation intangible assets	103	97
Amortisation right-of-use assets	664	597
Impairment loss	–	89
Gain on disposal of property, infrastructure, plant and equipment	(482)	(368)
Fair value adjustments expense	99	954
Contributions of non-monetary assets	(3,685)	(4,634)
Works in progress unable to be capitalised (expensed)	2,593	3,708
Assets written-off	991	1,992
Borrowing costs	2,803	2,924
Finance cost – leases	30	23
Change in assets and liabilities		
Increase in trade and other receivables	(3,499)	(1,618)
Increase in other assets	(2,988)	(377)
Increase/(Decrease) in trust funds and deposits	507	(2,141)
(Decrease)/Increase in trade and other payables	(555)	2,518
(Decrease)/Increase in unearned income/revenue	(4,586)	20,013
(Decrease)/Increase in provisions	(978)	3,059
Net cash provided by operating activities	57,368	75,895

9.3 Superannuation

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

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

Accumulation

The Fund's accumulation category, Vision MySuper/ Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021:9.5%)).

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.

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

The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 109.8%. The financial assumptions used to calculate the VBI were:

- Net investment returns 4.75% pa
- Salary information 2.75% pa
- Price inflation (CPI) 2.25% pa

As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. It is expected to be completed by 31 October 2022.

Vision Super has advised that the VBI at 30 June 2022 was 102.2%. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). The financial assumptions used to calculate this VBI were:

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

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

(a) Regular contributions

On the basis of the results of the 2021 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2022, this rate was 10.0% of members' salaries (9.5% in 2020-21). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 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.

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(b) Funding calls

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

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

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

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

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

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

The 2021 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2021 and the last full investigation was conducted as at 30 June 2020.

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

	2021 (Interim) \$ million	2020 (Triennial) \$ million
– A VBI surplus	214.7	100.0
– A total service liability surplus	270.3	200.0
– A discounted accrued benefits surplus	285.2	217.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2021.

The total service liability surplus means that the current value of the assets in the Funds Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2021.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2021.

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

The 2022 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2022 are detailed below:

Scheme	Type of scheme	Rate	Consolidated 2022 \$'000	Consolidated 2021 \$'000
Vision Super	Defined benefits	10.0% (2021: 9.5%)	342	337
Vision Super	Accumulation	10.0% (2021: 9.5%)	3,512	3,389
Other funds	Accumulation	10.0% (2021: 9.5%)	2,963	2,573

Council did not make any unfunded liability payments to Vision Super during 2021-22 (2020-21 – \$nil).

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2022.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2023 is \$353,965.

Note 10 Change in accounting policy

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

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