

**Moreland City Council  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2020*

# Moreland City Council

## Financial Report

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## Certification of the Financial Statements

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



Melissa Baker, Certified Practising Accountant  
Principal Accounting Officer (Acting)

Date : 28/09/2020  
Coburg, Victoria

In our opinion the accompanying financial statements present fairly the financial transactions of Moreland City Council for the year ended 30 June 2020 and the 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 2014* to certify the financial statements in their final form.



Lambros Tapinos  
Mayor  
Date : 28/09/2020  
Coburg, Victoria



Cathy Henderson  
Chief Executive Officer  
Date : 28/09/2020  
Coburg, Victoria



Oscar Yildiz  
Deputy Mayor  
Date : 28/09/2020  
Coburg, Victoria

# Independent Auditor's Report

## To the Councillors of Moreland City Council`

<b>Opinion</b>	<p>I have audited the financial report of Moreland City Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2020</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial report.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Councillors's responsibilities for the financial report</b>	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

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**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 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 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 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.

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.

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MELBOURNE  
29 September 2020



Sanchu Chummar

*as delegate for the Auditor-General of Victoria*

**Comprehensive Income Statement**  
**For the Year Ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Rates and charges	3.1	159,319	151,525
Statutory fees and fines	3.2	12,906	12,988
User fees	3.3	6,474	7,013
Grants - operating	3.4a	21,407	17,973
Grants - capital	3.4b	1,443	4,933
Contributions - monetary	3.5	14,770	15,235
Contributions - non monetary	3.5	468	618
Other income	3.7	4,505	7,167
<b>Total income</b>		<b>221,293</b>	<b>217,451</b>
<b>Expenses</b>			
Employee costs	4.1	89,608	84,151
Materials and services	4.2	59,186	68,094
Depreciation	4.3	25,678	25,267
Amortisation - right of use assets	4.4	236	236
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	5,303	4,875
Bad and doubtful debts	4.5	3,957	3,365
Borrowing costs	4.6	1,090	1,404
Other expenses	4.7	4,209	229
Fair value adjustments for investment property	6.3	884	5,957
<b>Total expenses</b>		<b>190,151</b>	<b>193,577</b>
<b>Surplus/(deficit) for the year</b>		<b>31,142</b>	<b>23,874</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	6.1	214,404	(102,834)
<b>Total comprehensive result</b>		<b>245,547</b>	<b>(78,960)</b>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

**Balance Sheet**  
**As at 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	57,541	30,057
Trade and other receivables	5.1	24,906	26,621
Other financial assets	5.1	41,500	69,000
Inventories	5.2	295	350
Other assets	5.2	2,137	1,196
<b>Total current assets</b>		<b>126,379</b>	<b>127,223</b>
<b>Non-current assets</b>			
Unlisted shares	6.2	2	2
Property, infrastructure, plant and equipment	6.1	2,250,811	2,015,780
Right-of-use assets	5.8	1,417	1,653
Investment property	6.3	26,000	26,695
<b>Total non-current assets</b>		<b>2,278,230</b>	<b>2,044,131</b>
<b>Total assets</b>		<b>2,404,610</b>	<b>2,171,354</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	17,576	24,430
Trust funds and deposits	5.3	5,812	7,077
Unearned Income	5.3	2,718	-
Provisions	5.5	20,779	19,104
Interest-bearing liabilities	5.4	1,230	9,105
<b>Total current liabilities</b>		<b>48,115</b>	<b>59,716</b>
<b>Non-current liabilities</b>			
Provisions	5.5	1,817	1,765
Interest-bearing liabilities	5.4	24,971	26,217
<b>Total non-current liabilities</b>		<b>26,789</b>	<b>27,982</b>
<b>Total liabilities</b>		<b>74,905</b>	<b>87,698</b>
<b>Net assets</b>		<b>2,329,706</b>	<b>2,083,656</b>
<b>Equity</b>			
Accumulated surplus		655,226	635,595
Asset revaluation reserve	9.1	1,612,159	1,397,755
Other reserves	9.1	62,321	50,306
<b>Total Equity</b>		<b>2,329,706</b>	<b>2,083,656</b>

The above balance sheet should be read in conjunction with the accompanying notes.

**Statement of Changes in Equity**  
**For the Year Ended 30 June 2020**

	Note	Asset			
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2020</b>					
Balance at beginning of the financial year		2,083,656	635,595	1,397,755	50,307
Recognition of previously unrecognised non-current assets				-	-
- Infrastructure Assets	6.1	502	502	-	-
Adjusted Opening balance		2,084,159	636,098	1,397,755	50,307
Surplus/(deficit) for the year		31,142	31,142	-	-
Net asset revaluation increment/(decrement)	9.1a	214,404	-	214,404	-
Transfers to other reserves	9.1b	-	(34,905)	-	34,905
Transfers from other reserves	9.1b	-	22,892	-	(22,892)
<b>Balance at end of the financial year</b>		<b>2,329,707</b>	<b>655,226</b>	<b>1,612,160</b>	<b>62,321</b>

	Note	Asset			
		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2019</b>					
Balance at beginning of the financial year		2,156,318	586,499	1,500,589	69,231
Recognition of previously unrecognised non-current assets				-	-
- Infrastructure Assets		58	58	-	-
- Building Assets		5,382	5,382	-	-
- AASB 9 adjustment		858	858	-	-
Surplus/(deficit) for the year		23,874	23,874	-	-
Net asset revaluation increment/(decrement)	9.1a	(102,834)	-	(102,834)	-
Transfers to other reserves	9.1b	-	(30,429)	-	30,429
Transfers from other reserves	9.1b	-	49,353	-	(49,353)
<b>Balance at end of the financial year</b>		<b>2,083,656</b>	<b>635,595</b>	<b>1,397,755</b>	<b>50,307</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



**Statement of Cash Flows**  
**For the Year Ended 30 June 2020**

		2020	2019
		Inflows/ (Outflows)	Inflows/ (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Rates and charges		155,395	147,384
Statutory fees and fines		13,253	9,237
User fees		6,659	7,556
Grants - operating		22,527	19,770
Grants - capital		3,041	5,426
Contributions - monetary		14,770	16,049
Interest received		1,367	3,468
Trust funds and deposits taken		33,544	19,961
Other receipts		3,658	4,410
Net GST refund/payment		3,465	7,278
Employee costs		(87,880)	(92,630)
Materials and services		(69,341)	(61,784)
Trust funds and deposits repaid		(34,808)	(16,399)
Other payments		(4,630)	(241)
<b>Net cash provided by/(used in) operating activities</b>	9.2	<b>61,020</b>	<b>69,484</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment		(51,166)	(75,331)
Proceeds from sale of property, infrastructure, plant and equipment		341	1,484
Proceeds from Redeeming Long Term Investments		27,500	-
Payments for other financial assets		-	(13,000)
<b>Net cash provided by/(used in) investing activities</b>		<b>(23,325)</b>	<b>(86,846)</b>
<b>Cash flows from financing activities</b>			
Finance costs	4.6	(1,090)	(1,404)
Repayment of borrowings	5.4	(9,121)	(1,084)
<b>Net cash provided by/(used in) financing activities</b>		<b>(10,211)</b>	<b>(2,487)</b>
Net increase (decrease) in cash and cash equivalents		27,484	(19,849)
Cash and cash equivalents at the beginning of the financial year		30,057	49,906
<b>Cash and cash equivalents at the end of the financial year</b>		<b>57,541</b>	<b>30,057</b>
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

The above statement of cash flows should be read in conjunction with the accompanying notes.

**Statement of Capital Works**  
**For the Year Ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Property</b>			
Land		12,597	38,231
<b>Total land</b>		<b>12,597</b>	<b>38,231</b>
Buildings		6,122	25,628
<b>Total buildings</b>		<b>6,122</b>	<b>25,628</b>
<b>Total property</b>		<b>18,719</b>	<b>63,859</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		2,509	1,975
Fixtures, fittings and furniture		447	150
Computers and telecommunications		268	-
Library books		992	1,001
<b>Total plant and equipment</b>		<b>4,215</b>	<b>3,126</b>
<b>Infrastructure</b>			
Roads		8,923	5,549
Bridges		46	730
Footpaths and cycleways		4,471	4,403
Drainage		3,831	4,475
Other infrastructure		4,280	11,897
<b>Total infrastructure</b>		<b>21,551</b>	<b>27,055</b>
<b>Total capital works expenditure</b>		<b>44,486</b>	<b>94,040</b>
<b>Represented by:</b>			
New asset expenditure		22,958	55,054
Asset renewal expenditure		16,841	30,270
Asset expansion expenditure		3,549	5,675
Asset upgrade expenditure		1,138	3,041
<b>Total capital works expenditure</b>		<b>44,486</b>	<b>94,040</b>

The above statement of capital works should be read in conjunction with the accompanying notes.

## **Notes to the Financial Report**

### **For the Year Ended 30 June 2020**

#### **OVERVIEW**

##### **Introduction**

The Moreland City Council was established by an Order of the Governor in Council on 21 June 1994 and is a body corporate. The Council's main office is located at 90 Bell Street, Coburg.

##### **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 the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

##### **Significant accounting policies**

###### **(a) Basis of accounting**

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with AASB 16 *Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income of Not-for-Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

## **Notes to the Financial Report** **For the Year Ended 30 June 2020**

### **Note 1 Performance against budget**

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$3 million where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 24 June 2019. The budget was based on assumptions that were relevant at the time of adoption of the budget. Council sets guidelines and parameters for revenue 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.

#### **COVID-19 impact**

In January 2020, the World Health Organisation declared the outbreak of the COVID-19 a public health emergency of international concern and subsequently in March 2020 it was declared a global pandemic. On 16 March 2020, a State of Emergency was declared in Victoria in relation to the COVID-19 pandemic and a national restriction was put in place on gatherings, a nationwide call to work from home and significantly lower levels of activity in the economy and community. A number of Council services required immediate change, including the closure of recreation centres and libraries, cancellation of events and revised health precautions.

At this time, all three levels of Government sought to provide additional resources to the community and adjust for the financial hardship they were facing. On 23 March 2020, Council adopted a COVID-19 Financial Hardship Policy which allowed the deferral of rate payments and interest waivers along with a number of financial support measures for the ratepayers and community at large. The uptake from the community for these provisions has seen an increase in assessments with outstanding balances from 9% in June 2019 to 16% at 30 June 2020. The balance of rate debtors has increased 33% from June 2019, which is not only due to COVID-19 related deferrals but also the 2.5% increase in the rates base and 2% increase in the number of assessments.

Other support included:

- 7-day supplier payment terms
- Food registration renewal fees waived for the 2020 calendar year
- Refunds for all fees paid in advance for services which can no longer take place
- Community Grants Program to provide specific COVID-19 related relief
- Fee waivers for sporting clubs
- Parking meters turned off for the duration of the emergency

The financial impacts to Council to 30 June 2020:

- Increased costs of \$1.0m for the closure of leisure centres
- Deferral of rates revenue/ interest free period \$0.9 million
- Waiver of sporting fees \$0.1 million decrease in revenue
- Parking income loss of \$0.1 million
- Infringements loss of \$0.9 million
- Venue hire income \$0.1 million loss

Further information is provided in Note 1.1(i) Explanation of Material Variations

These notes are prepared to meet the requirements of the Local Government Act 1989 and the Local Government (Planning and Reporting) Regulations 2014.

**1.1 Income and expenditure**

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
<b>Income</b>					
Rates and charges	157,590	159,319	1,729	1%	
Statutory fees and fines	13,901	12,906	(995)	-7%	
User fees	5,212	6,474	1,262	24%	1
Grants - operating	15,184	21,407	6,223	41%	2
Grants - capital	2,570	1,443	(1,127)	-44%	3
Contributions - monetary	14,050	14,770	720	5%	
Contributions - non monetary	-	468	468	100%	4
Other income	7,721	4,505	(3,216)	-42%	5
<b>Total income</b>	<b>216,228</b>	<b>221,293</b>	<b>5,065</b>	<b>2%</b>	
<b>Expenses</b>					
Employee costs	94,808	89,608	5,200	5%	6
Materials and services	59,944	59,186	758	1%	
Depreciation	25,523	25,678	(155)	-1%	
Amortisation - Right of use assets	-	236	(236)	100%	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	5,303	(5,303)	100%	7
Bad and doubtful debts	2,031	3,957	(1,926)	-95%	8
Borrowing costs	1,377	1,090	287	21%	9
Fair value adjustments for investment property	-	884	(884)	100%	10
Other expenses	494	4,209	(3,715)	-752%	11
<b>Total expenses</b>	<b>184,177</b>	<b>190,151</b>	<b>(5,974)</b>	<b>-3%</b>	
<b>Surplus/(deficit) for the year</b>	<b>32,051</b>	<b>31,142</b>	<b>(909)</b>	<b>-3%</b>	

## **Notes to the Financial Report**

### **For the Year Ended 30 June 2020**

#### **(I) Explanation of material variations**

<b>Ref.</b>	<b>Item</b>	<b>Explanation</b>
1	User fees	Primarily due to increased activity in transport related permits, unbudgeted income from pool registrations, as well as the profit share relating to the Leisure Centres.
2	Grants - Operating	Commonwealth Financial Assistance Grants instalment relating to 2020/21 was received in advance in June 2020. We also received the first milestone for the Working for Victoria program which was unbudgeted.
3	Grants - Capital	Grants capital had lower than anticipated revenue for 2019/20 as a result of change in accounting standard AASB 1058 and 15. Several unspent capital grants are reflected as a liability at 30 June 2020.
4	Contributions - non monetary	This variance is due to the recognition of unbudgeted developer contributed drainage assets.
5	Other Income	Other Income was lower than anticipated due to lower interest rates on investments than anticipated (\$1.4 million). This was partially impacted by lower cash levels as a result of the COVID-19 emergency response. Following a Special Council Meeting on 25 March 2020, Council adopted hardship and community relief measures to support the community in this uncertain time, including a COVID-19 Financial Hardship Policy, temporary 7-day payment terms for suppliers and waiving of food registration renewal fees for 2020, which had an impact on Council's available cash for investments.  Other Income was also impacted by other waivers as a result of pandemic. Council waived all annual and winter sports ground and pavilion fees for the 2020 season as well as waiving property leases.
6	Employee Costs	Employee costs were lower than anticipated due to several vacancies throughout the 2019/20 year. Costs relating to training, courses and seminars have been reclassified from Employee Costs to Other Expenses to better reflect the nature of this expenditure.
7	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	The disposal of infrastructure and other assets during the year is unbudgeted. This mainly occurs during the replacement of roads and other infrastructure assets.
8	Bad and doubtful debts	At balance date debtors were assessed for recoverability. As a result the increase in the provision for Parking debtors was higher than budget.
9	Borrowing costs	Borrowing costs were lower than anticipated as a result of lower than anticipated interest rates on variable borrowings, as well as the finalisation of a Local Government Funding Vehicle bond in November 2019.
10	Fair value adjustments for investment property	Market valuations undertaken for Council's investment properties by qualified valuers, resulted in this overall decrease.
11	Other expenses	Actual costs relating to training, courses and seminars have been reclassified from Employee Costs to Other Expenses to better reflect the statutory nature of the Employee Costs expenditure.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

**1.2 Capital works**

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
<b>Property</b>					
Land	-	12,597	12,597	100%	1
<b>Total land</b>	-	12,597	12,597	100%	
Buildings	12,821	6,122	(6,699)	-52%	2
Building improvements	405	-	(405)	-100%	
<b>Total buildings</b>	13,226	6,122	(7,104)	-54%	
<b>Total property</b>	13,226	18,719	5,493	42%	
<b>Plant and equipment</b>					
Plant, machinery and equipment	2,051	2,509	458	22%	3
Fixtures, fittings and furniture	172	447	275	160%	4
Computers and telecommunications	27	268	241	893%	5
Library books	1,000	992	(8)	-1%	
<b>Total plant and equipment</b>	3,250	4,216	966	30%	
<b>Infrastructure</b>					
Roads	11,308	8,923	(2,385)	-21%	6
Bridges	2,350	46	(2,304)	-98%	7
Footpaths and cycleways	3,734	4,471	737	20%	8
Drainage	1,460	3,831	2,371	162%	9
Recreational, leisure and community facilities	-	724	724	100%	10
Waste management	120	-	(120)	-100%	10
Parks, open space and streetscapes	8,677	2,586	(6,091)	-70%	10
Aerodromes	-	-	-	0%	
Off street car parks	1,266	222	(1,044)	-82%	10
Other infrastructure	585	748	163	28%	10
<b>Total infrastructure</b>	29,500	21,551	(7,949)	-27%	
<b>Total capital works expenditure</b>	45,976	44,486	(1,490)	-3%	
<b>Represented by:</b>					
New asset expenditure	11,554	22,958	11,404	99%	11
Asset renewal expenditure	26,993	16,841	(10,152)	-38%	12
Asset expansion expenditure	-	3,549	3,549	100%	13
Asset upgrade expenditure	7,429	1,138	(6,291)	-85%	13
<b>Total capital works expenditure</b>	45,976	44,486	(1,490)	-3%	

**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

**(i) Explanation of material variations**

<b>Ref.</b>	<b>Item</b>	<b>Explanation</b>
1	Land	Council undertook several (unbudgeted) strategic purchases of land as part of its 'Park Close to Home: A Framework to Fill Open Space' initiative. Council is committed to creating new open space and A Park Close to Home will help deliver on this commitment. It should be noted that these purchases, whilst unbudgeted, have been funded by reserves specifically established for this purpose.
2	Buildings	Several large projects commenced but were not completed due to COVID-19 and therefore not capitalised and remain as Works in Progress. These include City Oval Grandstand Pavilion and Wheatsheaf Hub.
3	Plant, machinery and equipment	A greater number of Plant, machinery and equipment were purchased than budgeted.
4	Fixtures, fittings and furniture	Additional furniture & fittings purchased as well as several additional internal office fit outs during the year than anticipated.
5	Computers and telecommunications	Purchase of additional computer and telecommunications equipment.
6	Roads	A significant portion of expenditure budgeted for Council's road reconstruction and rehabilitation projects were re-classified as drainage assets upon capitalisation as well as some projects not completed by June.
7	Bridges	Capitalised expenditure on bridges is underspent due to bridge construction works at Edgars Creek and Footbridge at Kingfisher Gardens not completed by June therefore unable to be capitalised.
8	Footpaths and cycleways	A portion of expenditure budgeted for Council's road reconstruction and rehabilitation projects were re-classified as parks, open space and streetscapes and other structures.
9	Drainage	A significant portion of expenditure budgeted for Council's road reconstruction and rehabilitation projects were re-classified as drainage assets upon capitalisation.
10	Other infrastructure types	The variance to budget is largely related to several large works still in progress such as Parks Close to Home projects as well as the Sports fields Stormwater Reuse Projects.
11	New asset expenditure	Relates to Council's unbudgeted purchases of land to increase the level of open space within Moreland as funded by Reserves.
12	Asset renewal expenditure	Mainly relates to several large road and building works still in progress and unable to be capitalised but due for completion in late 2020.
13	Asset upgrade expenditure	Predominantly relates to some projects being reclassified as expansion in nature instead of upgrade whilst some road and recreation projects were delayed.



## **Notes to the Financial Report**

### **For the Year Ended 30 June 2020**

#### **Note 2 Analysis of Council results by program**

Council delivers its functions and activities through the following programs.

##### **2 (a) Chief Executive Officer Management**

Chief Executive Officer Management oversees the management executive group, manages overall operations and sets the tone, vision and culture of Council.

##### **Finance and Property**

Finance and Property provides efficient, effective and proactive support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes finance and rating services, property and procurement.

##### **City Infrastructure Department**

City Infrastructure is responsible for Council's infrastructure and fleet assets. This includes planning, designing, building, expanding, renewing, cleansing and maintaining a diverse range of assets that underpin the day to day operation and wellbeing of the community. The department is also responsible for local laws and waste collection.

##### **Business Transformations**

Business Transformation is responsible for corporate functions relating to people, culture and business enhancement. This includes human resources, corporate governance, organisational performance and information technology.

##### **City Futures**

City Futures is responsible for influencing development in the city, including urban planning decision-making and urban policy and strategy development, research, transport, sustainable built environment, waste strategy and education, urban design and streetscape improvement, environmental health and building services. The Department supports all Council external facing strategies that respond to population growth and climate change within the city.

##### **Community Development Department**

Community Development provides high quality community focused programs, service delivery and communication to residents. It is responsible for services relating to infants, children, youth, family and aged. Leading the achievement of our wellbeing outcomes including recreation, health, education, cultural vibrancy, safety social cohesion and emergency management.

##### **Engagement and Partnerships**

Engagement & Partnerships is largely responsible for Council's external customer interface with the community, economy, government and other partners. The Directorate enhances the organisation's capacity for engagement and participation, advances city-shaping major partnership projects, supports economic development investment and attraction and the delivers holistic place-based outcomes.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

**2 (b) Summary of revenues, expenses, assets and capital expenses by program**

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>					
Chief Executive Officer Management	-	626	(626)	-	9
Finance and Property	156,102	45,168	110,934	5,124	154,188
City Infrastructure	30,759	58,816	(28,057)	1,587	2,035,552
Business Transformations	211	19,393	(19,182)	3,236	704
Engagement and Partnerships	861	8,406	(7,545)	-	5,144
City Futures	17,599	19,342	(1,743)	119	423
Community Development	15,762	38,401	(22,639)	12,784	208,590
	<b>221,293</b>	<b>190,151</b>	<b>31,142</b>	<b>22,850</b>	<b>2,404,610</b>

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
Chief Executive Officer Management	-	568	(568)	-	6,372
Finance and Property	149,456	46,037	103,419	4,710	516,403
City Infrastructure	31,737	59,387	(27,650)	3,572	666,140
Business Transformations	470	19,609	(19,139)	-	219,958
Engagement and Partnerships	691	7,583	(6,892)	120	85,057
City Futures	17,373	19,245	(1,872)	424	215,875
Community Development	17,724	41,147	(23,423)	14,080	461,547
	<b>217,451</b>	<b>193,577</b>	<b>23,874</b>	<b>22,906</b>	<b>2,171,354</b>

**Notes to the Financial Report  
For the Year Ended 30 June 2020**

**Note 3 Funding for the delivery of our services  
3.1 Rates and charges**

2020	2019
\$'000	\$'000

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its total market value of the land plus buildings and other improvements. The valuation base used to calculate general rates for 2019/20 was \$56.8787 billion (2018/19 was \$61.2110 billion). The 2019/20 rate in the CIV dollar was 0.0024645 (2018/19 was 0.0022004).

General rates	139,343	133,315
Waste management charge	16,528	14,879
Special rates and charges	613	498
Supplementary rates and rate adjustments	2,054	2,832
Interest on rates and charges	781	-
<b>Total rates and charges</b>	<b>159,319</b>	<b>151,525</b>

\*Please note that there was a reclassification of income in 2020. The figures for 2019 have not been adjusted.

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2019, and the valuation will be first applied in the rating year commencing 1 July 2019.

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

**3.2 Statutory fees and fines**

2020	2019
\$'000	\$'000

Infringements and costs	7,586	7,970
Court recoveries	666	517
Building and Town planning fees	1,789	1,624
Land and Property information certificates	354	161
Other fines	272	500
Permits	2,239	2,216
<b>Total statutory fees and fines</b>	<b>12,906</b>	<b>12,988</b>

\*Please note that there was a reclassification of income in 2020. The figures for 2019 have not been adjusted.

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

**3.3 User fees**

2020	2019
\$'000	\$'000

Aged and health services	1,580	1,780
Leisure centre and recreation	577	-
Parking	254	332
Registration and other permits	1,723	1,722
Building services	292	662
Road occupancy/ Right of way closures	62	165
Valuation fees	85	108
Waste management services	206	216
Other fees and charges	1,695	2,028
<b>Total user fees</b>	<b>6,474</b>	<b>7,013</b>

\*Please note that there was a reclassification of income in 2020. The figures for 2019 have not been adjusted.

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. Council has performed a review to ensure that income which may be affected by changes in accounting standards AASB 15 and 1058 have been taken into account.

**3.4 Grants**

2020	2019
\$'000	\$'000

Grants were received in respect of the following :

**Summary of grants**

Commonwealth funded grants	13,377	12,247
State funded grants	9,472	10,659
<b>Total grants received</b>	<b>22,850</b>	<b>22,906</b>

**(a) Operating Grants**

**Recurrent - Commonwealth Government**

Financial Assistance Grants	5,123	4,710
Family day care and children's services	751	787
Aged care	6,904	6,371
Other	-	148

**Recurrent - State Government**

Home help	1,018	1,530
Families and Children	2,655	2,226
Food Services	34	51
Libraries	1,295	1,216
Other	73	374

<b>Total recurrent operating grants</b>	<b>17,854</b>	<b>17,413</b>
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	2020	2019
	\$'000	\$'000
<b>Non-recurrent - Commonwealth Government</b>	-	-
<b>Non-recurrent - State Government</b>		
Environmental protection	40	166
Family and children	6	96
Other culture	-	30
Community welfare	-	50
Working for Victoria	3,236	-
Other	271	217
<b>Total non-recurrent operating grants</b>	<b>3,553</b>	<b>560</b>
<b>Total operating grants</b>	<b>21,407</b>	<b>17,973</b>

**(b) Capital Grants**

<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	599	231
<b>Recurrent - State Government</b>		
Recreation	-	1,316
Other	-	6
<b>Total recurrent capital grants</b>	<b>599</b>	<b>1,552</b>
<b>Non-recurrent - Commonwealth Government</b>	-	-
<b>Non-recurrent - State Government</b>		
Buildings	-	750
Community Safety	93	167
Recreation	666	2,410
Other	86	54
<b>Total non-recurrent capital grants</b>	<b>844</b>	<b>3,381</b>
<b>Total capital grants</b>	<b>1,443</b>	<b>4,933</b>

**(c) Unspent grants received on condition that they be spent in a specific manner**

<b>Operating</b>		
Balance at start of year	312	333
Received during the financial year and remained unspent at balance date	3,055	312
Received in prior years and spent during the financial year	(296)	(333)
Balance at year end	<b>3,071</b>	<b>312</b>
<b>Capital</b>		
Balance at start of year	2,390	1,476
Received during the financial year and remained unspent at balance date	1,221	2,390
Received in prior years and spent during the financial year	(1,540)	(1,476)
Balance at year end	<b>2,071</b>	<b>2,390</b>

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

	2020	2019
	\$'000	\$'000
<b>3.5 Contributions</b>		
Monetary	14,770	15,235
Non-monetary	468	618
<b>Total contributions</b>	<b>15,239</b>	<b>15,852</b>

Contributions of non monetary assets were received in relation to the following asset classes.

Land	-	618
Other infrastructure	468	-
<b>Total non-monetary contributions</b>	<b>468</b>	<b>618</b>

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

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

Proceeds of sale	342	1,484
Written down value of assets disposed	(5,645)	(6,360)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(5,303)</b>	<b>(4,876)</b>

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer. A significant portion of asset sales are infrastructure assets where Council receives no proceeds upon disposal.

<b>3.7 Other income</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest*	1,367	3,155
Investment property rental	291	451
Other rent	1,722	1,958
Recoveries	688	377
Sale of non plant equipment	-	73
Payroll reimbursements	-	109
Other	436	1,043
<b>Total other income</b>	<b>4,505</b>	<b>7,167</b>

\*Please note that there was a reclassification of income in 2020. The figures for 2019 have not been adjusted.

Interest is recognised as it is earned.

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

**Note 4 The cost of delivering services**

<b>4.1 (a) Employee costs</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	78,283	65,493
Casual staff	377	375
WorkCover	2,408	2,010
Superannuation	7,058	6,685
Fringe benefits tax	204	65
Annual leave and long service leave	-	7,276
Redundancy costs	375	-
Other	902	2,248
<b>Total employee costs</b>	<b>89,608</b>	<b>84,151</b>

\*Please note that there was a reclassification of expenditure in 2020. The figures for 2019 have not been adjusted.

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	668	614
	<b>668</b>	<b>614</b>

Employer contributions payable at reporting date.

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,479	3,527
Employer contributions - other funds	2,912	2,531
	<b>6,391</b>	<b>6,058</b>

Employer contributions payable at reporting date.

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

<b>4.2 Materials and services</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Cleaning contract	1,540	-
General maintenance	13,037	31,466
Utilities	4,322	4,512
Waste fees	12,647	-
Leisure management fees	1,354	-
Property leases and rentals	175	237
Minor equipment and supplies	1,055	1,045
Office administration	2,347	6,676
Information technology and telecommunications	3,948	-
Insurance	1,538	1,506
Consultants and Contractors	12,845	14,923
Fire Services Property Levy	-	220
Council grants and sponsorships	-	1,918
Other materials and supplies	4,380	5,590
<b>Total materials and services</b>	<b>59,186</b>	<b>68,094</b>

\*Please note that there was a reclassification of expenditure in 2020. The figures for 2019 have not been adjusted.

<b>4.3 Depreciation</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Property	5,417	5,034
Plant and equipment	3,292	3,546
Infrastructure	16,969	16,686
<b>Total depreciation</b>	<b>25,678</b>	<b>25,266</b>

Refer to note 6.1 for a more detailed breakdown of depreciation charges.

<b>4.4 Amortisation - right of use assets</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Rights of use of Animal Shelter	236	236
<b>Total amortisation - right of use assets</b>	<b>236</b>	<b>236</b>

<b>4.5 Bad and doubtful debts</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Parking fine debtors	3,490	2,658
Other debtors	467	707
<b>Total bad and doubtful debts</b>	<b>3,957</b>	<b>3,365</b>

<b>Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	3,276	2,586
New provisions recognised during the year	463	707
Amounts already provided for and written off as uncollectible	5	17
Amounts provided for but recovered during the year	(4)	(34)
Balance at end of year	<b>3,740</b>	<b>3,276</b>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

<b>4.6 Borrowing costs</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest - Borrowings	1,090	1,404
<b>Total borrowing costs</b>	<b>1,090</b>	<b>1,404</b>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

<b>4.7 Other expenses</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	71	107
Auditors' remuneration - Internal	232	102
Councillors' allowances	8	20
Training, conferences and seminars	656	-
Council grants and contributions	2,194	-
Special charge scheme payments	540	-
Others	508	-
<b>Total other expenses</b>	<b>4,209</b>	<b>229</b>

\*Please note that there was a reclassification of expenditure in 2020. The figures for 2019 have not been adjusted.

## **Note 5 Our financial position**

<b>5.1 Financial assets</b>	<b>2020</b>	<b>2019</b>
<b>(a) Cash and cash equivalents</b>	<b>\$'000</b>	<b>\$'000</b>
Cash on hand	6	6
Cash at bank	14,035	14,551
Term deposits <90 days	43,500	15,500
<b>Total cash and cash equivalents</b>	<b>57,541</b>	<b>30,057</b>
<b>(b) Other financial assets</b>		
Term deposits - current >90 days	41,500	69,000
<b>Total other financial assets</b>	<b>41,500</b>	<b>69,000</b>
<b>Total financial assets</b>	<b>99,041</b>	<b>99,057</b>

Councils 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)	5,812	7,077
<b>Total restricted funds</b>	<b>5,812</b>	<b>7,077</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>51,729</b>	<b>22,980</b>

### **Intended allocations**

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- restricted reserves (Note 9.1)	21,096	22,178
<b>Total funds subject to intended allocations</b>	<b>21,096</b>	<b>22,178</b>

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

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

<b>(c) Trade and other receivables</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Rates debtors	15,167	11,657
Parking Infringement debtors	13,856	11,224
Provision for doubtful debts - parking infringements	(10,649)	(7,159)
Other debtors	6,477	6,434
Provision for doubtful debts - other debtors	(3,740)	(3,276)
Fire Services Property Levy debtors	1,493	5,211
Net GST receivable	2,302	2,531
Total current trade and other receivables	<b>24,906</b>	<b>26,621</b>
<b>Non-current</b>	-	-
<b>Total trade and other receivables</b>	<b>24,906</b>	<b>26,621</b>

\*Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

**(d) 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)	1,621	1,870
Past due by up to 30 days	464	535
Past due between 31 and 180 days	120	138
Past due between 181 and 365 days	10	12
Past due by more than 1 year	522	603
Total trade and other receivables	<b>2,737</b>	<b>3,158</b>

**(e) Ageing of individually impaired Receivables**

At balance date, other debtors representing financial assets with a nominal value of \$3,739,580 (2019: \$3,276,479) were impaired. The amount of the provision raised against these debtors was \$3,739,580 (2019: \$3,276,479). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collection agency.

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

Current (not yet due)	26	23
Past due by up to 30 days	91	80
Past due between 31 and 180 days	690	605
Past due between 181 and 365 days	807	707
Past due by more than 1 year	2,126	1,862
Total trade & other receivables	<b>3,740</b>	<b>3,277</b>

**Rates Debtors**

Council adopted the COVID-19 Financial Hardship Policy on March 25 2020 which sought to provide relief for the ratepayers financially affected by the COVID-19 pandemic. The Policy allowed for the deferral of rates instalments and a hold on interest accumulated until 30 June 2021. 785 ratepayers have applied for COVID extensions, 369 have applied for deferrals and 44 have taken up payment arrangements.

Council will continue to closely monitor rate payments during the coming months with a view to encourage rate payers to take on payment arrangements so that they are not impacted by a larger outstanding debt at 30 June 2021. As Council's primary source of operating revenue, the effects on cashflow will also be closely monitored as instalments become due.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

<b>5.2</b>	<b>Non-financial assets</b>	<b>2020</b>	<b>2019</b>
	<b>(a) Inventories</b>	<b>\$'000</b>	<b>\$'000</b>
	Inventories held for distribution	295	350
	<b>Total inventories</b>	<b>295</b>	<b>350</b>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

	<b>(b) Other assets</b>	<b>2020</b>	<b>2019</b>
	<b>Current</b>	<b>\$'000</b>	<b>\$'000</b>
	Prepayments	1,696	568
	Accrued income	170	592
	Other	271	36
	<b>Total other assets</b>	<b>2,137</b>	<b>1,196</b>

<b>5.3</b>	<b>Payables</b>	<b>2020</b>	<b>2019</b>
	<b>(a) Trade and other payables</b>	<b>\$'000</b>	<b>\$'000</b>
	Trade payables	8,107	14,481
	Net GST payable	-	-
	Accrued expenses	9,469	9,949
	<b>Total trade and other payables</b>	<b>17,576</b>	<b>24,430</b>

	<b>(b) Trust funds and deposits</b>		
	Refundable deposits	980	922
	Trust funds	676	663
	Retention amounts	631	615
	Fire Services Levy	3,067	4,131
	Other refundable deposits	457	747
	<b>Total trust funds and deposits</b>	<b>5,812</b>	<b>7,077</b>

	<b>(c) Unearned income</b>		
	Grants received in advance - operating	1,120	-
	Grants received in advance - capital	1,598	-
	<b>Total unearned income</b>	<b>2,718</b>	<b>-</b>

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

**Purpose and nature of items**

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

Council currently maintains separate and distinct Trust Funds for the Gavin Environment Trust, the Blackburn Bequest Trust and the Inner Circle Linear Trust. These funds are held and administered in accordance with the Trust Deed arrangements.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Fire Service 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.

Unearned income - Council has recognised the amounts which are yet to be 'earned' through fulfillment of various contracts and operating funding agreements. This reflects the impact of AASB 15 and AASB1058 changes.



<b>5.4 Interest-bearing liabilities</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Borrowings - secured	1,230	9,105
	<b>1,230</b>	<b>9,105</b>
<b>Non-current</b>		
Borrowings - secured	24,971	26,217
	<b>24,971</b>	<b>26,217</b>
<b>Total</b>	<b>26,201</b>	<b>35,322</b>
Borrowings are secured by Council's general rate income.		
(a) The maturity profile for Council's borrowings is:		
Not later than one year	1,230	9,105
Later than one year and not later than five years	10,281	10,647
Later than five years	14,690	15,570
	<b>26,201</b>	<b>35,322</b>

The decrease in current borrowings is due to the maturity of an \$8 million Local Government Funding vehicle in November 2019.

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

<b>5.5 Provisions</b>	<b>Employee Provisions</b>
	<b>\$ '000</b>
<b>2020</b>	
Balance at beginning of the financial year	20,870
Additional provisions	8,703
Amounts used	(7,089)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	113
Balance at the end of the financial year	<b>22,597</b>
<b>2019</b>	
Balance at beginning of the financial year	20,928
Additional provisions	7,601
Amounts used	(8,010)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	351
Balance at the end of the financial year	<b>20,870</b>

<b>(a) Employee provisions</b>	<b>2020</b>	<b>2019</b>
<b>Current provisions expected to be wholly settled within 12 months</b>	<b>\$'000</b>	<b>\$'000</b>
Annual leave	6,285	5,632
Long service leave	2,011	2,230
	<b>8,295</b>	<b>7,862</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	1,407	1,086
Long service leave	11,035	10,116
Other	43	41
	<b>12,484</b>	<b>11,243</b>
Total current employee provisions	<b>20,779</b>	<b>19,104</b>
<b>Non-current</b>		
Long service leave	1,817	1,765
Total non-current employee provisions	<b>1,817</b>	<b>1,765</b>
Aggregate carrying amount of employee provisions:		
Current	20,779	19,104
Non-current	1,817	1,765
Total aggregate carrying amount of employee provisions	<b>22,597</b>	<b>20,870</b>

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

*Wages and salaries and annual leave*

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

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at 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. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

*Retirement gratuities*

Retirement gratuities were provided to certain employees who were, prior to the formation of Moreland City Council, employed by the City of Brunswick. The liability represents payment amounts calculated on the basis of achieved levels of available sick leave. At balance date, the liability is measured at the present value of estimated future cash flows to be made for this entitlement.

Key assumptions:	<b>2020</b>	<b>2019</b>
- discount rate	0.9%	1.3%
- index rate	4.3%	4.3%

**5.6 Financing arrangements**

The Council has the following funding arrangements in place as at 30 June 2020	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank overdraft	4,000	4,000
Credit card facilities	750	800
Total facilities	<b>4,750</b>	<b>4,800</b>
Used facilities	113	83
Unused facilities	<b>4,637</b>	<b>4,717</b>

**5.7 Commitments**

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

2020	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Garbage collection	-	-	-	-	-
Leisure Centres	-	-	-	-	-
IT Systems Supports	547	432	-	-	979
Records	85	-	-	-	85
Consultancies	-	-	-	-	-
HR	8	-	-	-	8
Environmental Operations	-	-	-	-	-
Animal Welfare	39	39	-	-	78
Building Management	60	-	-	-	60
<b>Total</b>	<b>739</b>	<b>471</b>	<b>-</b>	<b>-</b>	<b>1,210</b>
<b>Capital</b>					
Consultancies	460	-	-	-	460
Fleet	5,358	-	-	-	5,358
Works	27,035	8,201	-	-	35,236
<b>Total</b>	<b>32,853</b>	<b>8,201</b>	<b>-</b>	<b>-</b>	<b>41,054</b>
<b>2019</b>	<b>Not later than 1 year</b>	<b>Later than 1 year and not later than 2 years</b>	<b>Later than 2 years and not later than 5 years</b>	<b>Later than 5 years</b>	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Garbage collection	447	-	-	-	447
Leisure Centres	1,029	866	-	-	1,895
IT Systems Supports	787	697	-	-	1,484
Consultancies	8	8	-	-	16
Environmental Operations	443	-	-	-	443
Animal Welfare	39	79	210	-	328
Building Management	60	60	-	-	120
<b>Total</b>	<b>2,813</b>	<b>1,710</b>	<b>210</b>	<b>-</b>	<b>4,733</b>
<b>Capital</b>					
Consultancies	1,067	460	-	-	1,527
Works	5,774	1,170	-	-	6,944
<b>Total</b>	<b>6,841</b>	<b>1,630</b>	<b>-</b>	<b>-</b>	<b>8,471</b>

\* Leisure centre contract is currently under renegotiation due to the COVID-19 pandemic

\*\* The Waste collection contract was incorrectly included in 2018/19

**Commitments - operating lease receivables**

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office space and/or retail complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future minimum rentals receivable under non-cancellable operating leases are as follows:	2020 \$'000	2019 \$'000
Not later than 1 year*	1,697	1,552
Later than 1 year and not later than 5 years	7,332	5,834
Later than 5 years	12,273	15,101
	<b>21,302</b>	<b>22,487</b>

\*COVID-19 rent relief has been factored into this calculation.

**5.8 Leases**

**Policy applicable before 1 July 2019**

As a lessee, Council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to Council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

**Policy applicable after 1 July 2019**

Council has applied AASB 16 Leases using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

On transition to AASB 16 Leases, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied AASB 16 Leases only to contracts that were previously identified as leases.

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

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

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

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

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

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

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

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

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

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

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

In 2016 Moreland City Council entered into a 10 year Animal Welfare Facility agreement with Darebin and Whitehorse City Councils for the use of facilities located in Epping, Victoria. Moreland City Council contributed to the construction and ongoing costs with respect to the Facility by way of an upfront payment in 2016.

**Right-of-Use Assets**

	<b>Animal Shelter \$'000</b>
Balance at 1 July 2019	1,653
Additions	-
Amortisation charge	(236)
Balance at 30 June 2020	<b>1,417</b>

**Short-term and low value leases**

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

<b>Expenses relating to:</b>	<u>2020</u> <u>\$'000</u>
Short-term leases	87
Leases of low value assets	-
<b>Total</b>	<u><b>87</b></u>
Variable lease payments (not included in measurement of lease	-

**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	43
Later than one year but not later than five years	-
<b>Total lease commitments</b>	<u><b>43</b></u>

Council is not required to make any adjustments on transition to AASB 16 Leases for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with AASB 16 Leases from the date of initial application.

**Notes to the Financial Report  
For the Year Ended 30 June 2020**

**6.1 Property, infrastructure, plant and equipment**

**Summary of property, infrastructure, plant and equipment**

	At Fair Value 30 June 2019	Additions	Contributions	Found Assets	Revaluation	Depreciation	Disposal	Transfers	At Fair Value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,300,718	12,597	-		7,190	-	-	-	1,320,505
Buildings	208,842	6,121			14,296	(5,417)	(268)	1,954	225,528
Plant and equipment	13,590	4,215	-		-	(3,292)	(52)	-	14,461
Infrastructure	484,416	21,538	468	502	192,919	(16,969)	(5,324)	1,954	675,598
Work in progress	8,213	54,617	-		-	-	(3,576)	(44,535)	14,719
	<b>2,015,780</b>	<b>99,088</b>	<b>468</b>	<b>502</b>	<b>214,404</b>	<b>(25,678)</b>	<b>(9,220)</b>	<b>(44,534)</b>	<b>2,250,811</b>

**Summary of Work in Progress**

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	3,192	19,259	(184)	(17,568)	4,698
Plant and equipment	270	4,430	(525)	(4,112)	63
Infrastructure	4,752	30,928	(2,867)	(22,854)	9,958
Total	<b>8,213</b>	<b>54,617</b>	<b>(3,576)</b>	<b>(44,535)</b>	<b>14,719</b>

**(a) Property**

	Land - specialised \$'000	Land - non specialised \$'000	Land under roads \$'000	Total Land & Land Improvement \$'000	Buildings - specialised \$'000	Buildings - non specialised \$'000	Building improvements \$'000	Leasehold improvements \$'000	Total Buildings \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2019	1,018,445	278,290	3,983	<b>1,300,718</b>	325,186	-	-	-	<b>325,186</b>	3,192	<b>1,629,096</b>
Accumulated depreciation at 1 July 2019	-	-	-	-	(116,344)	-	-	-	<b>(116,344)</b>	-	<b>(116,344)</b>
	<b>1,018,445</b>	<b>278,290</b>	<b>3,983</b>	<b>1,300,718</b>	<b>208,842</b>	-	-	-	<b>208,842</b>	<b>3,192</b>	<b>1,512,752</b>
<b>Movements in fair value</b>											
Additions	57	12,539	-	<b>12,597</b>	6,121	-	-	-	<b>6,121</b>	19,259	<b>37,977</b>
Contributions	-	-	-	-	-	-	-	-	-	-	-
Revaluation	6,839	637	(286)	<b>7,190</b>	21,704	-	-	-	<b>21,704</b>	-	<b>28,893</b>
Disposal	-	-	-	-	(624)	-	-	-	<b>(624)</b>	-	<b>(624)</b>
Write-off	-	-	-	-	-	-	-	-	-	(184)	<b>(184)</b>
Transfers	-	-	-	-	2,010	-	-	-	<b>2,010</b>	(17,568)	<b>(15,558)</b>
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-
	<b>6,896</b>	<b>13,177</b>	<b>(286)</b>	<b>19,787</b>	<b>29,211</b>	-	-	-	<b>29,211</b>	<b>1,506</b>	<b>50,504</b>
<b>Movements in accumulated depreciation</b>											
Depreciation and amortisation	-	-	-	-	(5,417)	-	-	-	<b>(5,417)</b>	-	<b>(5,417)</b>
Accumulated depreciation Revaluation	-	-	-	-	(7,408)	-	-	-	<b>(7,408)</b>	-	<b>(7,408)</b>
Accumulated depreciation of disposals	-	-	-	-	357	-	-	-	<b>357</b>	-	<b>357</b>
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	(56)	-	-	-	<b>(56)</b>	-	<b>(56)</b>
	-	-	-	-	<b>(12,525)</b>	-	-	-	<b>(12,525)</b>	-	<b>(12,525)</b>
At fair value 30 June 2020	1,025,341	291,467	3,697	<b>1,320,505</b>	354,397	-	-	-	<b>354,397</b>	4,698	<b>1,679,600</b>
Accumulated depreciation at 30 June 2020	-	-	-	-	(128,869)	-	-	-	<b>(128,869)</b>	-	<b>(128,869)</b>
	<b>1,025,341</b>	<b>291,467</b>	<b>3,697</b>	<b>1,320,505</b>	<b>225,528</b>	-	-	-	<b>225,528</b>	<b>4,698</b>	<b>1,550,730</b>



**(b) Plant and Equipment**

	Motor vehicles	Plant and equipment	Furniture and fittings	Computer equipment	Library books	Artwork	Total Plant and equipment	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	17,297	4,805	2,534	3,481	9,256	838	38,211	270	<b>38,481</b>
Accumulated depreciation at 1 July 2019	(11,959)	(3,535)	(1,896)	(2,853)	(4,378)	-	(24,621)	-	<b>(24,621)</b>
	<b>5,338</b>	<b>1,270</b>	<b>638</b>	<b>628</b>	<b>4,878</b>	<b>838</b>	<b>13,590</b>	<b>270</b>	<b>13,860</b>
<b>Movements in fair value</b>									
Additions	1,768	741	430	268	992	17	4,215	4,430	<b>8,645</b>
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Disposal	(980)	(2,003)	-	-	-	-	(2,984)	-	<b>(2,984)</b>
Write-off	-	-	-	-	-	-	-	(525)	<b>(525)</b>
Transfers	-	-	-	-	-	-	-	(4,112)	<b>(4,112)</b>
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	<b>788</b>	<b>(1,263)</b>	<b>430</b>	<b>268</b>	<b>992</b>	<b>17</b>	<b>1,231</b>	<b>(207)</b>	<b>1,024</b>
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	(1,487)	(275)	(117)	(463)	(950)	-	(3,292)	-	<b>(3,292)</b>
Accumulated depreciation of disposals	969	1,963	-	-	-	-	2,932	-	<b>2,932</b>
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
	<b>(518)</b>	<b>1,688</b>	<b>(117)</b>	<b>(463)</b>	<b>(950)</b>	<b>-</b>	<b>(360)</b>	<b>-</b>	<b>(360)</b>
At fair value 30 June 2020	18,085	3,542	2,964	3,749	10,248	855	39,442	63	<b>39,505</b>
Accumulated depreciation at 30 June 2020	(12,477)	(1,847)	(2,013)	(3,316)	(5,328)	-	(24,981)	-	<b>(24,981)</b>
	<b>5,608</b>	<b>1,695</b>	<b>952</b>	<b>432</b>	<b>4,920</b>	<b>855</b>	<b>14,461</b>	<b>63</b>	<b>14,524</b>

**(c) Infrastructure**

	Road surface	Road pavement	Drainage	Footpaths	Kerb and channel	Bridges/ retaining walls	Other infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	78,464	287,651	158,079	108,489	87,356	24,178	125,081	4,752	<b>874,049</b>
Accumulated depreciation at 1 July 2019	(21,970)	(136,755)	(58,657)	(57,400)	(46,783)	(7,485)	(55,830)	-	<b>(384,881)</b>
	<b>56,493</b>	<b>150,896</b>	<b>99,422</b>	<b>51,089</b>	<b>40,573</b>	<b>16,693</b>	<b>69,250</b>	<b>4,752</b>	<b>489,168</b>
<b>Movements in fair value</b>									
Additions	3,784	3,650	3,831	4,471	1,476	46	4,280	30,928	<b>52,466</b>
Contributions	-	6	461	-	2	-	-	-	<b>468</b>
Revaluation	(1,047)	58,207	71,945	13,560	9,904	5,795	4,440	-	<b>162,804</b>
Disposal	(2,269)	(1,932)	(161)	(2,417)	(860)	(129)	(3,024)	-	<b>(10,791)</b>
Write-off	-	-	-	-	-	-	-	(2,867)	<b>(2,867)</b>
Transfers	8,202	-	(34)	5,537	104	(11)	(15,807)	(22,854)	<b>(24,864)</b>
Found Assets	-	-	27	646	-	-	-	-	<b>673</b>
	<b>8,670</b>	<b>59,931</b>	<b>76,069</b>	<b>21,797</b>	<b>10,625</b>	<b>5,701</b>	<b>(10,111)</b>	<b>5,207</b>	<b>177,890</b>
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	(2,571)	(2,773)	(1,652)	(3,110)	(1,322)	(424)	(5,117)	-	<b>(16,969)</b>
Accumulated depreciation Revaluation	69	6,255	(30,650)	26,883	30,653	(5,590)	2,495	-	<b>30,115</b>
Accumulated depreciation of disposals	731	1,376	68	1,874	580	44	793	-	<b>5,467</b>
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	<b>-</b>
Accumulated depreciation on found Assets	-	-	(1)	(169)	-	-	-	-	<b>(170)</b>
Accumulated depreciation Transfers	(2,383)	-	-	(2,213)	(63)	-	4,715	-	<b>55</b>
	<b>(4,155)</b>	<b>4,858</b>	<b>(32,234)</b>	<b>23,264</b>	<b>29,848</b>	<b>(5,970)</b>	<b>2,886</b>	<b>-</b>	<b>18,498</b>
At fair value 30 June 2020	87,134	347,582	234,148	130,286	97,981	29,879	114,970	9,959	<b>1,051,939</b>
Accumulated depreciation at 30 June 2020	(26,125)	(131,897)	(90,891)	(34,136)	(16,935)	(13,455)	(52,944)	-	<b>(366,382)</b>
	<b>61,010</b>	<b>215,685</b>	<b>143,257</b>	<b>96,150</b>	<b>81,047</b>	<b>16,424</b>	<b>62,025</b>	<b>9,958</b>	<b>685,557</b>

## Notes to the Financial Report For the Year Ended 30 June 2020

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	N/A	No limit
land improvements	N/A	No limit
Buildings		
buildings	5-260 years	1
building and leasehold improvements	N/A	1
Plant and Equipment		
plant, machinery and equipment	3-10 years	1
furniture and fittings	3-10 years	1
computer equipment	3-10 years	1
library books	3-10 years	1
motor vehicles	5-10 years	3
artworks	not applicable	1
Infrastructure		
roads surface	Up to 30 years	1
roads pavement	Up to 100 years	1
drainage	Up to 100 years	1
footpaths	Up to 80 years	1
kerb and channel	Up to 75 years	1
bridges	Up to 200 years	1
Other infrastructure		
Street furniture	10 to 20 years	1
Recreational, leisure and community facilities	10 to 50 years	1
Parks, open space and streetscapes	10 to 25 years	1
Playground equipment and other structures	10 to 50 years	1

### Land under roads

Council recognises land under roads it controls at fair value.

### Depreciation and amortisation

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

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

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

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

### 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 would be recognised at cost and would be amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, there are no leasehold improvements.

**Valuation of land and buildings**

Valuation of land and buildings were undertaken by a qualified independent valuer Liam McNamara (Qualified CPV valuer) from Opteon Property Group. 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.

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.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date of the current valuation is 1 March 2020. Opteon Property Group have advised Council that due to COVID-19, market conditions are changing, and as at 30 June 2020 there was significant uncertainty. Opteon Property Group have advised Council that it is too early to full quantify the extent of the impact on the economy and real estate market.

Refer to note 8.4 for further details.

	<b>Level 1</b>	<b>Level2</b>	<b>Level 3</b>	<b>Date of Valuation</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Land	-	291,467	-	Mar-20
Specialised land	-	-	1,025,342	Mar-20
Buildings	-	-	225,527	Mar-20
Total	-	291,467	1,250,869	

**Valuation of infrastructure**

Valuation of infrastructure assets has been carried out in two parts -

- i. Revaluation of the replacement cost of the assets (undertaken by Council's Asset Management Unit)
- ii. Assessment in the field of the condition of significant assets and hence their remaining useful life. This was done by expert consultants

- Roads infrastructure undertaken by Infrastructure Management Group - Director Mike Wilken, (details can be found at <http://www.imgpl.com.au/>)

- Open space infrastructure undertaken by Rapid Map (<https://rapidmap.com.au/>)

- Bridges undertaken by Land Management Surveys (<https://lmsmelb.weebly.com/>)

The replacement cost revaluation was conducted in the current year, this valuation was based on either

- a. Moreland City Council construction costs of assets within that category, or
  - b. Construction cost indices from the Australian Bureau of Statistics (if appropriate construction costs were not available)
- For Open Space assets, typical industry costs provided by Rapid Map were used.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of
Roads	-	-	276,695	Jun-20
Kerbs	-	-	81,046	Jun-20
Bridges	-	-	16,424	Jun-20
Footpaths and cycleways	-	-	96,151	Jun-20
Drainage	-	-	143,257	Jun-20
Recreational, leisure and community facilities	-	-	21,522	Jul-19
Parks, open space and streetscapes	-	-	31,436	Jul-19
Other infrastructure	-	-	9,067	Jul-19
<b>Total</b>	-	-	<b>675,598</b>	

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; and

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

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

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

**Description of significant unobservable inputs into level 3 valuations**

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$2 and \$11,700 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$190 to \$32,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

**Reconciliation of specialised land**

	2020 \$'000	2019 \$'000
Land under roads	3,697	3,983
Parks and reserves	1,025,342	1,018,445
<b>Total specialised land</b>	<b>1,029,038</b>	<b>1,022,428</b>

**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

<b>6.2</b>	<b>Investments in associates, joint arrangements and subsidiaries</b>	2020	2019
		\$'000	\$'000
	<b>(a) Unlisted shares</b>		
	Shares in MAPS Group Ltd	2	2
		2	2
<b>6.3</b>	<b>Investment property</b>	2020	2019
		\$'000	\$'000
	Balance at beginning of financial year	26,695	32,652
	Additions	189	-
	Disposals	-	-
	Fair value adjustments	(884)	(5,957)
	Balance at end of financial year	<b>26,000</b>	<b>26,695</b>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

**Valuation of investment property**

Valuation of investment property has been determined in accordance with an independent valuation by Opteon Property Group who has 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.

The date of the current valuation is 1 March 2020. Opteon Property Group have advised Council that due to COVID-19, market conditions are changing, and as at 30 June 2020 there was significant uncertainty. Opteon Property Group have advised Council that it is too early to full quantify the extent of the impact on the economy and real estate market.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

**Note 7 People and relationships**

**7.1 Council and key management remuneration**

**(a) Related Parties**

Parent entity

Moreland City Council is the parent entity.

**(b) Key Management Personnel**

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

<b>Councillors</b>	Councillor Natalie Abboud (Mayor from 1/7/19 to 28/10/19)
	Councillor Mark Riley (Deputy Mayor from 1/7/19 - 28/10/19)
	Mayor Lambros Tapinos (from 28/10/19 to current)
	Deputy Mayor Oscar Yildiz JP (from 28/10/19 to current)
	Councillor John Kavanagh
	Councillor Dale Martin
	Councillor Annalivia Carli Hannan
	Councillor Jess Dorney
	Councillor Sue Bolton
	Councillor Ali Infanli
	Councillor Helen Davidson
	Chief Executive Officer Dr Nerina Di Lorenzo (from 1/7/19 to 23/7/19)
	Chief Executive Officer Cathy Henderson (from 9/12/19 to current)
	Chief Executive Officer (acting) Grant Thorne (from 30/7/19 to 9/12/19)
	Director City Futures Kirsten Coster
	Director Engagement and Partnerships Joseph Tabacco
	Director Community Development Arden Joseph
	Director City Infrastructure Grant Thorne
	Director City Infrastructure (acting) Greg Gale (from 30/7/19 to 9/12/19)
	Director Business Transformation Sue Vujcevic
	Executive Manager Finance Elizabeth Rowland

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
<b>Total Number of Councillors</b>	11	11
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	10	10
<b>Total Number of Key Management Personnel</b>	<b>21</b>	<b>21</b>

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

Total remuneration of key management personnel was as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Short-term benefits	2,508	2,519
Long-term benefits	46	50
Post employment benefits	220	202
Termination benefits	-	-
<b>Total</b>	<b>2,774</b>	<b>2,771</b>

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

	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
\$30,000 - \$39,999	9	9
\$40,000 - \$69,999	2	1
\$70,000 - \$79,999		1
\$80,000 - \$119,999	1	
\$120,000 - \$129,999	-	1
\$130,000 - \$219,999	1	
\$220,000 - \$229,999	2	1
\$230,000 - \$239,999		1
\$240,000 - \$249,999	2	2
\$250,000 - \$259,999	1	1
\$260,000 - \$269,999		2
\$270,000 - \$279,999	2	
\$280,000 - \$289,999		1
\$290,000 - \$339,999	1	
\$340,000 - \$349,999		1
<b>Total</b>	<b>21</b>	<b>21</b>

**(d) Senior Officer 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:

Income Range:	2020 No.	2019 No.
\$150,000 - \$159,999	9	7
\$160,000 - \$169,999	7	4
\$170,000 - \$179,999	4	3
\$180,000 - \$189,999	5	2
\$190,000 - \$199,999	2	2
\$200,000 - \$209,999	3	3
\$210,000 - \$219,999	1	2
\$220,000 - \$229,999	-	1
	<b>31</b>	<b>24</b>

Total Remuneration for the reporting year for Senior Officers included above, amounted	5,396,529	4,254,963
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**7.2 Related party disclosure**

**(a) Transactions with related parties**

During the period Council entered into the following transactions with related parties.

**(b) Outstanding balances with related parties**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties

**(c) Loans to/from related parties**

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows:

**(d) Commitments to/from related parties**

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

	2020 \$'000	2019 \$'000
During the period Council entered into the following transactions with related parties.	0	0
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties	0	0
The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows:	0	0
The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:	0	0



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**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

**Note 8 Managing uncertainties**

**8.1 Contingent assets and liabilities**

As at 30 June 2020 there were no Contingent Assets identified by Council.

**(b) Contingent liabilities**

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

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. It is uncertain at this point in time the effect of the COVID-19 pandemic may have on the scheme.

**Insurance claims**

Council is presently involved in several confidential insurance matters, which are being conducted through Council's insurer. As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

**Legal matters**

Council is presently involved in several confidential legal matters, which are being conducted through Council's solicitors. As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

**Liability Mutual Insurance**

Council is (was) a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

**(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 the right will be exercised.

2020	2019
\$'000	\$'000
-	-

## **8.2 Change in accounting standards**

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)**

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets, as appropriate, except as specified AASB 1059;

- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

### **AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)**

The Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

### **AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)**

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

## **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 the notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to 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 council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

#### **Interest rate risk**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council 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.

Our loans and borrowings are sourced from major Australian banks by a tender process or issuing of bonds by the Local Government Funding Vehicle. Overdrafts are with major Australian banks.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. Council manages 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. Cuts to global interest rates during the past year, including those directly related to the COVID-19 pandemic in March 2019 did see a decrease in returns.

### **(c) Credit risk**

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property. There are no material financial assets which are individually determined to be impaired.

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 8.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

**(d) Liquidity risk**

Liquidity risk includes the risk that, as a result of our operational liquidity requirements or we will not have sufficient funds to settle a transaction when required, we 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 we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set 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 8.1c) 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 With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

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

**(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 + 0.50% and -1.85% in market interest rates (AUD) from year-end rates of 0.65%.

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.

## **Notes to the Financial Report** **For the Year Ended 30 June 2020**

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

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

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

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

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

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

#### *Revaluation*

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, 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 balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

#### *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 assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

#### *Effect of COVID-19 on asset valuations*

The date of the current valuation for land and buildings is 1 March 2020. Opteon Property Group have advised Council that due to COVID-19, market conditions are changing, and as at 30 June 2020 there was significant uncertainty. Opteon Property Group have advised Council that it is too early to fully quantify the extent of the impact on the economy and real estate market. Council also determined that there was no further impairment to assets at this time.

#### **8.5 Events occurring after balance date**

Since 30 June 2020, Stage 4 restrictions applied in Metropolitan Melbourne and Stage 3 across the rest of Victoria from 2 August 2020. The impact of these restrictions has resulted in a curfew being put in place between 8pm and 5 am, a 5 kilometre radius travel restriction and further restrictions on the definition of essential workers and their ability to work onsite.

Council's adopted 2020/21 budget included \$6.24 million in COVID relief initiatives, including the provision of Community, Business and Arts grants to those affected by the pandemic. Other provisions included closure of Council's leisure centres, freeze of statutory fees and fines, waiver of various registration and venue hire fees and the extension of the COVID-19 Hardship policy to the end of June 2021.

With the onset of Stage 4 restrictions and the uncertain environment Council is operating in, further impacts that have been flagged include (at the time of drafting these Statements):

- Further loss of income for leisure centres due to extended closures
- Further loss of income for associated parking revenue
- Further costs for maintaining Wage guarantee for staff until the end of October
- COVID related costs for protective personal equipment
- Further waiver of sporting ground fees and other hire income
- Leasing and licencing income has been impacted as a result of COVID-19. Due to ongoing financial hardship being experienced by Council's tenants and licensees, some rent waivers and temporary reductions will continue to be provided to eligible applicants
- Closure of all libraries and community venues resulting in further loss of income
- Delays to planned construction/capital works because of DHHS Directions
- Delays to all community engagement and project delivery because of DHHS Directions
- Modifications to the delivery of essential community services such as Maternal and Child Health, Immunisation and Aged Care services

Also of concern is the level of outstanding rate assessments as at 30 June 2020 which have increased from 9% of total assessments to 16%. As Rate income represents the primary source of funding for Council operations, monitoring this cash flow will be of prime importance during the coming year as the community continues to suffer the financial effects of recession brought on by the global pandemic.

Despite these impacts, Council remains in a strong financial position and does not foresee any issues for the entity to continue as a going concern.

**Note 9**

<b>9.1 Reserves</b>	<b>Balance at beginning of reporting period</b>	<b>Increment (decrement)</b>	<b>Balance at end of reporting period</b>
<b>(a) Asset revaluation reserves</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2020</b>			
<b>Property</b>			
Land and land improvements	983,214	7,190	990,403
Buildings	78,844	14,296	93,140
	<u>1,062,058</u>	<u>21,486</u>	<u>1,083,544</u>
<b>Infrastructure</b>			
Road surface	62,783	(978)	61,805
Road pavement	96,429	64,461	160,890
Bridges	12,224	204	12,428
Footpaths	30,470	40,442	70,912
Drainage	53,771	41,295	95,066
Kerb and channel	27,746	40,558	68,304
Other structures	52,274	6,936	59,210
	<u>335,697</u>	<u>192,919</u>	<u>528,616</u>
<b>Total asset revaluation reserves</b>	<b>1,397,755</b>	<b>214,404</b>	<b>1,612,160</b>
<b>2019</b>			
<b>Property</b>			
Land and land improvements	1,086,048	(102,834)	983,214
Buildings	78,844	-	78,844
	<u>1,164,892</u>	<u>(102,834)</u>	<u>1,062,058</u>
<b>Infrastructure</b>			
Road surface	62,783	-	62,783
Road pavement	96,429	-	96,429
Bridges	12,224	-	12,224
Footpaths	30,470	-	30,470
Drainage	53,771	-	53,771
Kerb and channel	27,746	-	27,746
Other structures	52,274	-	52,274
	<u>335,697</u>	<u>-</u>	<u>335,697</u>
<b>Total asset revaluation reserves</b>	<b>1,500,589</b>	<b>(102,834)</b>	<b>1,397,755</b>

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>(b) Other reserves</b>				
<b>2020</b>				
Public resort and recreation land fund (restricted)	20,322	11,960	(13,842)	18,440
Housing Strategy	740	95	(82)	753
Leisure centre development reserve	3,126	500	(495)	3,132
Moreland Defined Benefit reserve	8,422	2,657	-	11,079
Significant Projects reserve	10,415	7,756	(1,206)	16,965
Bridge works reserve	1,900	500	(1,671)	729
Oak Park SAC redevelopment	34	-	(34)	0
Local Government Funding Vehicle	3,492	1,405	(4,897)	-
Developer Contribution Plan reserve (restricted)	1,856	1,465	(665)	2,656
Carry Forward Reserve	-	8,567	-	8,567
<b>Total Other reserves</b>	<b>50,306</b>	<b>34,905</b>	<b>(22,892)</b>	<b>62,321</b>
<b>2019</b>				
Public resort and recreation land fund (restricted)	49,734	12,183	(41,595)	20,322
Housing Strategy	820	50	(131)	739
Moonee Ponds Creek development	59	-	(59)	-
Leisure centre development reserve	3,390	341	(605)	3,126
Moreland Defined Benefit reserve	6,007	2,415	-	8,422
Significant Projects reserve	1,327	9,188	(101)	10,414
Bridge works reserve	1,400	500	-	1,900
Oak Park SAC redevelopment	2,469	2,504	(4,939)	34
Wheatsheaf Rd Precinct	702	-	(702)	-
Saxon St Precinct	643	-	(643)	-
PVCC on Rogers reserve	(506)	506	-	-
Local Government Funding Vehicle	2,087	1,405	-	3,492
Developer Contribution Plan reserve (restricted)	1,098	1,337	(579)	1,856
<b>Total Other reserves</b>	<b>69,230</b>	<b>30,429</b>	<b>(49,354)</b>	<b>50,305</b>

The Public Resort and Recreation Land Fund accumulates developers contributions paid to Council and is used to provide or improve recreation land and facilities.

The Housing Strategy provides funds for the purchase of community housing projects along with other housing initiatives.

The Moonee Ponds Creek Development provides funds for the revitalisation of the Moonee Ponds Creek required because of freeway and CityLink works.

The Leisure Centre Development Reserve accumulates funds from the savings derived from the outsourcing of the leisure centre facilities. These funds are and will continue to be used to maintain and upgrade these facilities.

Moreland Defined Benefit Reserve provides funds for payments requested by Vision Super to meet our superannuation obligations under the defined benefit scheme.

The Significant Projects Reserve accumulates funds to be on significant projects, currently the two projects are Wheatsheaf Community Hub and Saxon Street.

Bridges works Reserve funds works to construct or repair major bridges within Moreland City Council.

The Oak Park SAC Redevelopment Reserve accumulates funds set aside to be used in the complete redevelopment of the Oak Park facility.

The Wheatsheaf Road Precinct Reserve accumulates funds to be used in the development of the former primary school in Wheatsheaf Road. This reserve was consolidated into the Significant Projects Reserve in 2019/20.

The Saxon Street precinct reserves accumulates funds to be used to redevelop the former school site located at Saxon Street in Brunswick. This reserve was consolidated into the Significant Projects Reserve in 2019/20.

The PVCC on Rogers Reserve accumulates funds to be used to build the Pascoe Vale Community Centre at Rogers reserve.

The Local Government Funding Vehicle reserve accumulates funds to be used to reduce the LGFV bonds held by Council.

The Developers Contribution Plan Reserve (DCP) accumulates developers funds paid to Council in respect of developments within particular Plan areas and is used to contribute towards payment of a ten year Capital works program with each of the twelve DCP areas.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2020**

<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Surplus/(deficit) for the year	31,142	23,874
Depreciation	25,678	25,503
Profit/(loss) on disposal of property, infrastructure, plant and equipment	5,303	4,875
Impairment losses	-	
Fair value adjustments for investment property	884	5,957
Contributions - Non-monetary assets	(468)	(618)
Finance costs	1,090	1,404
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	1,715	(6,829)
(Increase)/decrease in prepayments	(705)	479
Increase/(decrease) in accrued income	2,718	(123)
Increase/(decrease) in trade and other payables	(6,854)	11,567
(Decrease)/increase in other liabilities	-	-
(Increase)/decrease in inventories	55	(107)
Increase/(decrease) in provisions	1,728	(59)
Increase/(decrease) in trust funds	(1,265)	3,562
Net cash provided by/(used in) operating activities	<b>61,020</b>	<b>69,484</b>

**9.3 Superannuation**

Please note that the following commentary reflect the most recent advice Council has received regarding Defined Benefits Superannuation from the Superannuation body and at the time of drafting these Statements any changes to potential funding calls due to the COVID-19 pandemic is unknown.

**Accumulation**

The Fund's accumulation categories, 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 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

**Defined Benefit**

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

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of [Employer name] 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.



#### **Funding arrangements**

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

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, 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 Moreland City Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

Net investment returns 6.0% pa

Salary information 3.5% pa

Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at June 2020 was 104.6%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

#### **Employer contributions**

##### *Regular contributions*

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Moreland City 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 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

**Funding calls**

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

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

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.

**The 2018 interim actuarial investigation surplus amounts**

An actuarial investigation is conducted annually for the Defined Benefit category of which Moreland City Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

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

	2019 \$m	2017 \$m
- A VBI Surplus	151.3	69.8
- A total service liability surplus	233.4	193.5
- A discounted accrued benefits surplus	256.7	228.8

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 2019.

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

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

Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

**The 2020 triennial actuarial investigation**

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020 Triennial investigation	2017 Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.50 % pa	3.5% pa
	for the first two years and 2.75% pa thereafter	
Price inflation	2.0% pa	2.5% pa

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Type of Scheme	Rate	2020	2019
			\$,000	\$,000
Vision super	Defined benefit	9.50%	668	614
Vision super	Accumulation fund	9.50%	3,479	3,527
Other Funds	Accumulation fund	9.50%	2,912	2,531

## **Notes to the Financial Report** **For the Year Ended 30 June 2020**

**10 Change in accounting policy**

Council has adopted AASB 15 Revenue from Contracts with Customers, AASB 16 Leases and AASB 1058 Income of Not-for-Profit Entities, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

**a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption**

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted AASB 15 Revenue from Contracts with Customers using the modified (cumulative catch up) method. Revenue for 2019 as reported under AASB 118 Revenue is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

**b) AASB 16 Leases**

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures.

When finalising the year end accounts for 2019/20, Council conducted an assessment for items which may be affected to the change in this accounting standard. Council determined that the provision of the outsourced Waste Collection service would warrant a change in treatment, however, have elected to apply the provision for new agreements as of 1 July 2019 and not recognise these right of use assets at this time.

The operating lease disclosed in note 5.8 is for the use of multi-device printer/ photocopiers and expires in December 2020. Council has determined this is a short term and low value lease and as such does not require reporting through the Balance Sheet.

**c) AASB 1058 Income of Not-for-Profit Entities**

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted AASB 1058 Income of Not-for-Profit Entities using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised as Council satisfies the performance obligations under the contract.

**d) Transition impacts**

There have been no impacts to retained earnings as at 1 July 2019 due to changes in the above standards.

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of AASB 16 Leases.