

Melton City Council

ANNUAL FINANCIAL REPORT
for the year ended 30 June 2019

**A Thriving Community Where
Everyone Belongs**

Melton City Council**Annual Financial Report**
for the year ended 30 June 2019**Contents****Page**

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Melton City Council.
 - (ii) All figures presented in these financial statements are presented in Australian Currency.
 - (ii) These financial statements were authorised for issue by the Council on dd/mm/yy. Council has the power to amend and reissue these financial statements.
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Melton City Council

Annual Financial Report
for the year ended 30 June 2019

Certification of the Financial Statements

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

Sam Rumoro
Principal Accounting Officer

Date : 16 September 2019
232 High Street, Melton VIC

In our opinion the accompanying financial statements present fairly the financial transactions of Melton City Council for the year ended 30 June 2019 and the financial position of the Council as at that date.

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

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Cr Bob Turner
Councillor

Date : 16 September 2019
232 High Street, Melton VIC

Cr Lara Carli
Councillor

Date : 16 September 2019
232 High Street, Melton VIC

Kelvin Tori
Chief Executive Officer

Date : 16 September 2019
232 High Street, Melton VIC

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Annual Financial Report
for the year ended 30 June 2019

[Victorian Auditor-General's Office Audit Report](#)

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for the year ended 30 June 2019

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Insert VAGO Report here

Melton City Council

Notes to the Financial Report for the year ended 30 June 2019

Understanding Council's Financial Report

Introduction

Each year, individual Local Governments across Victoria are required to present a set of audited financial statements to their Council and Community.

What you will find in the Report

The financial report sets out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

The format of the financial report is standard across all Victorian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by Local Government Victoria.

About the Certification of the Financial Statements

The financial statements must be certified by senior staff and Councillors as "presenting fairly" the Council's financial results for the year as well as Council's financial position, and are required to be adopted by Council - ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. Comprehensive Income Statement

Summarises Council's financial performance for the financial year, listing all income and expenses.

Includes Other Comprehensive Income which primarily records changes in the fair values of Council's Property, Infrastructure, Plant and Equipment.

2. Balance Sheet

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities and "Net Wealth".

3. Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "Net Wealth".

4. Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

5. Statement of Capital Works

This statement details all amounts expended by Council on capital works.

About the Notes to the Financial Report

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in Local Government).

The Auditor provides an audit report which gives an opinion on whether the financial statements present fairly the Council's financial performance and position.

Who uses the Financial Report?

The Financial Report is a publicly available document and is used by (but not limited to) Councillors, Residents and Ratepayers, Employees, Suppliers, Contractors, Customers, Local Government Victoria, State and Federal Governments, and Financiers including Banks and other Financial Institutions.

The financial statements must be presented at a Council meeting no later than 1 month after submitting the annual report to the Minister.

Melton City Council

Comprehensive Income Statement

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Income			
Rates & Charges	3.1	113,503	106,155
Statutory Fees & Fines	3.2	7,892	6,345
User Fees	3.3	12,166	10,738
Grants - Operating	3.4	31,028	28,548
Grants - Capital	3.4	10,655	14,219
Contributions - Monetary	3.5	17,376	15,010
Contributions - Non Monetary	3.5	186,159	112,634
Net Gain/(Loss) on Disposal of IPP&E	3.6	(2,405)	23,471
Fair Value Adjustments for Investment Property	6.4	223	286
Net Gain/(Loss) on Financial Assets	5.1	(62)	-
Other Income	3.7	6,170	8,014
Total Income		382,705	325,420
Expenses			
Employee Costs	4.1	50,722	48,815
Materials & Services	4.2	80,264	74,974
Depreciation & Amortisation	4.3	33,908	31,384
Bad & Doubtful Debts	4.4	778	761
Borrowing Costs	4.5	839	939
Total Expenses		166,511	156,873
Surplus/(Deficit) for the Year		216,194	168,547
Other Comprehensive Income:			
<i>Items that will not be reclassified to Surplus or Deficit in future periods</i>			
Net Asset Revaluation Increment/(Decrement)	6.2	133,881	-
Total Items which will not be reclassified subsequently to the Operating Result		133,881	-
Total Comprehensive Result		350,075	168,547

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

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Melton City Council

Balance Sheet

as at 30 June 2019

\$ '000	Notes	2019	Restated 2018
ASSETS			
Current Assets			
Cash & Cash Equivalents	5.1(a)	117,549	132,904
Trade & Other Receivables	5.1(c)	28,833	33,829
Other Financial Assets	5.1(b)	62,402	10,000
Inventories	5.2(a)	41	14
Non-current assets classified as held for sale	6.1	1,636	1,281
Other Assets	5.2(b)	29,439	47,767
Total Current Assets		239,900	225,795
Non-Current Assets			
Other Financial Assets	5.1(b)	306	368
Inventories	5.2(a)	119	178
Property, Infrastructure, Plant & Equipment	6.2	2,303,763	1,963,250
Investment Property	6.4	7,300	7,077
Intangible Assets	5.2(c)	3,357	3,684
Total Non-Current Assets		2,314,845	1,974,557
TOTAL ASSETS		2,554,745	2,200,352
LIABILITIES			
Current Liabilities			
Trade & Other Payables	5.3(a)	25,917	20,557
Trust Funds & Deposits	5.3(b)	2,591	2,208
Provisions	5.5	10,546	10,026
Interest-Bearing Loans & Borrowings	5.4	2,962	2,826
Total Current Liabilities		42,016	35,617
Non-Current Liabilities			
Trust Funds & Deposits	5.3(b)	5,177	4,252
Provisions	5.5	1,718	1,758
Interest-Bearing Loans & Borrowings	5.4	12,981	15,947
Total Non-Current Liabilities		19,876	21,957
TOTAL LIABILITIES		61,892	57,574
Net Assets		2,492,853	2,142,778
EQUITY			
Accumulated Surplus		1,397,244	1,254,270
Reserves	9.1	1,095,609	888,508
Total Equity		2,492,853	2,142,778

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

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Melton City Council

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000	Notes	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
2019					
Opening Balance		2,142,778	1,254,270	805,208	83,300
a. Surplus for the Year		216,194	216,194	-	-
b. Other Comprehensive Income					
- Net Asset Revaluation Increment/(Decrement)		133,881	-	133,881	-
Other Comprehensive Income		133,881	-	133,881	-
Total Comprehensive Income		350,075	216,194	133,881	-
c. Transfers to Other Reserves		-	(117,865)	-	117,865
d. Transfers from Other Reserves		-	44,645	-	(44,645)
Equity - Balance at end of the reporting period		2,492,853	1,397,244	939,089	156,520

\$ '000	Notes	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
2018					
Opening Balance (as per Last Year's Audited Accounts)		1,981,028	1,104,847	805,008	71,173
a. Correction of Prior Period Errors *	6.2	(6,796)	(6,996)	200	-
Restated Opening Balance (as at 1/7/17)		1,974,232	1,097,851	805,208	71,173
b. Surplus for the Year		168,547	168,547	-	-
Total Comprehensive Income		168,547	168,547	-	-
c. Transfers to Other Reserves		-	(39,068)	-	39,068
d. Transfers from Other Reserves		-	26,940	-	(26,940)
Equity - Balance at end of the reporting period		2,142,778	1,254,270	805,208	83,300

* The correction did not impact the surplus for the year

Melton City Council

Statement of Cash Flows
for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Cash Flows from Operating Activities			
Rates & Charges		112,825	106,228
Statutory Fees & Fines		7,892	5,913
User Fees		12,166	7,096
Grants - Operating		31,028	41,609
Grants - Capital		10,655	-
Contributions - Monetary		17,376	15,010
Interest Received		3,672	2,707
Trust Funds & Deposits Taken		1,308	508
Other Receipts		10,245	5,639
Net GST Refund/Payment		25,472	9,753
Employee Costs		(43,640)	(49,116)
Materials & Services		(71,998)	(71,177)
Other Payments		(19,471)	-
Net Cash provided by/(used in) Operating Activities	9.2	97,530	74,170
Cash Flows from Investing Activities			
Payments for Property, Infrastructure, Plant & Equipment	6.2	(78,298)	(36,362)
Proceeds from Sale of Property, Infrastructure, Plant & Equipment		21,483	9,121
Payments for Investments		(52,340)	(10,000)
Proceeds from Sale of Investments		(62)	-
Net Cash provided by/(used in) Investing Activities		(109,217)	(37,241)
Cash Flows from Financing Activities			
Finance Costs		(839)	(939)
Repayment of Borrowings		(2,830)	(3,380)
Net Cash provided by/(used in) Financing Activities		(3,669)	(4,319)
Net Increase (Decrease) in Cash & Cash Equivalents		(15,356)	32,610
Cash & Cash Equivalents at the beginning of the financial year		132,905	100,295
Cash & Cash Equivalents at the end of the financial year		117,549	132,905
Financing Arrangements	5.6	2,000	2,000
Restrictions on Cash Assets	5.1	86,829	83,839

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

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Melton City Council

Statement of Capital Works

for the year ended 30 June 2019

\$ '000	Notes	2019	2018
Property			
Land		3,837	1,321
Total Land		3,837	1,321
Buildings		15,683	5,061
Total Buildings		15,683	5,061
Total Property		19,520	6,382
Plant & Equipment			
Plant, Machinery & Equipment		1,032	927
Fixtures, Fittings & Furniture		54	215
Computers & Telecommunications		315	302
Library Books		423	411
Total Plant & Equipment		1,824	1,855
Infrastructure			
Roads		14,850	12,011
Bridges		4,303	4,579
Footpaths & Cycleways		1,715	768
Drainage		241	441
Recreational		28,007	10,563
Other Infrastructure		2,096	3,065
Total Infrastructure		51,212	31,427
Total Capital Works Expenditure		72,556	39,664
Represented by:			
New Asset Expenditure		53,618	19,608
Asset Renewal Expenditure		9,540	12,307
Asset Expansion Expenditure		7,859	4,476
Asset Upgrade Expenditure		1,539	3,273
Total Capital Works Expenditure		72,556	39,664

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

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Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Overview

Introduction

The Melton City Council (formerly the Melton Shire Council until 4 September 2012) was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate.

The Council's main office is located at 232 High Street, Melton.

Statement of Compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

Significant accounting policies

(a) Basis of Accounting

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:

- (i) the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2.)
- (ii) the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2.).
- (iii) the determination of employee provisions (refer to Note 5.5.).
- (iv) the determination of landfill provisions (refer to Note 5.5.).
- (v) 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, and disclosure has been made of any material changes to comparatives.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

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Notes to the Financial Report

for the year ended 30 June 2019

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 \$250,000 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 25 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

\$ '000	Variance %	Ref	Budget 2019	Actual 2019	Variance 2019
1.1. Income & Expenditure					
Income					
Rates & Charges	-0.82%	1	114,439	113,503	(936)
Statutory Fees & Fines	52.21%	2	5,185	7,892	2,707
User Fees	25.59%	3	9,687	12,166	2,479
Grants - Operating	55.44%	4	19,962	31,028	11,066
Grants - Capital	8.18%	5	9,849	10,655	806
Contributions - Monetary	-35.41%	6	26,900	17,376	(9,524)
Contributions - Non Monetary	295.34%	7	47,088	186,159	139,071
Net Gain/(Loss) on Disposal of IPP&E	-114.40%	8	16,702	(2,405)	(19,107)
Fair Value Adjustments for Investment Property	0.00%		-	223	223
Net Gain/(Loss) on Financial Assets	0.00%		-	(62)	(62)
Other Income	27.16%	9	4,852	6,170	1,318
Total Income	50.28%		254,664	382,705	128,041
Expenses					
Employee Costs	-12.80%	10	58,166	50,722	(7,444)
Materials & Services	15.29%	11	69,617	80,264	10,647
Bad & Doubtful Debts	72.89%	12	450	778	328
Depreciation & Amortisation	-1.67%	13	34,484	33,908	(576)
Borrowing Costs	6.88%		785	839	54
Other Expenses	-100.00%	11	6,230	-	(6,230)
Total Expenses	-1.90%		169,732	166,511	(3,221)
Surplus/(Deficit) for the Year	154.55%		84,932	216,194	131,262

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 1. Performance against budget (continued)

1.1. Income & Expenditure (continued)

Explanation of Material Variations

	Item	Explanation
1.	Rates and Charges	Unfavourable variance mainly due to supplementary rates falling below budget target due to lower number of properties being released than budgeted as a result of slow down in the property market.
2.	Statutory Fees and Charges	Higher than budgeted income in Statutory Fees and Fines due to higher than anticipated growth. Compliance, Engineering Services and City Design areas were all favourable to budget.
3.	User Fees	The favourable variance is mainly attributable to; <ul style="list-style-type: none"> - Subdivision construction supervision and public lighting charges that were higher than budget due to increase in the number of land development activities. - An increase in rental and lease income from properties due to improved management of leases and rental income as a result of centralisation of function. Higher fee income in community care in CSHP programs in brokerage and client fees.
4.	Grants – Operating	Favourable variance is mainly attributable to the following; <ul style="list-style-type: none"> - In June 2018, the Commonwealth Government brought forward the payment of half the estimated aggregate 2019-20 financial assistance grants allocation to Victorian councils which amounted to \$8.24 million. - Unbudgeted grants of \$1.93 million received in the year for number of programs such as Youth Learning Pathways, Right@home and others. - Higher than budgeted grants of \$1.12 million was received during the year for a number of ongoing programs such as Family Day Care, Maternal Child Health, Community Care CHSP services and others.
5.	Grants – Capital	Favourable variance is attributable to the following; <ul style="list-style-type: none"> - Unbudgeted capital grants received in the year-to-date period amounted to \$6.358 million for projects such as Eynesbury sporting facility and Caroline Spring Community Pavilion Extension. - The overall favourable variance was partly offset by a number of grants amounting to \$5.55 million which have not been received or received in part by the end of the year. These include Hume drive duplication, Scouts Activity Centre and Melton Central Community Centre.
6.	Contributions – Monetary	The cash contributions received in the year was lower than the budget. This is mainly attributed to the higher than budgeted Precinct Structure Plan offsets applied for the year which represents the value of non-monetary assets provided by the Developer.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 1. Performance against budget (continued)

	Item	Explanation
7.	Contributions – Non-Monetary	Non-Monetary contributions received for the year was significantly higher than budget for the year. The significant level of the favourable variance is an indication of the level of development taking place in the municipality which was higher than the level anticipated in the budget.
8.	Net Gain on Disposal of Assets	The overall unfavourable variance is due to two factors; <ul style="list-style-type: none"> - Atherstone land sales were lower than anticipated budget due to slow down of property market. - A write down and disposal of road infrastructure assets following review of asset category.
9.	Other Income	Favourable variance relates to unbudgeted reimbursement and recoveries received such as relocation of RSL war memorial, Hillside Tennis Club Pavilion extension. Also Industrial land development cost reimbursements were received during the year which were unbudgeted during the year.
10.	Employee Costs	The favourable variance is attributable to filling of vacancies later than anticipated and lower than anticipated labour overhead expenditure such as annual leave loading and long service leave.
11.	Materials and Services Net of Other Expenses	Overall unfavourable variance is due to higher than anticipated agency costs due to backfilling of unfilled vacancies. Also higher than anticipated maintenance, legal expenses, plant operating expenses and utilities due to growth.
12.	Bad & Doubtful Debts	Increase in provision of Doubtful Debts related to other debtors. This unfavourable variance was due to review of outstanding debts in 2019 with more comprehensive data at hand.
13.	Depreciation and Amortisation	Depreciation charge is lower than budget for the year and mainly attributable to Roads (\$1.04 million), Recreation (\$905,000), Drainage (\$198,000) and Library Books (\$179,000).

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 1. Performance against budget (continued)

\$ '000	Variance %	Ref	Budget 2019	Actual 2019	Variance 2019
1.2. Capital Works					
Property					
Land	35.63%	1	2,829	3,837	1,008
Total Land	35.63%		2,829	3,837	1,008
Buildings	-30.89%	2	22,694	15,683	(7,011)
Total Buildings	-30.89%		22,694	15,683	(7,011)
Total Property	-23.52%		25,523	19,520	(6,003)
Plant & Equipment					
Plant, Machinery & Equipment	-17.44%	3	1,250	1,032	(218)
Fixtures, Fittings & Furniture	-46.00%		100	54	(46)
Computers & Telecommunications	-3.96%		328	315	(13)
Library Books	3.93%		407	423	16
Total Plant & Equipment	-12.52%		2,085	1,824	(261)
Infrastructure					
Roads	-13.45%	4	17,158	14,850	(2,308)
Bridges	-8.66%	5	4,711	4,303	(408)
Footpaths & Cycleways	49.13%	6	1,150	1,715	565
Drainage	447.73%		44	241	197
Recreational	13.29%	7	24,721	28,007	3,286
Other Infrastructure	-13.50%		2,423	2,096	(327)
Total Infrastructure	2.00%		50,207	51,212	1,005
Total Capital Works Expenditure	-6.76%		77,815	72,556	(5,259)
Represented By:					
New Asset Expenditure	2.09%		52,521	53,618	1,097
Asset Renewal Expenditure	65.25%		5,773	9,540	3,767
Asset Expansion Expenditure	109.13%		3,758	7,859	4,101
Asset Upgrade Expenditure	-90.24%		15,763	1,539	(14,224)
Total Capital Works Expenditure	-6.76%		77,815	72,556	(5,259)

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 1. Performance against budget (continued)

1.2. Capital Works (continued)

Explanation of Material Variations

	Item	Explanation
1.	Land	The unfavourable variance is due to higher than anticipated land purchases in land development areas which was triggered by rate of development.
2.	Building	Under expenditure compared to budget was due to the following: <ul style="list-style-type: none"> - The budgeted amount for the Plumpton Aquatic Centre. Land development in the area has not progressed to a point where the identified land parcel is available for acquisition. - Civic Centre Redevelopment – Council resolved for officers to do further analysis before project proceeds. - Melton Community Centre Project - The original project scope was the subject of multiple funding applications to both State and Federal Government. Council was unsuccessful in one of the funding applications resulting in a significant reduction in scope requiring a complete redesign and new procurement process resulting in lower expenditure during the year. - Female Change Room Upgrades - experienced delays in obtaining approvals. - The overall favourable variance is partly offset by higher than budgeted expenditure in the Aintree Community Hub project. - Aintree Community Hub project spans multiple calendar years. The contractor completed the works in a much shorter time frame than anticipated.
3.	Plant and Machinery	Plant Machinery and equipment purchases was lower than budget. Fleet replacement varies year on year depending on number of vehicles replaced according to motor vehicles policy and new vehicles added to the fleet.
4.	Roads	The budgeted amount was for payment of works associated with the Melton Rail line duplication works being undertaken by the State Government. Those works have been delayed.
5.	Bridges	Under expenditure relates to slight delay in completion of some bridge works, completion is anticipated in early 2019/20.
6.	Footpath and Cycleways	Footpath replacement expenditure was higher than approved budget due to higher than anticipated works carried forward from 2017/18.
7.	Recreational Facilities	The unfavourable variance is mainly due to higher than anticipated cost of Caroline Springs Regional Tennis Centre. The unfavourable variance from this project was partly offset by the favourable variance from Kurunjang Community Extension with expenditure lower than anticipated budget.

Melton City Council

Notes to the Financial Report for the year ended 30 June 2019

Note 2.1(a). Analysis of Council results by program

Council delivers its functions and activities through the following programs.

CEO & Governance

The office of the CEO incorporates Legal Services, Procurement and Governance Services.

Corporate Services

The Corporate Services directorate incorporates the Finance, Risk & Performance, Information Technology, Engagement & Advocacy and People & Culture service units. The Corporate Services directorate provides internal support to Council Staff, and engages in advocacy on behalf of the municipality.

Community Services

The Community Services directorate incorporates the Community Care, Families & Children, Community Planning, Recreation & Youth and Libraries service units. The Community Services directorate provides a range of services to people within our community, through provision of leisure and sporting infrastructure, libraries, care services for families, children, the elderly and those with disabilities.

Planning & Development

The Planning & Development directorate incorporates the Engineering Services, Operations, Planning Services, Compliance, Capital Projects and City Design, Strategy & Environment service units. The Planning & Development directorate provides project management services for capital projects such as new community infrastructure, planning, engineering, environmental health and building services to the community.

Melton City Council

Notes to the Financial Report
for the year ended 30 June 2019Note 2.1(b). Summary of revenues, expenses and assets
by program

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2.1(a).				
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	2019	2019	2019	2019	2019
CEO & Governance	1,650	3,710	(2,060)	–	–
Corporate Services	336,776	62,453	274,323	16,568	859,300
Community Services	16,865	30,970	(14,105)	13,588	43,444
Planning & Development	27,414	69,378	(41,964)	11,527	1,652,001
Total functions and activities	382,705	166,511	216,194	41,683	2,554,745

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2.1(a).				
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	2018	2018	2018	2018	2018
CEO & Governance	1,467	3,182	(1,715)	–	–
Corporate Services	277,249	58,878	218,371	15,979	759,791
Community Services	16,965	30,580	(13,615)	12,003	45,768
Planning & Development	29,739	64,233	(34,494)	14,785	1,394,793
Total functions and activities	325,420	156,873	168,547	42,767	2,200,352

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services

\$ '000	2019	2018
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3.1. Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and improvements.

The valuation base used to calculate general rates for 2018/19 was \$32,166 million (2017/18: \$24,178 million).

General Rates	71,620	65,407
Municipal Charge	8,286	7,655
Supplementary Rates & Rate Adjustments	3,372	4,130
Commercial	5,711	6,539
Industrial	5,646	5,813
Rural	5,438	4,407
Garbage Charge	13,430	12,204
Total Rates & Charges	113,503	106,155

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

3.2. Statutory Fees & Fines

Infringements & Costs	1,639	2,631
Court Recoveries	731	566
Land Information Certificates	129	159
Permits	3,780	2,291
Property Information Requests	915	505
Other	698	193
Total Statutory Fees & Fines	7,892	6,345

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.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2019	2018
3.3. User fees			
Aged & Health services		485	477
Leisure Centre & Recreation		1,775	1,733
Child Care/Children's Programs		760	686
Registration & Other Permits		1,076	1,218
Building Services		375	451
Waste Management Services		2,499	2,270
Youth program fees		121	113
Subdivision fees		3,473	2,185
Other Fees & Charges		1,602	1,605
Total User Fees		12,166	10,738

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

3.4. Funding from other levels of government

Grants were received in respect of the following :

Summary of grants			
Commonwealth funded grants		21,781	25,310
State funded grants		19,766	17,045
Other Funding Grants		136	412
Total		41,683	42,767

(a) Operating Grants

Recurrent - Commonwealth Government

Victoria Grants Commission	16,093	15,642
Family Day Care	1,519	1,083
Other	3,514	3,514

Recurrent - State Government

Aged care	1,935	1,958
Libraries	914	888
Children's Services	2,755	2,581
Community Support and Development	1,130	1,083
Community Health	104	115
Planning and Development	220	45
Youth Services	360	45
Other Community	365	301
Other	498	335

Total Recurrent Operating Grants	29,407	27,590
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Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2019	2018
3.4. Funding from other levels of government (continued)			
(a) Operating Grants (continued)			
<i>Non-recurrent - Commonwealth Government</i>			
Nil			
<i>Non-recurrent - State Government</i>			
Community Health		138	111
Family & Children		100	-
Childrens Services		384	216
Community Support and Development		168	120
Community Safety		85	76
Environment		127	135
Family, Youth and Housing		98	132
Other		521	168
Total Non-Recurrent Operating Grants		1,621	958
Total Operating Grants		31,028	28,548
(b) Capital Grants			
<i>Recurrent - Commonwealth Government</i>			
Roads to Recovery		136	1,953
<i>Recurrent - State Government</i>			
Other		23	-
Total Recurrent Capital Grants		159	1,953
<i>Non-recurrent - Commonwealth Government</i>			
Streetscape		655	3,119
<i>Non-recurrent - State Government</i>			
Buildings		2,810	5,150
Recreation		5,151	3,762
Other		1,880	235
Total Non-Recurrent Capital Grants		10,496	12,266
Total Capital Grants		10,655	14,219
Total Grants		41,683	42,767
(c) Unspent Grants received on Condition that they be spent in a Specific Manner:			
Balance at start of year		9,397	4,884
Received during the financial year and remained unspent at balance date		10,094	6,738
Received in prior years and spent during the financial year		(8,883)	(2,225)
Balance at Year End		10,608	9,397

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2019	2018
3.5. Contributions			
Monetary Contributions			
Monetary		17,376	15,010
Total Monetary Contributions		17,376	15,010
Non-Monetary Contributions			
Land		51,008	7,731
Land Under Roads		9,905	7,279
Roads		65,143	37,363
Footpaths		11,925	9,840
Drainage		32,802	23,184
Recreation		1,280	10,508
Kerb and Channel		6,435	4,689
Traffic Management		5,674	3,352
Bridges		5	752
Car parks		1,982	-
Other		-	7,936
Total Non-Monetary Contributions		186,159	112,634
Total Contributions		203,535	127,644

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2019	2018
3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment			
Land Held for Sale			
Proceeds of Sale		21,483	39,918
Written Down Value of Assets Disposed		(12,157)	(14,705)
Total Net Gain/(Loss) on Land Held for Sale		9,326	25,213
Buildings			
Proceeds of Sale		-	-
Written Down Value of Assets Disposed		(1,714)	(655)
Total Net Gain/(Loss) on Disposal of Buildings		(1,714)	(655)
Plant and Equipment			
Proceeds of Sale		-	-
Written Down Value of Assets Disposed		(552)	(637)
Total Net Gain/(Loss) on Disposal of Plant and Equipment		(552)	(637)
Infrastructure Assets			
Proceeds of Sale		-	-
Written Down Value of Assets Disposed		(9,465)	(450)
Total Net Gain/(Loss) on Disposal of Infrastructure Assets		(9,465)	(450)
Total Net Gain/(Loss) on Disposal of Property, Infrastructure, Plant & Equipment		(2,405)	23,471

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 3. Funding for the delivery of our services (continued)

\$ '000	Notes	2019	2018
3.7. Other income			
Interest		3,672	2,888
Investment Property Rental		289	318
Festival sponsorship		33	39
Program Revenue		793	890
Rebates		(7)	1,298
Other		1,390	2,581
Total Other Income		6,170	8,014

Interest is recognised as it is earned.

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

Note 4. The cost of delivering services

4.1. (a). Employee costs

Wages & Salaries		44,103	41,769
Work Cover		859	985
Casual Staff		998	1,168
Superannuation	4.1 (b)	4,070	3,972
Fringe Benefits Tax		123	152
Other		569	769
Total Employee Costs		50,722	48,815

4.1. (b). Superannuation

Council made contributions to the following funds:

Defined Benefit Fund

Employer Contributions to Local Authorities Superannuation Fund (Vision Super)		156	151
		156	151

Accumulation Funds

Employer Contributions to Local Authorities Superannuation Fund (Vision Super)		3,914	3,821
		3,914	3,821
Total Superannuation Costs		4,070	3,972

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 4. The cost of delivering services (continued)

\$ '000	Notes	2019	2018
4.2. Materials and services			
Contract Payments		35,864	34,918
General Maintenance		8,224	8,167
Utilities		6,127	5,259
Information Technology		825	746
Insurance		1,208	1,183
Consultants		407	582
Garbage collection and disposal		488	117
Contract labour		7,175	6,787
Administrative support		8,281	7,387
Program expenses		4,230	3,081
Professional fees		3,388	2,808
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals		70	60
Auditors' remuneration - Internal		103	126
Contributions and donations		643	837
Councillors allowances		374	368
Transport and vehicle operations		516	487
Other		2,341	2,061
Total Materials & Services		80,264	74,974
4.3. Depreciation and amortisation			
Property			
Buildings - Specialised	6.2	5,190	4,939
Buildings - Non Specialised	6.2	522	(18)
Total Depreciation - Property		5,712	4,921
Plant & Equipment			
Plant Machinery & Equipment	6.2	799	720
Fixtures Fittings & Furniture	6.2	47	6
Computers & Telecomms	6.2	100	11
Library Books	6.2	171	60
Total Depreciation - Plant & Equipment		1,117	797

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 4. The cost of delivering services (continued)

\$ '000	Notes	2019	2018
4.3. Depreciation and amortisation (continued)			
Infrastructure			
Roads	6.2	10,406	10,204
Bridges	6.2	483	299
Footways & Cycleways	6.2	3,130	2,889
Drainage	6.2	4,203	3,960
Recreational, Leisure & Community	6.2	3,030	2,765
Off Street Car Parks	6.2	413	374
Kerb and Channel	6.2	1,846	1,760
Traffic Management	6.2	3,150	2,993
Other Infrastructure	6.2	91	94
Total Depreciation - Infrastructure		26,752	25,338
Other			
Intangible Assets	5.2(c)	327	328
Total Amortisation - Other		327	328
Total Depreciation & Amortisation		33,908	31,384
<i>Refer to Note 5.2(c) and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.</i>			
4.4. Bad and doubtful debts			
Other Debtors		542	25
Infringements		236	736
Total Bad & Doubtful Debts		778	761
Movement in provisions for doubtful debts - other debtors			
Balance at the beginning of the year		25	43
New Provisions recognised during the year		542	25
Amounts already provided for and written off as uncollectible		(18)	(41)
Amounts provided for but recovered during the year		-	(2)
Balance at end of year		549	25

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.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 4. The cost of delivering services (continued)

\$ '000	Notes	2019	2018
4.5. Borrowing costs			
Interest - Borrowings		839	939
Total Borrowing Costs		839	939

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.

Note 5. Our financial position

5.1. Financial assets

(a) Cash and cash equivalents

Current

Cash on Hand	7	7
Cash at Bank	5,596	29,946
Short-term investments	111,946	102,951
Total Current Cash & Cash Equivalents	117,549	132,904

Non-Current

Nil

(b) Other financial assets

Current

Term Deposits	62,402	10,000
Total Other Financial Assets	62,402	10,000

Non-Current

Unlisted Shares - Regional Kitchen Pty Ltd	306	368
Total Other Financial Assets	306	368

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Notes	2019	2018
5.1. Financial assets (continued)			
(b) Other financial assets (continued)			
External Restrictions			
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
Trust Funds & Deposits	5.3	7,768	6,460
Reserves	9.1	78,637	74,081
Fire Services Levy	5.3	424	3,298
Total Restricted Funds		86,829	83,839
Total Unrestricted Cash & Cash Equivalents		30,720	49,065
Intended Allocations			
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:			
Cash Held to Fund Carried Forward Capital Works		10,237	14,136
Total Funds Subject to Intended Allocations		10,237	14,136

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.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Notes	2019	2018
5.1. Financial assets (continued)			
(c) Trade and other receivables			
Current			
<i>Statutory Receivables</i>			
Rates Debtors		6,687	6,009
Infringement Debtors		4,013	3,648
<i>Non-Statutory Receivables</i>			
Accrued Interest		346	472
Other Debtors		21,331	26,106
Provisions for Doubtful Debts			
Provision for Doubtful Debts - Other Debtors	5.1(c)(ii)	(549)	(25)
Provision for Doubtful Debts - Infringements		(2,995)	(2,381)
Total Current Trade & Other Receivables		28,833	33,829
Total Trade & Other Receivables		28,833	33,829

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.

i) Ageing of Receivables

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

Current (not yet due)	13,319	12,974
Past due by up to 30 days	1,529	3,995
Past due between 31 and 180 days	613	2,108
Past due between 181 and 365 days	575	5,551
Past due by more than 1 year	5,092	1,925
Total Trade & Other Receivables	21,128	26,553

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Notes	2019	2018
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5.1. Financial assets (continued)

(c) Trade and other receivables (continued)

ii) Ageing of Individually Impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$549,455 (2018: \$25,485) were impaired and a corresponding provision raised against this amount. 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 collectors or are on payment arrangements.

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	118	-
Past due between 181 and 365 days	209	-
Past due by more than 1 year	222	25
Total Trade & Other Receivables	549	25

5.2. Non-financial assets

(a) Inventories

Current

Land for Interment Purposes	41	14
Total Inventories	41	14

Non-Current

Land for Interment Purposes	119	178
Total Inventories	119	178

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.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Notes	2019	2018
5.2. Non-financial assets (continued)			
(b) Other assets			
Current			
Accrued Income		29,439	47,767
Total Other Assets		29,439	47,767
Accrued income relates to income earned but not yet received. Accrued income is largely attributed to Atherstone land sales.			
(c) Intangible assets			
Non-Exclusive Licences - Caroline Springs College Creekside Campus		363	437
Non-Exclusive Licences - Springside Children's and Community Centre		1,134	1,232
Non-Exclusive Licences - Kororoit Creek Early Learning Centre		1,860	2,015
Total Intangible Assets		3,357	3,684

The Department of Education and Early Childhood Development and the Caroline Springs College have granted non-exclusive licences to the Melton City Council to use the Creekside facility. Amortisation of the licence is expensed over the term of the licence until 30 June 2026. The Department of Education and Early Childhood Development has granted non-exclusive licences to the Melton City Council to use the Springside and Kororoit Creek facilities. Amortisation of the licence is expensed over the term of the licence until 30 June 2029 (Springside) and 30 June 2031 (Kororoit Creek).

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000

5.2. Non-financial assets (continued)

(c) Intangible assets (continued)

	Non-Exclusive Licences - Caroline Springs College Creekside	Non-Exclusive Licences - Springside Children's and Community Centre	Non-Exclusive Licences - Kororoit Creek Early Learning Centre	Total
Gross Carrying Amount				
Balance at 1 July 2018	1,478	1,962	3,100	6,540
Additions from Internal Developments	-	-	-	-
Balance at 30 June 2019	1,478	1,962	3,100	6,540
Accumulated Amortisation & Impairment				
Balance at 1 July 2018	1,041	730	1,085	2,856
Amortisation Expense	74	98	155	327
Balance at 30 June 2019	1,115	828	1,240	3,183
Net Book Value at 30 June 2018	437	1,232	2,015	3,684
Net Book Value at 30 June 2019	363	1,134	1,860	3,357

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Notes	2019	2018
5.3. Payables			
(a) Trade and other payables			
Current			
Trade Payables		14,368	13,789
Accrued Expenses		11,125	3,470
Fire service levy		424	3,298
Total Trade & Other Payables		25,917	20,557

Non-Current

Nil

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a monthly basis. Amounts disclosed here will be remitted to the state government in line with that process.

(b) Trust funds and deposits

Current			
Refundable Deposits		2,477	2,094
Construction retention monies		114	114
Total Trust Funds & Deposits		2,591	2,208
Non-Current			
Refundable Deposits		5,030	4,252
Other Refundable Deposits		147	-
Total Trust Funds & Deposits		5,177	4,252

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, tender deposits, contract deposits and the use of civic facilities.

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.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Notes	2019	2018
5.4. Interest-bearing liabilities			
Current			
Loans - Secured		2,962	2,826
		2,962	2,826
Non-Current			
Loans - Secured		12,981	15,947
		12,981	15,947
Total Interest-Bearing Loans & Borrowings		15,943	18,773
Borrowings are secured by way of mortgages over the general rates of the Council.			
a) The Maturity Profile for Council's Borrowings is:			
Not later than one year		2,962	2,826
Later than one year and not later than five years		9,818	10,177
Later than five years		3,162	5,770
		15,942	18,773

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.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Employee Provisions	Total
5.5. Provisions		
2019		
Balance at the Beginning of the Financial Year	11,784	11,784
Additional provisions	4,416	4,416
Amounts Used	(3,936)	(3,936)
Balance at the End of the Financial Year	12,264	12,264
2018		
Balance at the Beginning of the Financial Year	11,219	11,219
Additional provisions	4,197	4,197
Amounts Used	(3,632)	(3,632)
Balance at the End of the Financial Year	11,784	11,784
(a) Employee Provisions		
Current Provisions Expected to be wholly Settled within 12 Months		
Annual Leave	2,825	2,789
Long Service Leave	836	635
	3,661	3,424
Current Provisions Expected to be wholly Settled after 12 Months		
Annual Leave	1,079	1,083
Long Service Leave	5,806	5,519
	6,885	6,602
Total Current Employee Provisions	10,546	10,026
Non-Current		
Long Service Leave	1,718	1,758
Total Non-Current Employee Provisions	1,718	1,758
Aggregate Carrying Amount of Employee Provisions:		
Current	10,546	10,026
Non-Current	1,718	1,758
Total Aggregate Carrying Amount of Employee Provisions	12,264	11,784

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Notes	2019	2018
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(a) Employee Provisions (continued)

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.

Key assumptions:

- discount rate	1.04%	2.65%
- inflation rate	4.31%	3.88%
- settlement rate	144mths	144mths

5.6. Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2019.

Bank Overdraft	1,800	1,800
Credit Card Facilities	200	200
Total Facilities	2,000	2,000

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Not later than 1 year	Later than 1 year & not later than 2 years	Later than 2 years & not later than 5 years	Later than 5 years	Total
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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.

2019

Operating

Recycling facility operations	4,800	4,800	4,800	-	14,400
Garbage and recycling collection	7,500	7,500	21,417	13,000	49,417
Health/Cleaning Services	2,055	2,055	-	-	4,110
Corporate Services	125	-	-	-	125
Parks maintenance services	5,929	6,105	-	-	12,034
Road maintenance	6,190	6,266	3,600	-	16,056
IT services	1,515	144	60	-	1,719
Total	28,114	26,870	29,877	13,000	97,861

Capital

Buildings	9,528	686	-	-	10,214
Roads	970	-	-	-	970
Recreational	10,326	310	81	-	10,717
Total	20,824	996	81	-	21,901

2018

Operating

Recycling facility operations	4,250	-	-	-	4,250
Garbage and recycling collection	6,027	-	-	-	6,027
Corporate Services	750	125	-	-	875
Parks maintenance services	5,850	12,034	6,193	-	24,077
Road maintenance	6,112	10,056	5,142	-	21,310
Leisure services	94	263	-	-	357
IT services	400	339	-	-	739
Total	23,483	22,817	11,335	-	57,635

Capital

Buildings	1,933	308	18	-	2,259
Roads	10,001	-	-	-	10,001
Recreational	17,067	8	4	-	17,079
Total	29,001	316	22	-	29,339

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 5. Our financial position (continued)

\$ '000	Notes	2019	2018
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5.7. Commitments (continued)

(a) Operating Lease Commitments

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):

Not later than one year	111	81
Later than one year & not later than five years	249	-
Later than five years	-	-
	359	81

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

Note 6. Assets we manage

6.1. Non current assets classified as held for sale

Non Current

Fair value of land	1,636	1,281
Total Non Current Assets Classified as Held for Sale	1,636	1,281

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

Melton City Council

Notes to the Financial Report
for the year ended 30 June 2019

Note 6. Assets we manage (continued)

6.2. Property, Infrastructure, Plant & Equipment

Summary of property, infrastructure, plant and equipment	Revised At WDV 30 June 2018	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At WDV 30 June 2019
\$ '000								
Property	514,648	7,223	60,913	7,731	(5,712)	(1,714)	6,620	589,708
Plant and equipment	3,816	1,802	-	-	(1,117)	(552)	-	3,948
Infrastructure	1,408,826	-	125,245	126,150	(26,752)	(9,251)	37,056	1,661,274
Work in progress	35,983	61,590	-	-	-	-	(49,121)	48,532
Total	1,963,263	71,014	186,158	133,881	(33,561)	(11,517)	(5,445)	2,303,763

Summary of Work in Progress	Opening WIP	Additions	Write-off	Transfers	Closing WIP
\$ '000					
Property	4,240	21,376	-	(11,560)	14,036
Infrastructure	31,723	40,614	-	(37,541)	34,796
Total	35,963	61,990	-	(49,121)	48,832

Melton City Council

Notes to the Financial Report
for the year ended 30 June 2019

Note 6. Assets we manage (continued)

6.2. Property, Infrastructure, Plant & Equipment (continued)

Property	Land - Specialised	Land - Non Specialised	Land Under Roads	Total Land & Improvements	Buildings - Specialised	Buildings - Non Specialised	Total Buildings	Work In Progress	Total Property
\$ '000									
At Fair Value 1 July 2018	254,391	91,940	41,988	388,319	156,080	12,426	168,506	4,240	561,065
Accumulated Depreciation at 1 July 2018	-	-	-	-	(41,819)	(358)	(42,177)	-	(42,177)
Carrying Value - 1 July 2018	254,391	91,940	41,988	388,319	114,261	12,068	126,329	4,240	518,888
Movements in Fair Value									
Additions	931	-	-	931	6,207	85	6,292	21,376	28,588
Contributions	51,008	-	9,905	60,913	-	-	-	-	60,913
Revaluation	-	-	-	-	54,167	7,752	61,919	-	61,919
Disposal	-	-	-	-	(2,963)	(442)	(3,405)	-	(3,405)
Transfers	(5,445)	-	-	(5,445)	11,586	(6)	11,580	(11,580)	(5,445)
Total Movements in Fair Value	46,494	-	9,905	56,399	68,997	7,389	76,386	9,796	142,581
Movements in Accumulated Depreciation									
Depreciation and Amortisation	-	-	-	-	(5,190)	(522)	(5,712)	-	(5,712)
Accumulated Depreciation of Disposals	-	-	-	-	1,632	59	1,691	-	1,691
Revaluation	-	-	-	-	(44,122)	(10,066)	(54,188)	-	(54,188)
Transfers	-	-	-	-	484	-	484	-	484
Total Movements in Accumulated Depreciation	-	-	-	-	(47,196)	(10,529)	(57,726)	-	(57,726)
At Fair Value 30 June 2019	300,885	91,940	51,893	444,718	225,077	19,815	244,892	14,036	703,646
Accumulated Depreciation at 30 June 2019	-	-	-	-	(88,019)	(10,887)	(98,905)	-	(98,905)
Carrying Value - 30 June 2019	300,885	91,940	51,893	444,718	136,061	8,928	144,989	14,036	603,743

Melton City Council

Notes to the Financial Report
for the year ended 30 June 2019

Note 6. Assets we manage (continued)

6.2. Property, Infrastructure, Plant & Equipment (continued)

Plant & Equipment	Plant Machinery & Equipment	Fiduciar Assets & Furniture	Computers & Telephones	Library Books	Total Plant & Equipment
\$ '000					
At Fair Value 1 July 2018	5,133	794	5,947	2,133	14,007
Accumulated Depreciation at 1 July 2018	(2,528)	(659)	(5,654)	(951)	(10,191)
Carrying Value - 1 July 2018	2,205	136	293	1,182	3,816
Movements in Fair Value					
Additions	1,059	10	309	423	1,802
Disposal	(844)	-	-	(928)	(1,771)
Total Movements in Fair Value	215	10	309	(504)	30
Movements in Accumulated Depreciation					
Depreciation and Amortisation	(799)	(47)	(100)	(171)	(1,117)
Accumulated Depreciation of Disposals	691	-	-	528	1,219
Total Movements in Accumulated Depreciation	(108)	(47)	(100)	357	102
At Fair Value 30 June 2019	5,348	804	6,256	1,629	14,037
Accumulated Depreciation at 30 June 2019	(3,036)	(705)	(5,754)	(954)	(10,089)
Carrying Value - 30 June 2019	2,312	99	502	1,035	3,948

Melton City Council

Notes to the Financial Report
for the year ended 30 June 2019

Note 6. Assets we manage (continued)

6.2. Property, Infrastructure, Plant & Equipment (continued)

Infrastructure	Roads	Bridges	Footpaths	Drainage	Recreation	Car Parks	Kerb and Channel	Traffic Management	Other Infrastructure	Work in Progress	Total Infrastructure
\$ '000											
Revised At Fair Value 1 July 2018	820,681	20,065	150,075	385,902	71,409	23,831	107,686	80,251	2,767	31,723	1,694,390
Revised Accumulated Depreciation at 1 July 2018	(125,023)	(6,096)	(9,500)	(60,202)	(25,640)	(4,482)	(1,470)	(16,766)	(1,470)	-	(253,841)
Carrying Value - 1 July 2018	695,658	13,969	140,574	325,700	45,769	19,349	103,024	63,485	1,297	31,723	1,440,549
Movements in Fair Value											
Additions	65,143	-	-	-	-	-	-	-	-	40,614	40,614
Contributions	(4,916)	5	11,925	32,802	1,280	1,902	6,435	5,674	-	125,245	125,245
Revaluation	(6,778)	55,778	-	-	-	-	126,825	-	-	-	177,887
Disposal	(7,146)	(257)	(639)	(1,822)	(3,039)	(300)	(590)	(166)	-	-	(13,589)
Transfers	7,146	11,554	6,995	3,770	1,066	2,127	934	3,842	107	(37,541)	-
Total Movements in Fair Value	60,595	67,079	18,282	34,750	(693)	3,809	133,604	9,350	107	3,073	329,957
Movements in Accumulated Depreciation											
Depreciation and Amortisation	(10,406)	(483)	(3,130)	(4,203)	(3,030)	(413)	(1,846)	(3,150)	(91)	-	(26,752)
Accumulated Depreciation of Disposals	1,854	109	58	298	1,883	45	22	68	-	-	4,338
Revaluation	4,688	(6,943)	-	-	-	-	(47,282)	-	-	-	(51,537)
Transfers	305	-	-	-	(485)	(305)	-	-	-	-	(485)
Total Movements in Accumulated Depreciation	(3,559)	(9,316)	(3,072)	(3,905)	(1,631)	(673)	(49,106)	(3,082)	(91)	-	(74,435)
At Fair Value 30 June 2019	881,277	87,145	168,356	420,653	70,715	27,640	241,290	89,601	2,874	34,796	2,024,347
Accumulated Depreciation at 30 June 2019	(128,592)	(15,412)	(12,572)	(64,107)	(27,271)	(5,155)	(53,767)	(19,849)	(1,561)	-	(328,275)
Carrying Value - 30 June 2019	752,685	71,733	155,784	356,546	43,444	22,485	187,523	69,753	1,313	34,796	1,696,072

* Correction of prior year error

Council has made a retrospective restatement as at 1 July 2017 due to a transfer of roads to VicRoads that had not previously been accounted for. A net decrease of \$6,795m has been made to the Balance Sheet and Statement of Changes in Equity as outlined.

Council has adjusted comparative numbers for the error and restated each of the affected financial statements for the 2017/18 financial year, as shown in the table below:

	Original fair value 1 July 2018	Adjustment	Restated fair value 1 July 2018	Original Accum deprec at 1 July 2018	Adjustment	Revised Accum deprec at 1 July 2018
Roads	820,291	(7,612)	812,679	(125,851)	828	(125,023)
Bridges	20,065	-	20,065	(6,096)	-	(6,096)
Footpaths	150,075	2	150,075	(9,500)	-	(9,500)
Drainage	385,902	-	385,902	(60,202)	-	(60,202)
Recreation	71,409	-	71,409	(25,640)	-	(25,640)
Car parks	23,768	63	23,831	(4,391)	(91)	(4,482)
Kerb and Channel	107,687	(1)	107,686	(4,663)	-	(4,663)
Traffic Management	80,251	-	80,251	(16,760)	14	(16,766)
Other	2,767	-	2,767	(1,470)	-	(1,470)
WIP	31,723	-	31,723	-	-	-
	1,701,636	(7,548)	1,694,088	(254,593)	751	(253,842)
Opening Accumulated Surplus	1,104,847	(6,997)	1,097,851			
Asset Revaluation Reserve	805,008	200	805,208			

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 6. Assets we manage (continued)

\$ '000

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

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
<i>Asset recognition thresholds and depreciation periods</i>	<i>years</i>	<i>\$ '000</i>
Land and Land Improvements		
Land	N/A	Nil
Land Under Roads	N/A	Nil
Buildings		
Buildings	50	Nil
Plant and Equipment		
Plant and Machinery	5	5
Furniture and Equipment	3 - 5	5
Library Assets	10	Nil
Infrastructure		
Roads	10 - 100	10
Footpaths	10 - 70	10
Kerb and Channel	10 - 70	10
Car Parks	10 - 70	10
Traffic Management	10 - 70	10
Bridges	25 - 100	25
Drainage Works	80 - 100	25
Recreation Facilities	3 - 30	1
Other	20 - 100	Nil

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 6. Assets we manage (continued)

\$ '000

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

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

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

Road earthworks are 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 below 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 are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 1 to 20 year period.

Valuation of Land and Buildings

Valuation of land and buildings were undertaken by qualified independent valuers Opteon, the municipal valuer and FG Dixon Group respectively. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 6. Assets we manage (continued)

\$ '000

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Date of valuation	Level 1	Level 2	Level 3
Non-specialised Land	30/06/19	-	91,940	-
Specialised Land	30/06/19	-	-	300,885
Land Under Roads	30/06/19	-	-	51,893
Buildings	1/07/18	-	-	144,989
Total		-	91,940	497,767

Valuation of Infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by FG Dixon Group.

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 2019 are as follows:

	Date of valuation	Level 1	Level 2	Level 3
Roads	30/06/19	-	-	752,695
Bridges	30/06/19	-	-	71,733
Footpaths & Cycleways	31/07/16	-	-	155,784
Drainage	30/06/16	-	-	356,546
Recreational, Leisure & Community Facilities	30/06/13	-	-	43,444
Car Parks	30/06/19	-	-	22,485
Kerb and Channel	30/06/19	-	-	187,523
Traffic Management	30/06/17	-	-	69,753
Other Infrastructure	30/06/14	-	-	1,313
Total		-	-	1,661,276

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 \$1 and \$815 per square metre.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 6. Assets we manage (continued)

\$ '000

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

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$20 to \$300 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year to 50 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 10 years to 20 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

6.3. Investments in associates, joint arrangements and subsidiaries

Nil

6.4. Investment property

Balance at Beginning of Financial Year	7,077	6,791
Fair Value Adjustments	223	286
Balance at End of Financial Year	7,300	7,077

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, a registered valuer 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.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 7. People and relationships

\$ '000	2019	2018
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7.1. Council and key management remuneration

(a) 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:

Councillors	Councillor Bob Turner (Mayor) Councillor Kathy Majdlik Councillor Lara Carli Councillor Steve Abboushi Councillor Ken Hardy Councillor Melissa De Santis (to May 2019) Councillor Goran Kesic Councillor Michelle Mendes Councillor Sophie Ramsey Councillor Yvonne Sebire (from June 2019)		
Total Number of Councillors		10	9
Chief Executive Officer	Kelvin Tori	1	1
General Manager - Corporate Services	Peter Bean	1	1
General Manager - Community Services	Maurie Heaney	1	1
General Manager - Planning & Development	Luke Shannon	1	1
Total Number of Key Management Personnel		14	13

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 7. People and relationships (continued)

\$ '000	2019	2018
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7.1. Council and key management remuneration (continued)

(b) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

	\$ '000	\$ '000
Short-term benefits	1,524	1,492
Long-term benefits	27	27
Post-employment benefits	107	104
Total	1,658	1,623

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

	No.	No.
\$1 - \$9,999	1	-
\$30,000 - \$39,999	8	7
\$50,000 - \$59,999	-	1
\$90,000 - \$99,999	-	1
\$110,000 - \$119,999	1	-
\$270,000 - \$279,999	3	3
\$390,000 - \$399,999	1	1
	14	13

(c) 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 \$148,000.

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

Income Range:	No.	No.
Less than \$148,000	2	3
\$148,000 - \$149,999	-	1
\$160,000 - \$169,999	3	9
\$170,000 - \$179,999	7	3
\$180,000 - \$189,999	4	3
\$190,000 - \$199,999	2	-
\$250,000 - \$259,999	-	1
	18	20

Total Remuneration for the reporting year for Senior Officers included above amounted to:

\$ '000	\$ '000
3,048	3,151

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 7. People and relationships (continued)

\$ '000	2019	2018
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7.2. Related party disclosure

(a) Transactions with Related Parties

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Key Management Personnel, or Related Parties of such Key Management Personnel during the reporting year, except as disclosed below. All transactions are at arms-length.

Salaries paid to close family members of Key Management Personnel	223	219
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(b) Outstanding Balances with Related Parties

There are no outstanding balances with related parties as at 30 June 2019 (2018: Nil).

(c) Loans to/from Related Parties

No loans have been made, guaranteed or secured by the Council to Key Management Personnel of the Council during the reporting period (2018: Nil).

(d) Commitments to/from Related Parties

There are no commitments to or from related parties as at 30 June 2019 (2018: Nil).

Note 8. Managing uncertainties

8.1. Contingent assets and liabilities

(a) Contingent Assets

Developer contributions to be received in respect of estates currently under development is in the range of \$90m to \$100m (2018: \$65m to \$80m).

Operating Lease Receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office 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:	2019 \$ '000	2018 \$ '000
Not later than one year	276	276
Later than one year & not later than five years	769	1,020
Later than five years	-	25
	<u>1,045</u>	<u>1,321</u>

Melton City Council**Notes to the Financial Report**
for the year ended 30 June 2019**Note 8. Managing uncertainties (continued)**

\$ '000

8.1. Contingent assets and liabilities (continued)**(b) Contingent Liabilities****Superannuation**

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

Future superannuation contributions

There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2019. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 are \$242,500.

Legal matters

Proceedings have been brought against the Council in the Supreme Court of Victoria in relation to land acquired by Council in the Taylors Hill West Precinct. The plaintiff asserts that rather than the value of compensation for the land being required to be determined by the Taylors Hill West Precinct Structure Plan and the Taylors Hill West Precinct Development Contributions Plan (DCP), instead, the value of land should have been determined under the Land Acquisition and Compensation Act 1958 (LAC Act). Council is defending this claim with the costs of this claim not known.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

\$ '000

8.2. Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2019 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.

Revenue from contracts with customers (AASB 15) (applies 2019/20 for LG sector)

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

Leases (AASB 16) (applies 2019/20)

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will not see a significant recognition in lease related assets and an equivalent liability.

Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)

This standard is expected to apply to certain transactions currently accounted for under AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

\$ '000

8.3. Financial instruments

(a) Objectives & Policies

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

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of 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 / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 1989. 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.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

\$ '000

8.3. Financial instruments (continued)

(c) Credit Risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council has exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- Council has a policy for establishing credit limits for the entities Council deals with;
- Council may require collateral where appropriate; and
- Council only invests surplus funds with financial institutions which have a recognised credit rating specified in Council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal 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.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provides a guarantee for another party. Details of 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 Council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- 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 on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

\$ '000

8.3. Financial instruments (continued)

(d) Liquidity Risk (continued)

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

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

Unless otherwise stated, the carrying 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 + 1% and - 1% in market interest rates (AUD) from year-end rates of 1.94%.

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

8.4. Fair value measurement

Fair Value Hierarchy

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

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

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

\$ '000

8.4. Fair value measurement (continued)

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; 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.

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.

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 8. Managing uncertainties (continued)

\$ '000

8.4. Fair value measurement (continued)

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.

8.5. Events occurring after balance date

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 9. Other matters

	Balance at Beginning of Reporting Period	Increment (Decrement)	Share of Incr. (Decr) on Revaluation of the Asset Class by an Associate	Balance at End of Reporting Period
\$ '000				
9.1. Reserves				
(a) Asset Revaluation Reserves				
2019				
Property				
Land - Non Specialised	226,355	-	-	226,355
Buildings	58	7,731	-	7,789
	226,413	7,731	-	234,144
Infrastructure				
Roads	448,750	79,315	-	528,065
Bridges	5,023	46,835	-	51,858
Drainage	123,430	-	-	123,430
Recreational, Leisure & Community Facilities	913	-	-	913
Other Infrastructure	679	-	-	679
	578,795	126,150	-	704,945
Total Asset Revaluation Reserves	805,208	133,881	-	939,089
2018				
Property				
Land - Non Specialised	226,355	-	-	226,355
Buildings	58	-	-	58
	226,413	-	-	226,413
Infrastructure				
Roads	448,750	-	-	448,750
Bridges	5,023	-	-	5,023
Drainage	123,430	-	-	123,430
Recreational, Leisure & Community Facilities	913	-	-	913
Other Infrastructure	679	-	-	679
	578,795	-	-	578,795
Total Asset Revaluation Reserves	805,208	-	-	805,208

The asset revaluation reserve is used to record the movement in fair value of Council's assets over time.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 9. Other matters (continued)

	Balance at Beginning of Reporting Period	Transfer from Accumulated Surplus	Transfer to Accumulated Surplus	Balance at End of Reporting Period
\$ '000				
9.1. Reserves (continued)				
(b) Other Reserves				
2019				
Restricted Reserves				
Street trees/drainage	899	25	-	924
Community infrastructure	73,182	46,653	(42,122)	77,713
Total Restricted Reserves	74,081	46,678	(42,122)	78,637
Discretionary Reserves				
Asset replacement	735	5,334	(2,378)	3,691
Perpetual Maintenance	126	3	-	129
Public Art	210	11	(52)	169
Defined Benefit Call	358	7	-	365
Accommodation Reserve	7,790	161	(93)	7,858
Atherstone Investment	-	65,671	-	65,671
Total Discretionary Reserves	9,219	71,187	(2,523)	77,883
Total Other Reserves	83,300	117,865	(44,645)	156,520
2018				
Restricted Reserves				
Street trees/drainage	883	16	-	899
Community infrastructure	59,176	38,995	(24,989)	73,182
Total Restricted Reserves	60,059	39,011	(24,989)	74,081
Discretionary Reserves				
Asset replacement	2,642	44	(1,951)	735
Perpetual Maintenance	124	2	-	126
Public Art	206	4	-	210
Defined Benefit Call	352	6	-	358
Accommodation Reserve	7,790	-	-	7,790
Total Discretionary Reserves	11,114	56	(1,951)	9,219
Total Other Reserves	71,173	39,067	(26,940)	83,300

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 9. Other matters (continued)

\$ '000	Notes	2019	2018
9.2. Reconciliation of cash flows from operating activities to surplus/(deficit)			
Surplus/(Deficit) for the Year		216,194	168,547
Depreciation/Amortisation		33,908	31,384
Profit/(Loss) on Disposal of Property, Infrastructure, Plant & Equipment		2,405	(23,471)
Fair Value Adjustments for Investment Property		(223)	(286)
Contributions - Non-monetary Assets		(186,159)	(112,634)
Net Gain/(Loss) on Fair Value of Financial Assets		62	-
Borrowing Costs		839	939
Change in Assets & Liabilities:			
(Increase)/Decrease in Trade & Other Receivables		4,996	(398)
(Increase)/Decrease in Inventories		32	(143)
Increase/(Decrease) in Accrued Income		18,328	-
Increase/(Decrease) in Other Assets		-	(1,058)
Increase/(Decrease) in Trade & Other Payables		5,360	11,124
Increase/(Decrease) in Provisions		480	166
(Decrease)/Increase in Other Liabilities		1,308	-
Net Cash Provided by/(used in) Operating Activities		97,530	74,170

9.3. Superannuation

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

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

Accumulation

The Fund's accumulation categories receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

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

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2019

Note 9. Other matters (continued)

\$ '000

9.3. Superannuation (continued)

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 Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding Arrangements

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

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0%. The financial assumptions used to calculate the VBI 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 30 June 2019 was 107.1%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 interim 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 2018 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018). This rate will increase in line with any increases in the SG contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding Calls

If the Defined Benefit category is in an unsatisfactory financial position at 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%.

Melton City Council

Notes to the Financial Report
for the year ended 30 June 2019

Note 9. Other matters (continued)

\$ '000

9.3. Superannuation (continued)

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2018 interim actuarial investigation surplus amounts

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

	2018 \$m	2019 \$m
A VBI surplus	\$131.9	\$69.8
A total service liability surplus	\$218.3	\$193.5
A discounted accrued benefits surplus	\$249.1	\$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 2018.

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 2018.

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 2018.

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

The 2019 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.

Melton City Council

PERFORMANCE STATEMENT
for the year ended 30 June 2019

A Thriving Community Where
Everyone Belongs

Performance Statement

For the year ended 30 June 2019

Description of municipality

The Melton City Council (the council) is one of the fastest growing municipalities in Australia, offering the best in urban and rural lifestyles and affordable land within a comfortable commuting distance from Melbourne, Victoria and links to Melbourne's key freeways, airports and the Port of Melbourne.

The City of Melton embraces a series of townships and communities including Caroline Springs (19 kilometres west of Melbourne's CBD) and Melton (35 kilometres west of Melbourne's CBD).

The council is also the home of harness racing. Tabcorp Park, the harness racing and entertainment complex in Melton, along with many horse trainers, training facilities and breeders located in the City of Melton enhances the City's reputation as one of the premier equine municipalities in the country.

Other Information

For the year ended 30 June 2019

1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report.

The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the Local Government Act 1989 and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current and three preceding years and for the prescribed financial performance indicators and measures, the results forecast mainly by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are mainly those adopted by Council in its strategic resource plan on 25 June 2018 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statement. The strategic resource plan can be obtained by contacting Council.

Sustainable Capacity Indicators

For the year ended 30 June 2019

Indicator / Measure	Results				Material Variations
	2016	2017	2018	2019	
Population					
<i>Expenses per head of municipal population</i>	\$940.98	\$996.14	\$1,005.32	\$1,009.26	No material variation.
[Total expenses / Municipal population]					
<i>Infrastructure per head of municipal population</i>	\$9,741.57	\$13,247.46	\$10,136.42	\$11,268.03	Due mainly to variations in municipal population and timing of capital works program.
[Value of infrastructure / Municipal population]					
<i>Population density per length of road</i>	130.93	130.89	138.71	141.62	No material variation.
[Municipal population / Kilometres of local roads]					
Own-source revenue					
<i>Own-source revenue per head of municipal population</i>	\$810.41	\$928.95	\$993.37	\$833.34	Due to lower land sales revenue this year and increased population.
[Own-source revenue / Municipal population]					
Recurrent grants					
<i>Recurrent grants per head of municipal population</i>	\$143.85	\$225.15	\$189.32	\$188.07	No material variation.
[Recurrent grants / Municipal population]					
Disadvantage					
<i>Relative socio-economic disadvantage</i>	7	7	5	5	The movement in Melton's result can be attributed to a smaller proportion of high income households, higher unemployment rate, lower percentage of low-skilled occupations and people without qualifications and a smaller percentage of persons employed as Professionals and Managers.

Service/indicator /measure	Results				Material Variations
	2016	2017	2018	2019	
Aquatic facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i>	1.93	1.8	1.69	1.57	Attendance figures have been affected by the shut down period for major works in the first quarter of the year.
[Number of visits to aquatic facilities / Municipal population]					
Animal management					
Health and safety					
<i>Animal management prosecutions</i>	2	8	14	20	The introduction of new guidelines in the previous year combined with improved reporting processes has contributed to the increased number of prosecutions this year.
[Number of successful animal management prosecutions]					
Food safety					
Health and safety					
<i>Critical and major non-compliance notifications</i>	100.00%	100.00%	0.00%	0.00%	No notifications received this year.
[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100					

Service/indicator /measure	Results			Material Variations
	2016	2017	2018	2019
Governance				
Satisfaction				
<i>Satisfaction with council decisions</i>	56	55	60	68
Melton is no longer participating in the Local Government Survey, with this indicator now forming part of the Metropolis survey conducted for Melton Council. The result is now based on a larger sample size.				
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]				
Home and community care				
Participation				
<i>Participation in HACC service</i>	10.52%	N/A	N/A	N/A
Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.				
[Number of people that received a HACC service / Municipal target population for HACC services] x100				
Participation				
<i>Participation in HACC service by CALD people</i>	6.95%	N/A	N/A	N/A
Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.				
[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100				

Service/indicator /measure	Results			Material Variations
	2016	2017	2018	2019
Libraries				
Participation				
Active library members	11.26%	10.26%	9.43%	9.09%
The number of active members has increased however the overall percentage has declined due to the rapid increase to overall population growth.				
[Number of active library members / Municipal population] x100				
Maternal and child health				
Participation				
Participation in the MCH service	73.05%	72.05%	68.95%	66.92%
The number of children attending the service continues to increase. The challenge is recruiting qualified staff to keep up with the growth within the municipality.				
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100				
Participation				
Participation in the MCH service by Aboriginal children	61.62%	58.81%	57.31%	57.28%
A significant increase in children attending the service compared to previous years. This is an area that we hope to continually improve on next year with ongoing relationships with Koolin Balit and an increase in the outreach staff.				
[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100				
Roads				
Satisfaction				
Satisfaction with sealed local roads	64	62	63	71
Melton is no longer participating in the Local Government Survey, with this indicator now forming part of the Metropolis survey conducted for Melton Council. The result is now based on a larger sample size.				
[Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]				

Service/Indicator /measure	Results			Material Variations
	2016	2017	2018	
Statutory Planning				
Decision making				
<i>Council planning decisions upheld at VCAT</i>	50.00%	28.57%	25.00%	40.00%
There has been a significant increase in the number of applications over the past 12 months that are being determined by VCAT compared with previous years. Therefore, there have been a greater number of decisions made by VCAT in relation to Council applications.				
[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100				
Waste Collection				
Waste diversion				
Council provides a range of education services and has invested in community engagement activities. Statistics for the last 12 months shows that the City of Melton is diverting approximately 44% of all waste from landfill. While this is a slight decrease from the previous year it is important to note that total tonnes have reduced across the board. There has been a reduction in dumped rubbish, landfill waste from residents (collected at the kerb), waste received at the transfer station and green waste volumes as a result of a very dry season. Council has also made changes to the hard waste service to improve recovery and comply with the impending E-waste ban. It is positive to note that despite the global recycling crisis residents have continued to recycle similar volumes to last year. This can be attributed to Council's investment in community education and engagement programs.				
<i>Kerbside collection waste diverted from landfill</i>	43.39%	53.03%	49.30%	40.26%
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100				

Financial Performance Indicators

For the year ended 30 June 2019

Dimension/Indicator /measure	Results			Forecasts				Material Variations
	2017	2018	2019	2020	2021	2022	2023	
Efficiency								
Revenue level								
Average residential rate per residential property assessment	\$1,704.23	\$1,690.12	\$1,746.06	\$1,975.62	\$2,052.65	\$2,267.48	\$2,333.39	No material variation.
[Residential rate revenue / Number of residential property assessments]								
Expenditure level								
Expenses per property assessment	\$2,733.24	\$2,764.22	\$2,805.53	\$3,195.68	\$3,096.76	\$3,054.40	\$2,868.91	No material variation.
[Total expenses / Number of property assessments]								
Workforce turnover								
Resignations and terminations compared to average staff	10.08%	15.99%	13.40%	13.22%	13.46%	13.89%	14.27%	Variation is due to the stabilisation of the workforce after transitioning of casual positions into permanent positions in 2017/18.
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100								
Liquidity								
Working capital								
Current assets compared to current liabilities	584.96%	633.96%	570.97%	667.08%	719.66%	883.51%	1270.25%	Variation in 2018/19 is due to increase in Accrued Expenses. Trend in working capital is expected to be favourable due to growth in income.
[Current assets / Current liabilities] x100								

Dimension/indicator /measure	Results		Forecasts				Material Variations
	2017	2018	2019	2020	2021	2022	2023
Unrestricted cash							
Unrestricted cash compared to current liabilities	91.56%	125.47%	49.76%	118.47%	131.82%	162.11%	278.43%
[Unrestricted cash / Current liabilities] x100							Variation is due to classification of term deposits over 3 months as financial assets in 2018/19. It is anticipated that increases in operating income will continue in future years generating additional cash surpluses.
Obligations							
Asset renewal							
Asset renewal compared to depreciation	42.35%	39.22%	28.41%	31.56%	30.52%	21.63%	28.70%
[Asset renewal expenses / Asset depreciation] x100							Variation is due to an increase in depreciation costs which is growing due to the large number of new assets coming on stream.
Loans and borrowings							
Loans and borrowings compared to rates	22.32%	17.68%	14.05%	10.58%	7.79%	5.17%	3.16%
[Interest bearing loans and borrowings / Rate revenue] x100							Positive cashflow and operating performance has enabled Council to reduce borrowings. The trend is expected to continue over the medium term.
Loans and borrowings							
Loans and borrowings repayments compared to rates	8.27%	4.07%	3.23%	2.94%	2.05%	1.76%	1.54%
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100							Positive cashflow and operating performance has enabled Council to reduce borrowings. Growth in rates revenue has increased significantly. The trend is expected to continue over the long term.

Dimension/indicator /measure	Results			Forecasts				Material Variations
	2017	2018	2019	2020	2021	2022	2023	
Indebtedness								
Non-current liabilities compared to own source revenue	18.53%	14.16%	14.46%	13.56%	13.91%	10.62%	15.55%	Council has reduced its borrowings and is forecast to do so over the short term.
[Non-current liabilities / Own source revenue] x100								
Operating position								
Adjusted underlying result								
Adjusted underlying surplus (or deficit)	13.69%	15.44%	1.19%	1.25%	7.81%	15.24%	18.99%	A lower underlying surplus in 2018/19 is due to a one off write off of road assets.
[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100								
Stability								
Rates concentration								
Rates compared to adjusted underlying revenue	60.68%	57.22%	67.35%	66.78%	66.72%	68.62%	71.70%	Variance is due to lower land sales and write off of road assets in the 2018/19 year.
[Rate revenue / Adjusted underlying revenue] x100								
Rates effort								
Rates compared to property values	0.43%	0.42%	0.34%	0.38%	0.39%	0.42%	0.43%	Variance is due to a substantial amount of new properties being incorporated in the rate base during the year. Rate income for those new properties will be earned for only part of the year.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100								

Certification of Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

Salvatore Rumoro CPA
Principal Accounting Officer

Dated: 16 September 2019

In our opinion, the accompanying performance statement of the Melton City Council for the year ended 30 June 2019 presents fairly the results of the council's performance in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement 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 performance statement in their final form.

Cr. Bob Turner
Mayor

Dated: 16 September 2019

Cr. Lara Carli
Deputy Mayor

Dated: 16 September 2019

Kelvin Tori
Chief Executive Officer

Dated: 16 September 2019