

Melton City Council

ANNUAL FINANCIAL REPORT

for the year ended 30 June 2021

A Thriving Community Where Everyone Belongs



Melton City Council

2020/2021 Financial Report

Annual Financial Report

for the year ended 30 June 2021

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Content Overview

- i. These financial statements are General Purpose Financial Statements and cover the consolidated operations for Melton City Council.
- ii. All figures presented in these financial statements are presented in Australian Currency.
- iii. 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.

Melton City Council

2020/2021 Financial Report

Annual Financial Reportfor the year ended 30 June 2021

Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014* (as per the transitional provisions of the *Local Government Act 2020*), the Australian Accounting Standards and other mandatory professional reporting requirements.

Sam Rumoro CPA

Responsible Accounting Officer**Date:**

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 2021 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 Kathy Majdik

Mayor**Date:**

232 High Street, Melton VIC

Cr Goran Kesic

Deputy Mayor**Date:**

232 High Street, Melton VIC

Kelvin Tori

Chief Executive Officer**Date:**

232 High Street, Melton VIC

Melton City Council

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Annual Financial Report

for the year ended 30 June 2021

Victorian Auditor-General's Office Report

Insert VAGO Report here

Melton City Council

2020/2021 Financial Report

Annual Financial Report

for the year ended 30 June 2021

Victorian Auditor-General's Office Report (continued)

Insert VAGO Report here

Melton City Council

2020/2021 Financial Report

Comprehensive Income Statement

for the year ended 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Income			
Rates and charges	3.1	134,841	124,314
Statutory fees and fines	3.2	10,460	10,448
User fees	3.3	9,802	9,652
Grants - operating	3.4	33,733	30,004
Grants - capital	3.4	5,454	8,659
Contributions - monetary	3.5	33,000	63,127
Contributions - non monetary	3.5	239,280	211,066
Net gain on disposal of property, infrastructure, plant and equipment	3.6	11,592	-
Other income	3.7	5,866	9,620
Total income		484,028	466,890
Expenses			
Employee costs	4.1	58,590	53,806
Materials and services	4.2	87,825	91,704
Depreciation	4.3	44,415	38,989
Amortisation - Intangible assets	4.4	327	327
Amortisation - Right of use assets	4.5	350	127
Bad and doubtful debts	4.6	1,182	437
Borrowing costs	4.7	494	632
Finance Costs - Leases	4.8	25	10
Net loss on disposal of property, infrastructure, plant and equipment	3.6	-	11,114
Fair value decrement on investment properties	6.3	200	228
Other expenses	4.9	-	606
Total expenses		193,408	197,980
Surplus/(deficit) for the year		290,620	268,910
Other comprehensive income:			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	21,756	(7,200)
Total other comprehensive income for the year		21,756	(7,200)
Total comprehensive result		312,376	261,710

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

Melton City Council

2020/2021 Financial Report

Balance Sheet

as at 30 June 2021

	Notes	2021 \$ '000	2020 \$ '000
Assets			
Current assets			
Cash and cash equivalents	5.1	75,460	146,866
Non-current assets classified as "held for sale"	6.1	674	1,618
Trade and other receivables	5.1	22,806	43,867
Other financial assets	5.1	292,719	104,334
Inventories	5.2	28	41
Other assets	5.2	16,931	14,432
Total current assets		408,618	311,158
Non-current assets			
Inventories	5.2	65	67
Property, infrastructure, plant and equipment	6.2	2,771,558	2,509,570
Investment property	6.3	6,975	7,175
Intangible assets	5.2	2,704	3,031
Right-of-use assets	5.8	1,136	613
Total non-current assets		2,782,438	2,520,456
Total assets		3,191,056	2,831,614
Liabilities			
Current liabilities			
Trade and other payables	5.3	51,744	30,241
Trust funds and deposits	5.3	18,055	8,946
Unearned income	5.3	22,886	5,701
Provisions	5.5	13,084	11,846
Interest-bearing liabilities	5.4	2,402	2,306
Lease liabilities	5.8(b)	640	255
Total current liabilities		108,811	59,295
Non-current liabilities			
Trust funds and deposits	5.3	9,238	9,245
Provisions	5.5	1,503	1,668
Interest-bearing liabilities	5.4	8,272	10,674
Lease liabilities	5.8(b)	508	384
Total non-current liabilities		19,521	21,971
Total liabilities		128,332	81,266
Net assets		3,062,724	2,750,348
Equity			
Accumulated surplus		1,847,702	1,584,786
Reserves	9.1	1,215,022	1,165,562
Total Equity		3,062,724	2,750,348

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

Melton City Council

2020/2021 Financial Report

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Total \$ '000	Accumulated Surplus \$ '000	Revaluation Reserves \$ '000	Other Reserves \$ '000
2021					
Balance at beginning of the financial year		2,750,348	1,584,786	931,889	233,673
Surplus/(deficit) for the year		290,620	290,620	–	–
Other comprehensive income					
- Net asset revaluation increment/(decrement)		21,756	–	21,756	–
Other comprehensive income		21,756	–	21,756	–
Total comprehensive income		312,376	290,620	21,756	–
Transfers to other reserves	9.1	–	91,927	–	(91,927)
Transfers from other reserves	9.1	–	(119,631)	–	119,631
Balance at end of the financial year		3,062,724	1,847,702	953,645	261,377
2020					
Balance at beginning of the financial year		2,492,853	1,397,244	939,089	156,520
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities		(4,215)	(4,215)	–	–
Adjusted opening balance		2,488,638	1,393,029	939,089	156,520
Surplus/(deficit) for the year		268,910	268,910	–	–
Other comprehensive income					
- Net asset revaluation increment/(decrement)		(7,200)	–	(7,200)	–
Other comprehensive income		(7,200)	–	(7,200)	–
Total comprehensive income		261,710	268,910	(7,200)	–
Transfers to other reserves	9.1	–	(115,666)	–	115,666
Transfers from other reserves	9.1	–	38,513	–	(38,513)
Balance at end of the financial year		2,750,348	1,584,786	931,889	233,673

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

Melton City Council

2020/2021 Financial Report

Statement of Cash Flows

for the year ended 30 June 2021

		2021	2020
	Notes	Inflows/ (Outflows) \$ '000	Inflows/ (Outflows) \$ '000
Cash flows from operating activities			
Rates and charges		134,733	119,639
Statutory fees and fines		11,090	10,448
User fees		9,802	9,652
Grants - operating		38,396	30,004
Grants - capital		17,098	4,444
Contributions - monetary		33,000	63,127
Interest received		2,125	3,432
Trust funds and deposits taken		9,102	10,423
Other receipts		23,210	1,052
Net GST refund/payment		17,564	20,760
Employee costs		(57,517)	(53,318)
Materials and services		(83,706)	(88,595)
Other payments		(4,280)	(4,347)
Net cash provided by/(used in) operating activities	9.2	150,617	126,721
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(58,215)	(57,232)
Proceeds from sale of property, infrastructure, plant and equipment		27,966	5,694
Payments for investments		(188,585)	(42,160)
Net cash provided by/(used in) investing activities		(218,834)	(93,698)
Cash flows from financing activities			
Finance costs		(494)	(632)
Repayment of borrowings		(2,306)	(2,963)
Interest paid - lease liability		(25)	(10)
Repayment of lease liabilities		(364)	(101)
Net cash flow provided by/(used in) financing activities		(3,189)	(3,706)
Net Increase (decrease) in cash and cash equivalents		(71,406)	29,317
Cash and cash equivalents at the beginning of the financial year		146,866	117,549
Cash and cash equivalents at the end of the financial year		75,460	146,866
Financing arrangements	5.6	2,000	2,000
Restrictions on cash assets	5.1	195,757	157,428

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

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Statement of Capital Works

for the year ended 30 June 2021

	2021 \$ '000	2020 \$ '000
Property		
Land	-	-
Total land	-	-
Buildings	31,116	21,557
Total buildings	31,116	21,557
Total property	31,116	21,557
Plant and equipment		
Plant, machinery and equipment	26	991
Fixtures, fittings and furniture	37	-
Computers and telecommunications	198	698
Library books	493	478
Total plant and equipment	754	2,167
Infrastructure		
Roads	9,322	9,568
Bridges	429	166
Footpaths and cycleways	1,211	1,254
Drainage	298	579
Recreational, leisure and community facilities	14,151	15,281
Other infrastructure	933	275
Total infrastructure	26,344	27,123
Total capital works expenditure	58,214	50,847
Represented by:		
New asset expenditure	38,540	14,912
Asset renewal expenditure	6,942	8,300
Asset expansion expenditure	2,966	2,225
Asset upgrade expenditure	9,766	25,410
Total capital works expenditure	58,214	50,847

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

Melton City Council

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for the year ended 30 June 2021

Overview

Introduction

The Melton City Council 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 (as per the transitional provisions of the Local Government Act 2020)*.

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2.)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2.).
- the determination of employee provisions (refer to Note 5.5.).
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- whether or not *AASB 1059 Service Concession Arrangements: Grantors* is applicable (refer to Note 8.2)
- 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.

(b) Impact of Covid-19

On 16 March 2020 a state of emergency was declared in Victoria due to the global pandemic COVID-19 virus, known as coronavirus. A state of disaster was subsequently declared on 2 August 2020. While the impacts of the pandemic have abated somewhat throughout the 2020-2021 financial year, Council has noted the following significant impacts on its financial operations.

Council is charged with the ongoing delivery of community services as well as renewing and constructing new infrastructure for our growing community. The ongoing pandemic event and staged restrictions have presented unprecedented challenges which Council is navigating.

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for the year ended 30 June 2021

Overview (continued)

In response to the pandemic, Council considered all financial support packages being provided by both Federal and State Governments to support members of the public as well as business owner. Council formulated a position that integrated with the offerings at both a Federal and State level but also provided assistance in areas which were missed by Federal and State support packages. Examples of support provided by Council during the pandemic are as follows;

- \$200 waiver on fourth rate installment to eligible ratepayers (2019-2020)
- Delivered meals (MOW) – expanded service
- Taxi support for medical appointments
- Freeze all library fines and extended hiring dates
- For a period of time ceased all fees and charges for Sporting Clubs and Associations
- Various support packages for local businesses and economy
- Planning fees waived for period of time relating to commercial use and development
- Waiver of 2020/21 business permit renewal fees
- Amenity Protection – waived Street Trader Permits
- Relaxation of animal registration and parking enforcement
- Waiver of food & health registrations
- Extra immunisation sessions for eligible residents to attend for influenza vaccination.

During 2020-2021 Council continued to operate under its COVID-19 Financial Assistance Policy where those residents in financial hardship were offered relaxed payment terms or deferral of payments in certain circumstances without penalty. Council suspended of all legal action for rates & charges.

During periods of lock-down Council maintained the existing workforce, redeploying staff where remote working was not possible, or standing down staff with pay. All employees have access to the Employee Assistance Program, whereby counselling services and independent support can be obtained at no charge. Council continues to support employees through the restrictions.

Council has maintained a healthy working capital position with a significant amount of cash and financial assets (Note 5.1). Cash flow from rates instalments have remained strong, improving over the last half of the financial year. Council has reviewed the provision for doubtful debts, recognising that some impairment exists across infringement debt portfolio as a result of the pandemic (Note 4.6).

Council's underlying financial performance was favourable to budget, while the pandemic had an unfavourable impact on investment returns due to a lower cash rate, Council's revenues remained strong and favourable to budget due largely to a continued growth in development activity which was buoyed by economic stimulus provided by State and Federal Governments. Continued prudent management of Councils operating costs enabled a modest underlying surplus to be generated by Council in 2020-2021.

Council has not identified any subsequent events that may impact the organisations ability to continue as a going concern and has determined that the going concern assumption remains the appropriate basis to prepare Council's financial report.

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

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.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014* (as per the transitional provisions of the *Local Government Act 2020*).

	Budget 2021 \$ '000	Actual 2021 \$ '000	Variance 2021 \$ '000	Variance 2021 %	Ref
1.1 Income and expenditure					
Income					
Rates and charges	132,203	134,841	2,638	2%	1
Statutory fees and fines	8,852	10,460	1,608	18%	2
User fees	7,028	9,802	2,774	39%	3
Grants - operating	29,591	33,733	4,142	14%	4
Grants - capital	9,202	5,454	(3,748)	(41)%	5
Contributions - monetary	66,487	33,000	(33,487)	(50)%	6
Contributions - non monetary	174,948	239,280	64,332	37%	6
Net gain on disposal of property, infrastructure, plant and equipment	4,799	11,592	6,793	142%	7
Other income	7,970	5,866	(2,104)	(26)%	8
Total income	441,080	484,028	42,948	10%	
Expenses					
Employee costs	63,342	58,590	4,752	8%	9
Materials and services	79,575	87,825	(8,250)	(10)%	10
Depreciation	41,520	44,415	(2,895)	(7)%	11
Amortisation - intangible assets	327	327	-	0%	
Amortisation - right of use assets	238	350	(112)	(47)%	12
Bad and doubtful debts	458	1,182	(724)	(158)%	13
Borrowing costs	525	494	31	6%	
Finance costs - leases	19	25	(6)	(32)%	
Fair value decrement on investment properties	-	200	(200)	∞	14
Other expenses	8,120	-	8,120	100%	15
Total expenses	194,124	193,408	716	0%	
Surplus/(deficit) for the year	246,956	290,620	43,664	18%	

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Performance against budget (continued)

(i) Explanation of material variations

1. Favourable variance for the year is attributable to supplementary rates received being higher than budgeted due to a higher number of properties titled than expected.
2. The favourable variance to budget for Statutory Fees & Fines was due to:
 - Higher than budgeted Property Information Requests due to an increase in new development and building activities across Council.
 - Higher than budgeted infringement revenues in Litter and Building compliance.
3. The favourable variance to budget for User Fees and Charges is due to the below listed factors:
 - Increased demand for subdivision construction supervision fees and nonstandard street lighting fees in Engineering Services due to higher land development activity.
 - Higher than anticipated asset protection permits fees.
 - Higher than anticipated planning information and permit fees.
4. Favourable variance to budget was due to unbudgeted operating grants, including funding for:
 - COVID-19 Working for Victoria
 - Outdoor Eating & Entertainment Package
 - CALD Communities Taskforce
 - Youth Learning Pathways
 - Sleep and Settling
5. Unfavourable variance to budget was due to non-completion of several projects by year end, leading to associated grant funding received being held on balance sheet until performance obligations are met in future years. The most significant of these projects include:
 - Melton Recycling Facility - Stage 2
 - Brookside Pavilion redevelopment

These favourable variances were partly offset by the receipt and recognition of various unbudgeted capital grants.
6. In aggregate, Developer Contributions received during the year were higher than budget due to a significant increase in the level of development activity during the year than was projected. While total contributions were higher than budgeted on aggregate, the contribution split relative to budget saw Council receive greater than budgeted Non-Monetary Contributions (i.e. gifted assets), and lower than budgeted Monetary Contributions.
7. Higher than anticipated land sales volume within the Atherstone development is the main contributor to the favourable variance. This is partly offset by unbudgeted disposal of various infrastructure assets.
8. The unfavourable variance in Other Income is attributable to interest on investments providing lower returns than budgeted due to a fall in the cash rate.
9. Employee costs are favourable to budget due to unfilled vacancies. Savings are particularly concentrated in the Community Services division because of COVID-19 impacting demand for services, which saw recruitment for vacant positions being delayed. This is partly offset by the costs of contract labour required to fill some of these vacant roles as reported under Materials and Services, and expenditure on COVID-19 Working for Victoria projects which are funded by unbudgeted external grants received during the year.
10. This unfavourable variance to budget is attributable to:
 - Increased contract labour costs required to fill vacant budgeted positions (as noted above), as well as other temporary staff assignments.
 - Increase in Parks and Open Space costs due to development of new subdivisions and assistance provided to maintain City Vista for George Cross during COVID-19.
 - Works offset by unbudgeted funding received from Working for Victoria Grant.

These unfavourable variances were partly offset by:

 - Realised savings from Melton Recycling Facility site restrictions,
 - Lower than budgeted maintenance as less people using Council facilities resulted in reduced need for reactive maintenance, compounded by delays in programmed attendance due to COVID-19 lockdowns.
 - Underspends in Graffiti and Cleaning Services primarily due to site restrictions in the first half of the year as a result of COVID-19.
11. Actual depreciation was higher than anticipated due to higher than anticipated increase in asset base.
12. Amortisation of Right of Use Assets and associated Finance Costs have been recognised as per AASB16 and are higher than budgeted due to Council entering new lease arrangements for their fleet renewal program.
13. Bad and Doubtful debts is unfavourable to budget, attributable to higher than anticipated write off of infringement debts deemed unrecoverable due to impacts of COVID-19.
14. Unbudgeted decrease in the Fair Value of Council's investment property had occurred in 2020/21. These included Melton Country Club and Melton Valley Golf Club.
15. The favourable variance to budget is mostly due to Utilities expenditure being reported under Materials and Services, while budgeted as Other Expenses.

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Performance against budget (continued)

	Budget 2021 \$ '000	Actual 2021 \$ '000	Variance 2021 \$ '000	Variance 2021 %	Ref
1.2 Capital works					
Property					
Land	1,350	–	(1,350)	(100)%	1
Total land	1,350	–	(1,350)	(100)%	
Buildings	49,799	31,116	(18,683)	(38)%	2
Total buildings	49,799	31,116	(18,683)	(38)%	
Total property	51,149	31,116	(20,033)	(39)%	
Plant and equipment					
Plant, machinery and equipment	1,364	26	(1,338)	(98)%	3
Fixtures, fittings and furniture	120	37	(83)	(69)%	4
Computers and telecommunications	535	198	(337)	(63)%	5
Library books	518	493	(25)	(5)%	
Total plant and equipment	2,537	754	(1,783)	(70)%	
Infrastructure					
Roads	34,154	9,322	(24,832)	(73)%	6
Bridges	234	429	195	83%	7
Footpaths and cycleways	1,336	1,211	(125)	(9)%	8
Drainage	397	298	(99)	(25)%	9
Recreational, leisure and community facilities	18,493	14,151	(4,342)	(23)%	10
Other infrastructure	5,214	933	(4,281)	(82)%	11
Total infrastructure	59,828	26,344	(33,484)	(56)%	
Total capital works expenditure	113,514	58,214	(55,300)	(49)%	
Represented by:					
New asset expenditure	66,676	38,540	(28,136)	(42)%	
Asset renewal expenditure	10,944	6,942	(4,002)	(37)%	
Asset expansion expenditure	19,089	2,966	(16,123)	(84)%	
Asset upgrade expenditure	16,805	9,766	(7,039)	(42)%	
Total capital works expenditure	113,514	58,214	(55,300)	(49)%	

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2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1. Performance against budget (continued)

(i) Explanation of material variations

1. Budgeted land purchases within development areas are now planned to take place during 2021/22 financial year. This includes Shogaki Drive.
2. Under expenditure compared to budget was due to the following projects did not complete the full scope of budgeted works and being delayed until 2021/22:
 - Melton Recycling Facility Improvement Stage 2
 - Taylors Hill Youth & Community Centre Extension & Upgrade
 - Brookside Pavilion redevelopment works
 - Western Region Emergency Network Warehouse
 - Diggers Rest Community Pavilion and Oval No. 02
 - Cobblebank Indoor stadium, Community Pavilion and Grandstand
3. Council has begun transitioning its fleet to leasing arrangements, hence vehicle purchases have been largely halted.
4. Furniture and fittings purchases saw realised savings relative to budget due to lower use as a significant amount of staff worked from home throughout the year.
5. The favourable variance to budget is due to much of the Annual Computer Replacement Project being brought forward in 2019/20 in response to afford staff the flexibility to work remotely during COVID-19 restrictions, hence there was less need for the funds in 2020/21.
6. The variance is largely due to budgeted road projects being in the design phase, and to a lesser degree government regulation, social distancing and other COVID-19 restrictions delaying projects which will be carried forward for completion in 2020/21. These include:
 - Taylors Road and Westwood Drive intersection – service authority relocation requirements resulting in delays;
 - Boundary Road (Mt. Cottrell Rd) – negotiations delayed this joint project;
 - Caroline Springs Boulevard and Rockbank Middle Road signalised intersection – service authority relocation requirements resulting in delays;
 - Brooklyn Road and Station Road signalised intersection – service authority relocation requirements resulting in delays;
 - Sealed roads renewal program - Outstanding road rehabilitation projects have been tendered and currently under evaluation;
 - Alfred Rd, Cobblebank-Rd Construction
 - Taylors Rd (City Vista-Gourlay)–Rd Duplication & Signals - service authority relocation requirements resulting in delays.
7. Bridgeworks on Sinclairs Road, Deanside were brought forward from 2021/22.
8. Some sub-projects in the Footpath Construction Program have been delayed until 2021/22.
9. The Water Sensitive Urban Design (WSUD) has completed its annual program under budget while delivery of the Drainage infrastructure programs has been delayed due to the impacts of COVID-19.
10. Under expenditure compared to budget was due to the following projects being delayed until 2021/22:
 - Melton Secondary College Sports Field - Project is no longer being delivered by Council is now being delivered by the VSBA. Project on hold whilst VSBA finalise agreement and procurement.
 - Parks Development Program
 - Eynesbury Sporting Facility
11. Under expenditure compared to budget was due to the following projects being delayed until 2021/22:
 - Solar Retrofit Program
 - Silverdale Estate - Sound Walls
 - Renewal of Synthetic Playing Surfaces

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 2. Analysis of Council results by program

2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

CEO and governance

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

Corporate services

The Corporate Services directorate incorporates the Finance, Information Technology, Engagement & Advocacy, Capital Projects 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 and Development

The Planning & Development directorate incorporates the Engineering Services, Operations, Planning Services, Compliance, City Design and Strategy & Environment and Waste service units. The Planning & Development directorate provides planning, engineering, environmental health and building services to the community.

2.2 Summary of revenues, expenses, assets and capital expenses by program

Functions/activities	Income \$ '000	Expenses \$ '000	Surplus / (Deficit) \$ '000	Grants included in income \$ '000	Total assets \$ '000
2021					
CEO and governance	1,592	5,314	(3,722)	–	–
Corporate services	436,752	77,616	359,136	16,441	416,017
Community services	15,817	31,236	(15,419)	13,972	69,373
Planning and development	29,867	79,242	(49,375)	8,775	2,707,091
Unattributed	–	–	–	–	(1,425)
Total functions and activities	484,028	193,408	290,620	39,188	3,191,056
2020					
CEO and governance	824	3,302	(2,478)	–	–
Corporate services	420,607	86,790	333,817	16,768	1,008,687
Community services	15,122	32,309	(17,187)	13,132	56,798
Planning and development	30,337	75,579	(45,242)	8,763	1,766,129
Total functions and activities	466,890	197,980	268,910	38,663	2,831,614

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 3. Funding for the delivery of our services

	2021	2020
	\$ '000	\$ '000

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 2020/21 was \$37,338 million (2019/20: \$34,853 million).

General rates	83,028	76,545
Municipal charge	9,770	8,891
Supplementary rates and rate adjustments	6,504	5,964
Interest on rates and charges	750	491
Commercial	6,293	5,945
Industrial	7,881	6,825
Rural	4,482	4,750
Garbage charge	16,133	14,903
Total rates and charges	134,841	124,314

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020, and the valuation will be first applied in the rating year commencing 1 July 2020.

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

3.2 Statutory fees and fines

Infringements and costs	1,976	3,012
Court recoveries	88	529
Land information certificates	238	159
Permits	5,136	4,720
Property information requests	2,002	1,282
Other	1,020	746
Total statutory fees and fines	10,460	10,448

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.

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Notes to the Financial Statements

for the year ended 30 June 2021

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

	2021 \$ '000	2020 \$ '000
3.3 User fees		
Aged and health services	345	440
Leisure centre and recreation	770	1,257
Child care/children's programs	647	533
Registration and other permits	630	433
Building services	903	592
Youth program fees	32	49
Subdivision fees	5,103	4,931
Other fees and charges	1,372	1,417
Total user fees	9,802	9,652
User fees by timing of revenue recognition		
User fees recognised over time	430	-
User fees recognised at a point in time	9,372	-
Total user fees	9,802	-

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

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

	2021	2020
	\$ '000	\$ '000

3.4 Funding from other levels of government

Grants were received in respect of the following:

Summary of grants

Commonwealth funded grants	22,549	22,891
State funded grants	16,638	15,772
Total grants received	39,187	38,663

(a) Operating Grants**Recurrent - Commonwealth Government**

Financial Assistance Grant	17,597	16,768
Family day care	1,534	1,470
Other	2,551	3,369

Recurrent - State Government

Aged care	569	1,204
Libraries	960	937
Children's services	3,231	3,127
Community support and development	1,369	1,171
Community health	86	102
Youth services	414	506
Other community	215	155
Other	518	486
Total recurrent operating grants	29,044	29,295

Non-recurrent - State Government

Community health	69	44
Family and children	145	33
Children's services	496	43
Community support and development	440	179
Community safety	33	4
Environment	47	100
Family, youth and housing	136	78
Other	3,323	228
Total non-recurrent operating grants	4,689	709

Total operating grants

33,733	30,004
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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

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

	2021 \$ '000	2020 \$ '000
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	712	1,284
Roads	55	-
Foot Paths	100	-
Recurrent - State Government		
Other	23	23
Total recurrent capital grants	890	1,307
Non-recurrent - State Government		
Buildings	1,698	2,342
Recreation	2,866	4,775
Other	-	235
Total non-recurrent capital grants	4,564	7,352
Total capital grants	5,454	8,659
(c) Unspent grants received on condition that they be spent in a specific manner:		
Operating		
Balance at start of year	-	2,220
Received during the financial year and remained unspent at balance date	5,645	(2,220)
Balance at year end	5,645	-
Capital		
Balance at start of year	-	-
Received during the financial year and remained unspent at balance date	16,811	-
Received in prior years and spent during the financial year	-	-
Balance at year end	16,811	-

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

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

	2021	2020
	\$ '000	\$ '000

3.5 Contributions

Monetary	33,000	63,127
Non-monetary	239,280	211,066
Total contributions	272,280	274,193

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

Land	55,310	23,438
Land under roads	30,784	34,362
Roads	58,239	57,064
Footpaths	17,613	16,433
Drainage	35,319	56,658
Recreation	4,762	716
Kerb and channel	20,738	13,550
Traffic management	4,758	5,578
Bridges	7,685	300
Car parks	4,072	2,967
Total non-monetary contributions	239,280	211,066

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

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

Land Held for Sale

Proceeds of sale	25,876	5,287
Written down value of assets disposed	(9,058)	(6,020)
Total net gain/(loss) on disposal of land held for sale	16,818	(733)

Buildings

Written down value of assets disposed	-	(394)
Total net gain/(loss) on disposal of land and buildings	-	(394)

Plant and equipment

Proceeds of sale	2,090	407
Written down value of assets disposed	(1,216)	(528)
Total net gain/(loss) on disposal of plant and equipment	874	(121)

Infrastructure Assets

Written down value of assets disposed	(6,100)	(9,866)
Total net gain/(loss) on disposal of Infrastructure Assets	(6,100)	(9,866)

Total net gain/(loss) on disposal of property, infrastructure, plant and equipment

11,592	(11,114)
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The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

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

	2021	2020
	\$ '000	\$ '000
3.7 Other income		
Interest	1,928	3,432
Investment property rental	501	617
Festival sponsorship	6	113
Program revenue	292	607
Waste facility	2,331	3,763
Other	808	1,088
Total other income	5,866	9,620

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.

Interest income has been affected by lower interest rates on investments as a result of lower market interest rates on term deposits which was primarily due to impact of COVID-19 pandemic.

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. The cost of delivering services

	2021	2020
	\$ '000	\$ '000

4.1 Employee costs

(a) Employee costs

Wages and salaries	51,775	46,729
WorkCover	1,033	904
Casual staff	516	860
Superannuation	4,663	4,348
Fringe benefits tax	70	136
Other	533	829
Total employee costs	58,590	53,806

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	93	163
	93	163

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,386	2,262
Employer contributions - other funds	2,184	1,923
	4,570	4,185

Total superannuation costs

4,663	4,348
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Refer to Note 9.3. for further information relating to Council's superannuation obligations.

4.2 Materials and services

Contract payments	35,897	38,272
General maintenance	8,101	11,166
Utilities	6,971	6,555
Information technology	3,110	2,761
Insurance	1,696	1,189
Consultants	491	334
Garbage collection and disposal	3,591	2,891
Contract labour	8,651	9,864
Administrative support	7,498	6,530
Program expenses	4,832	4,568
Professional fees	2,679	3,322
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	57	56
Auditors' remuneration - internal	70	108
Contributions and donations	535	559
Councillors allowances	385	380
Transport and vehicle operations	280	406
Other	2,981	2,743
Total materials and services	87,825	91,704

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. The cost of delivering services (continued)

	2021 \$ '000	2020 \$ '000
4.3 Depreciation		
Property		
Buildings - specialised	6,518	5,828
Buildings - non specialised	721	591
Total depreciation - property	7,239	6,419
Plant and equipment		
Plant machinery and equipment	737	832
Fixtures fittings and furniture	46	44
Computers and telecomms	434	233
Library books	194	180
Total depreciation - plant and equipment	1,411	1,289
Infrastructure		
Roads	11,502	10,277
Bridges	1,285	1,256
Footpaths and cycleways	3,743	3,520
Drainage	5,120	4,674
Recreational, leisure and community	5,420	3,521
Off street car parks	520	457
Kerb and channel	4,398	4,092
Traffic management	3,686	3,393
Other infrastructure	91	91
Total depreciation - infrastructure	35,765	31,281
Total depreciation	44,415	38,989

Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - Intangible assets

Intangible assets	327	327
Total Amortisation - Intangible assets	327	327

4.5 Amortisation - Right of use assets

Vehicles	146	-
Equipment	204	127
Total Amortisation - Right of use assets	350	127

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 4. The cost of delivering services (continued)

	2021 \$ '000	2020 \$ '000
4.6 Bad and doubtful debts		
Parking fine debtors	12	36
Other debtors	3	184
Infringements	1,167	217
Total bad and doubtful debts	1,182	437
Movement in provisions for doubtful debts - other debtors		
Balance at the beginning of the year	491	549
New provisions recognised during the year	341	184
Amounts already provided for and written off as uncollectible	(362)	(242)
Balance at end of year	470	491
Movement in provisions for doubtful debts - infringements		
Balance at the beginning of the year	2,968	2,995
New provisions recognised during the year	1,336	893
Amounts already provided for and written off as uncollectible	(176)	(920)
Balance at end of year	4,128	2,968

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.

4.7 Borrowing costs

Interest - Borrowings	494	632
Total borrowing costs	494	632

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.

4.8 Finance Costs - Leases

Interest - Lease Liabilities	25	10
Total finance costs	25	10

4.9 Other expenses

Other	-	300
Loss on Sale of Financial Assets	-	306
Total other expenses	-	606

Council's share of Regional Kitchen Pty Ltd was sold during 2019/20 to Western Health (ABN 61 166 735 672), a State Government entity.

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position

	Notes	2021 \$ '000	2020 \$ '000
5.1 Financial assets			
(a) Cash and cash equivalents			
Current			
Cash on hand		8	8
Cash at bank		3,348	2,904
Term deposits		72,104	143,954
Total current cash and cash equivalents		75,460	146,866
(b) Other financial assets			
Current			
Term deposits		292,719	104,334
Total current other financial assets		292,719	104,334
Total current financial assets		368,179	251,200
External restrictions			
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:			
Trust funds and deposits	5.3	27,293	18,191
Reserves		167,921	137,546
Fire services levy		543	1,691
Total restricted funds		195,757	157,428
Total unrestricted cash and cash equivalents		(120,297)	(10,562)
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		50,569	27,368
Total funds subject to intended allocations		50,569	27,368

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months 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.

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(c) Trade & Other Receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	11,470	11,362
Infringement debtors	5,125	4,616
<i>Non-statutory receivables</i>		
Accrued interest	19	221
Other debtors	10,790	31,127
<i>Provisions for doubtful debts</i>		
Provision for doubtful debts - other debtors	(470)	(491)
Provision for doubtful debts - infringements	(4,128)	(2,968)
Total current trade and other receivables	22,806	43,867
Total trade and other receivables	22,806	43,867

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

(d) Ageing of receivables

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

Current (not yet due)	7,957	1,733
Past due by up to 30 days	1,833	11,493
Past due between 31 and 180 days	239	15,849
Past due between 181 and 365 days	315	1,782
Total trade and other receivables	10,344	30,857

(e) Ageing of individually impaired receivables

At balance date, other debtors representing financial assets with a nominal value of \$470,093 (2020: \$491,563) were impaired. The amount of the provision raised against these debtors was \$470,093 (2020: \$491,563). 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:

Past due between 181 and 365 days	470	491
Total trade and other receivables	470	491

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021	2020
	\$ '000	\$ '000

5.2 Non-financial assets

(a) Inventories

Current

Land for interment purposes at cost	28	41
Total current inventories	28	41

Non-Current

Land for interment purposes at cost	65	67
Total non-current inventories	65	67

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

(b) Other assets

Current

Prepayments	295	1,215
Accrued income	16,636	13,217
Total current other assets	16,931	14,432

(c) Intangible assets

Non-exclusive licences - Caroline Springs College Creekside Campus	216	290
Non-exclusive licences - Springside Children's and Community Centre	938	1,036
Non-exclusive licences - Kororoit Creek Early Learning Centre	1,550	1,705
Total intangible assets	2,704	3,031

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).

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	Non-exclusive licences			Total \$ '000
	Caroline Springs College Creekside Campus \$ '000	Springside Children's and Community Centre \$ '000	Kororoit Creek Early Learning Centre \$ '000	
Gross Carrying Amount				
Balance at 1 July 2020	1,478	1,962	3,100	6,540
Balance at 1 July 2021	1,478	1,962	3,100	6,540
Accumulated amortisation and impairment				
Balance at 1 July 2020	1,188	926	1,395	3,509
Amortisation expense	74	98	155	327
Balance at 1 July 2021	1,262	1,024	1,550	3,836
Net book value at 30 June 2020	290	1,036	1,705	3,031
Net book value at 30 June 2021	216	938	1,550	2,704

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.

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
5.3 Payables		
(a) Trade and other payables		
Current		
Trade payables	43,482	21,442
Accrued expenses	7,719	7,108
Fire services levy	543	1,691
Total current trade and other payables	51,744	30,241
(b) Trust funds and deposits		
Current		
Refundable deposits	17,941	8,832
Construction retention monies	114	114
Total current trust funds and deposits	18,055	8,946
Non-current		
Refundable deposits	9,096	9,100
Other refundable deposits	142	145
Total non-current trust funds and deposits	9,238	9,245
(c) Unearned income		
Current		
Grants received in advance:		
Grants received in advance - operating	5,645	982
Grants received in advance - capital	16,811	4,654
Total grants received in advance	22,456	5,636
User fees received in advance:		
Income received in advance - contracts with customers	430	65
Total user fees received in advance	430	65
Total unearned income	22,886	5,701

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

Purpose and nature of items

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

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.

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
5.4 Interest-bearing liabilities		
Current		
Borrowings - secured	2,402	2,306
	<u>2,402</u>	<u>2,306</u>
Non-current		
Borrowings - secured	8,272	10,674
	<u>8,272</u>	<u>10,674</u>
Total	<u>10,674</u>	<u>12,980</u>
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	2,402	2,306
Later than one year and not later than five years	8,272	9,752
Later than five years	-	922
	<u>10,674</u>	<u>12,980</u>

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.

	Employee provisions \$ '000	Total \$ '000
5.5 Provisions		
2021		
Balance at the beginning of the financial year	13,515	13,515
Additional provisions	4,808	4,808
Amounts used	(3,735)	(3,735)
Balance at the end of the financial year	<u>14,588</u>	<u>14,588</u>
2020		
Balance at the beginning of the financial year	12,264	12,264
Additional provisions	4,855	4,855
Amounts used	(3,604)	(3,604)
Balance at the end of the financial year	<u>13,515</u>	<u>13,515</u>

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,658	3,312
Long service leave	927	887
	<u>4,585</u>	<u>4,199</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,656	1,334
Long service leave	6,843	6,313
	<u>8,499</u>	<u>7,647</u>
Total current employee provisions	<u>13,084</u>	<u>11,846</u>
Non-Current		
Long service leave	1,503	1,668
Total Non-Current Employee Provisions	<u>1,503</u>	<u>1,668</u>
Aggregate Carrying Amount of Employee Provisions:		
Current	13,084	11,846
Non-current	1,503	1,668
Total Aggregate Carrying Amount of Employee Provisions	<u>14,587</u>	<u>13,514</u>

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	1.49%	0.56%
- index rate	2.95%	4.25%

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2021

Bank overdraft	1,800	1,800
Credit card facilities	200	200
Total Facilities	<u>2,000</u>	<u>2,000</u>
Used facilities	<u>71</u>	<u>53</u>
Unused facilities	<u>1,929</u>	<u>1,947</u>

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for the year ended 30 June 2021

Note 5. Our financial position (continued)

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
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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.

2021

Operating

Recycling facility operations	4,800	–	–	–	4,800
Garbage and recycling collection	10,400	11,100	28,000	–	49,500
Facility maintenance	544	–	–	–	544
Health/cleaning services	1,590	–	–	–	1,590
Parks maintenance services	5,386	–	–	–	5,386
Road maintenance	6,442	1,400	1,500	–	9,342
IT services	3,670	3,415	3,415	–	10,500
Recreation/Leisure services	153	–	–	–	153
Total	32,985	15,915	32,915	–	81,815

Capital

Buildings	15,317	34,475	2,114	14	51,920
Roads	765	370	10	20	1,165
Recreational	2,415	25	25	–	2,465
Other	535	535	535	–	1,605
Total	19,032	35,405	2,684	34	57,155

2020

Operating

Recycling facility operations	4,875	5,000	–	–	9,875
Garbage and recycling collection	8,265	9,200	26,952	9,000	53,417
Health/cleaning services	1,450	–	–	–	1,450
Parks maintenance services	5,305	5,386	–	–	10,691
Road maintenance	6,366	6,500	2,990	–	15,856
IT services	784	580	580	–	1,944
Recreation/Leisure services	384	10	–	–	394
Total	27,429	26,676	30,522	9,000	93,627

Capital

Buildings	22,700	500	–	–	23,200
Roads	298	–	–	–	298
Recreational	8,924	50	–	–	8,974
Total	31,922	550	–	–	32,472

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

5.8 Leases

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

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

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

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

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

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

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

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

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

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

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

(a) Right-of-Use Assets

	Vehicles \$ '000	Equipment \$ '000	Total \$ '000
2021			
Balance at 1 July	–	613	613
Additions	873	–	873
Amortisation charge	(146)	(204)	(350)
Balance at 30 June	727	409	1,136
2020			
Balance at 1 July	–	740	740
Amortisation charge	–	(127)	(127)
Balance at 30 June	–	613	613

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Melton City Council

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 5. Our financial position (continued)

	2021 \$ '000	2020 \$ '000
(b) Lease Liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than one year	721	337
One to five years	559	471
Total undiscounted lease liabilities as at 30 June:	1,280	808
Lease liabilities included in the Balance Sheet at 30 June:		
Current	640	255
Non-current	508	384
Total lease liabilities	1,148	639

Short-term and low value leases

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

Council had no short-term leases or leases of low value assets during the financial year.

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage

	2021	2020
	\$ '000	\$ '000
6.1 Non-current assets classified as "held for sale"		
Current		
Fair value of land	674	1,618
Total non current assets classified as held for sale	674	1,618

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.

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Melton City Council

Notes to the Financial Statements
for the year ended 30 June 2021

Note 6. Assets we manage (continued)

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment	At Fair Value 30 June 2020 \$ '000	Additions \$ '000	Contributions \$ '000	Revaluation \$ '000	Depreciation \$ '000	Disposal \$ '000	Write-off \$ '000	Transfers \$ '000	At Fair Value 30 June 2021 \$ '000
Property	681,310	1,764	87,089	—	(7,239)	(46)	—	1,283	764,161
Plant and equipment	4,291	608	—	—	(1,411)	(1,215)	—	—	2,273
Infrastructure	1,801,547	2,043	153,185	21,756	(35,765)	(5,738)	—	4,680	1,941,708
Work in progress	22,422	57,812	—	—	—	—	(2,180)	(14,608)	63,446
Total	2,509,570	62,227	240,274	21,756	(44,415)	(6,999)	(2,180)	(8,645)	2,771,588

Summary of Work in Progress	Opening WIP \$ '000	Additions \$ '000	Write-off \$ '000	Transfers \$ '000	Closing WIP \$ '000
Property	1,041	31,379	(55)	(6,158)	26,207
Infrastructure	21,381	26,433	(2,125)	(8,450)	37,239
Total	22,422	57,812	(2,180)	(14,608)	63,446

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Melton City Council

Notes to the Financial Statements
for the year ended 30 June 2021

Note 6. Assets we manage (continued)

	Land specialised \$ '000	Land non specialised \$ '000	Land under roads \$ '000	Total land and land improvements \$ '000	Buildings specialised \$ '000	Buildings non specialised \$ '000	Total buildings \$ '000	Work in progress \$ '000	Total work in progress \$ '000	Total property \$ '000
Property										
At fair value 1 July 2020	324,323	90,546	86,256	501,125	255,093	30,669	285,762	1,041	1,041	787,928
Accumulated depreciation at 1 July 2020	-	-	-	-	(94,149)	(11,428)	(105,577)	-	-	(105,577)
Carrying value - 1 July 2020	324,323	90,546	86,256	501,125	160,944	19,241	180,185	1,041	1,041	682,351
Movements in fair value										
Additions	-	-	-	-	1,764	-	1,764	31,379	31,379	33,143
Contributions	56,305	-	30,784	87,089	-	-	-	-	-	87,089
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	(110)	-	(110)	-	-	(110)
Write-off	-	-	-	-	-	-	-	(55)	(55)	(55)
Transfers	(4,875)	-	-	(4,875)	6,158	-	6,158	(6,158)	(6,158)	(4,875)
Total movements in fair value	51,430	-	30,784	82,214	7,812	-	7,812	25,166	25,166	115,192
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	-	(6,518)	(721)	(7,239)	-	-	(7,239)
Accumulated depreciation of disposals	-	-	-	-	64	-	64	-	-	64
Total movements in accumulated depreciation	-	-	-	-	(6,454)	(721)	(7,175)	-	-	(7,175)
At fair value 30 June 2021	375,753	90,546	117,040	583,339	262,875	30,669	293,544	26,207	26,207	903,090
Accumulated depreciation at 30 June 2021	-	-	-	-	(101,324)	(11,428)	(112,752)	-	-	(112,752)
Carrying value - 30 June 2021	375,753	90,546	117,040	583,339	161,551	19,241	180,792	26,207	26,207	790,338

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2020/2021 Financial Report

Melton City Council

Notes to the Financial Statements
for the year ended 30 June 2021

Note 6. Assets we manage (continued)

	Plant machinery and equipment \$ '000	Fixtures fittings and furniture \$ '000	Computers and telecomms \$ '000	Library books \$ '000	Total plant and equipment \$ '000
At fair value 1 July 2020	5,399	800	6,949	1,675	14,823
Accumulated depreciation at 1 July 2020	(3,091)	(754)	(5,983)	(704)	(10,532)
Carrying value - 1 July 2020	2,308	46	966	971	4,291
Movements in fair value					
Additions	—	—	115	493	608
Disposal	(3,257)	—	—	(285)	(3,542)
Total movements in fair value	(3,257)	—	115	208	(2,934)
Movements in accumulated depreciation					
Depreciation and amortisation	(737)	(46)	(434)	(194)	(1,411)
Accumulated depreciation of disposals	2,210	—	—	117	2,327
Total movements in accumulated depreciation	1,473	(46)	(434)	(77)	916
At fair value 30 June 2021	2,142	800	7,065	1,882	11,889
Accumulated depreciation at 30 June 2021	(1,618)	(800)	(6,417)	(781)	(9,616)
Carrying value - 30 June 2021	524	—	648	1,101	2,273

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Melton City Council

Notes to the Financial Statements
for the year ended 30 June 2021

Note 6. Assets we manage

	Roads \$ '000	Bridges \$ '000	Foot- paths and cycle- ways \$ '000	Drainage \$ '000	Recrea- tional, leisure and comm- unity \$ '000	Off street car parks \$ '000	Kerb and channel \$ '000	Traffic manage- ment \$ '000	Other infra- structure \$ '000	Total \$ '000	Work in progress \$ '000	Total work in progress \$ '000	Total infra- structure \$ '000
At fair value 1 July 2020	939,787	87,553	208,948	478,665	84,143	32,958	254,967	96,014	2,874	2,185,909	21,381	21,381	2,207,290
Accumulated depreciation at 1 July 2020	(137,364)	(16,663)	(45,923)	(68,742)	(27,345)	(5,605)	(57,827)	(23,241)	(1,652)	(384,362)	-	-	(384,362)
Carrying value - 1 July 2020	802,423	70,890	163,025	409,923	56,798	27,353	197,140	72,773	1,222	1,801,547	21,381	21,381	1,822,928
Movements in fair value													
Additions	-	-	594	127	-	456	186	680	-	2,043	26,433	26,433	28,476
Contributions	58,239	7,685	17,613	35,319	4,762	4,072	20,738	4,757	-	153,185	-	-	153,185
Revaluation	-	-	-	-	18,326	-	-	6,175	-	24,501	-	-	24,501
Disposal	(2,199)	-	(1)	(2,837)	(3,794)	(48)	(39)	-	-	(8,918)	-	-	(8,918)
Write-off	-	-	-	-	-	-	-	-	-	-	(2,125)	(2,125)	(2,125)
Transfers	2,699	439	449	165	(5,750)	-	-	6,678	-	4,680	(8,450)	(8,450)	(3,770)
Total movements in fair value	58,739	8,124	18,655	32,774	13,544	4,480	20,885	18,290	-	175,491	15,858	15,858	191,349
Movements in accumulated depreciation													
Depreciation and amortisation	(11,502)	(1,285)	(3,743)	(5,120)	(5,420)	(520)	(4,398)	(3,686)	(91)	(35,765)	-	-	(35,765)
Accumulated depreciation of disposals	1,510	-	316	146	1,185	16	7	-	-	3,180	-	-	3,180
Revaluation	-	-	-	-	(570)	-	-	(2,175)	-	(2,745)	-	-	(2,745)
Transfers	-	-	-	-	2,515	-	-	(2,515)	-	-	-	-	-
Total movements in accumulated depreciation	(9,992)	(1,285)	(3,427)	(4,974)	(2,290)	(504)	(4,391)	(8,376)	(91)	(35,330)	-	-	(35,330)
At fair value 30 June 2021	998,526	95,677	227,603	511,439	97,688	37,437	275,853	114,304	2,874	2,361,401	37,238	37,238	2,398,639
Accumulated depreciation at 30 June 2021	(147,355)	(17,948)	(49,350)	(73,716)	(29,636)	(6,108)	(62,219)	(31,617)	(1,743)	(419,692)	-	-	(419,692)
Carrying value - 30 June 2021	851,171	77,729	178,253	437,723	68,052	31,329	213,634	82,687	1,131	1,941,709	37,238	37,238	1,978,947

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (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.

Asset recognition thresholds and depreciation periods

	Depreciation Period years	Threshold Limit \$ '000
Land and land improvements		
Land	N/A	–
Land under roads	N/A	–
Buildings		
Buildings	50	–
Plant and Equipment		
Plant and machinery	5	5
Furniture and equipment	3-5	5
Library assets	10	–
Infrastructure		
Roads	10-100	10
Bridges	25-100	25
Other	20-100	–
Footpaths	10-70	10
Car parks	10-70	10
Drainage works	80-100	25
Recreation facilities	3-30	1
Kerb and channel	10-70	10
Traffic management	10-70	10

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 above and are consistent with the prior year unless otherwise stated.

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

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.

Valuation of land and buildings

Valuation of land and buildings were undertaken by qualified independent valuers Opteon Pty Ltd 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.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2021 are as follows:

	Level 1 2021 \$ '000	Level 2 2021 \$ '000	Level 3 2021 \$ '000	Date of valuation
Non-specialised Land	–	90,546	–	30/06/16
Specialised land	–	–	374,743	30/06/16
Land Under Roads	–	–	117,040	30/06/16
Buildings	–	–	293,544	01/07/18
Total	–	90,546	785,327	

Valuation of Infrastructure

Valuation of infrastructure assets has been determined in accordance with an independent valuation undertaken by Infrastructure Management Group and Ray Hutchinson & Associates.

The Park Active Areas component of Recreational Open Space Facilities class of assets were revalued as at 30 June 2021 as well as the OS Lighting Assets component of Transportation Open Space Facilities class of assets.

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 2021 are as follows:

	Level 1 2021 \$ '000	Level 2 2021 \$ '000	Level 3 2021 \$ '000	Date of independe nt valuation
Roads	–	–	851,171	30/06/19
Bridges	–	–	77,729	30/06/19
Footpaths and cycleways	–	–	178,253	30/06/20
Drainage	–	–	437,723	30/06/16
Recreational, leisure & community facilities	–	–	68,052	30/06/20
Off street car parks	–	–	31,329	30/06/19
Traffic management	–	–	82,687	30/06/17
Other Infrastructure	–	–	1,131	30/06/14
Kerb and channel	–	–	213,634	30/06/19
Total	–	–	1,941,709	

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 6. Assets we manage (continued)

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.

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 \$240 to \$6,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 2 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

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

Reconciliation of specialised land

	2021 \$ '000	2020 \$ '000
Land under roads	374,743	324,323
Parks and reserves	-	-
Total specialised land	374,743	324,323

6.3 Investment property

Balance at beginning of financial year	7,175	7,300
Additions	-	103
Fair value decrement	(200)	(228)
Balance at end of financial year	6,975	7,175

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 Pty Ltd 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.

The market that the assets are transacted in is being impacted by a high degree of uncertainty caused by the COVID-19 pandemic. The extent to which Covid-19 has impacted fair value measurements is not available and market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

Melton City Council

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 7. People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Melton City Council is the parent entity.

Subsidiaries and Associates

Council has no interests in subsidiaries or associates.

(b) Key Management Personnel

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

Councillors

Councillor Lara Carli (Mayor to 9 November 2020)
 Councillor Bob Turner
 Councillor Steve Abboushi
 Councillor Ken Hardy (Councillor to 9 November 2020)
 Councillor Goran Kesic
 Councillor Kathy Majdlik (Mayor from 9 November 2020)
 Councillor Michelle Mendes (Councillor to 9 November 2020)
 Councillor Sophie Ramsey
 Councillor Yvonne Sebire (Councillor to 9 November 2020)
 Councillor Ashleigh Vandenberg (Councillor from 9 November 2020)
 Councillor Julie Shannon (Councillor from 9 November 2020)
 Councillor Moira Deeming (Councillor from 9 November 2020)

		2021 No.	2020 No.
Total Number of Councillors		12	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
Executive Manager - Property & Projects	Laura-Jo Mellan	1	1
Total Number of Key Management Personnel		17	14

		2021 \$ '000	2020 \$ '000
(c) Remuneration of Key Management Personnel			
Total remuneration of key management personnel was as follows:			
Short-term benefits		1,784	1,573
Long-term benefits		36	33
Post employment benefits		136	113
Total		1,956	1,719

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for the year ended 30 June 2021

Note 7. People and relationships (continued)

	2021 No.	2020 No.
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$1 - \$9,999	3	-
\$20,000 - \$29,999	3	-
\$30,000 - \$39,999	4	7
\$50,000 - \$59,999	1	2
\$80,000 - \$89,999	1	-
\$90,000 - \$99,999	-	1
\$230,000 - \$239,999	1	-
\$280,000 - \$289,999	-	3
\$300,000 - \$309,999	3	-
\$400,000 - \$409,999	-	1
\$410,000 - \$419,999	1	-
	17	14

(d) Senior Officer Remuneration

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

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

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

	2021 No.	2020 No.
Income Range:		
\$20,000 - \$29,999	1	-
\$30,000 - \$39,999	1	-
\$70,000 - \$79,999	1	-
\$100,000 - \$109,999	1	-
\$151,000 - \$169,999	-	3
\$170,000 - \$179,999	6	6
\$180,000 - \$189,999	6	6
\$190,000 - \$199,999	3	3
	19	18

	2021 \$ '000	2020 \$ '000
Total Remuneration for the reporting year for Senior Officers included above amounted to*:	3,107	3,095

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for the year ended 30 June 2021

Note 7. People and relationships (continued)

	2021	2020
	\$ '000	\$ '000

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. All transactions are at arms-length.

Salaries paid to close family members of Key Management Personnel	272	233
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(b) Outstanding balances with related parties

There are no outstanding balances with related parties as at 30 June 2021 (2020: 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 (2020: Nil).

(d) Commitments to/from related parties

There are no commitments to or from related parties as at 30 June 2021 (2020: Nil).

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for the year ended 30 June 2021

Note 8. Managing uncertainties

	2021	2020
	\$ '000	\$ '000

8.1 Contingent assets and liabilities

(a) Contingent assets

Developer contributions to be received in respect of estates currently under development is expected to be in the range of \$250m to \$270m (2020: \$140m to \$160m).

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold buildings. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 5 years. All leases include a CPI based revision of the rental charge annually.

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

Not later than one year	1,091	1,035
Later than one year and not later than five years	3,201	3,301
	4,292	4,336

(b) Contingent liabilities

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

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 scheme as at 30 June 2021. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2022 are \$209,643.

Liability Mutual Insurance

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

MAV Workcare

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

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

Council was a participant of the MAV WorkCare Scheme.

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

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for the year ended 30 June 2021

Note 8. Managing uncertainties (continued)

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

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

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Managing uncertainties (continued)

8.2 Change in accounting standards

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

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes Council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the Local Government Act 2020. 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.

(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.

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Managing uncertainties (continued)

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.

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 + 0.25 % and - 0.25 % in market interest rates (AUD) from year-end rates of 0.35%.

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.

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

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Managing uncertainties (continued)

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.

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.

Melton City Council

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 8. Managing uncertainties (continued)

8.5 Events occurring after balance date

The COVID-19 pandemic continues to create a level of economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the City of Melton at the reporting date.

This event does not affect amounts recognised in the 2020-21 financial statements.

Council continues to monitor and review the financial impacts of COVID-19 on its operating budget.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the City of Melton, the results of the operations or the state of affairs of the City of Melton in future financial years.

Melton City Council

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters

	Balance at beginning of reporting period \$ '000	Increment (decrement) \$ '000	Share of incr. (decr) on revaluation of the asset class by an associate \$ '000	Balance at end of reporting period \$ '000
9.1 Reserves				
(a) Asset revaluation reserves				
2021				
Property				
Land - non specialised	226,355	-	-	226,355
Buildings	7,789	-	-	7,789
	<u>234,144</u>	<u>-</u>	<u>-</u>	<u>234,144</u>
Infrastructure				
Roads	518,407	-	-	518,407
Bridges	51,858	-	-	51,858
Drainage	123,430	-	-	123,430
Recreational, leisure and community facilities	3,371	17,756	-	21,127
Traffic management	-	4,000	-	4,000
Other infrastructure	679	-	-	679
	<u>697,745</u>	<u>21,756</u>	<u>-</u>	<u>719,501</u>
Total asset revaluation reserves	931,889	21,756	-	953,645
2020				
Property				
Land - non specialised	226,355	-	-	226,355
Buildings	7,789	-	-	7,789
	<u>234,144</u>	<u>-</u>	<u>-</u>	<u>234,144</u>
Infrastructure				
Roads	528,065	(9,658)	-	518,407
Bridges	51,858	-	-	51,858
Drainage	123,430	-	-	123,430
Recreational, leisure and community facilities	913	2,458	-	3,371
Other infrastructure	679	-	-	679
	<u>704,945</u>	<u>(7,200)</u>	<u>-</u>	<u>697,745</u>
Total asset revaluation reserves	939,089	(7,200)	-	931,889

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

Melton City Council

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters (continued)

	Balance at beginning of reporting period \$ '000	Transfer from Accumulated Surplus \$ '000	Transfer to Accumulated Surplus \$ '000	Balance at end of reporting period \$ '000
(b) Other reserves				
2021				
Restricted reserves				
Street trees/drainage	942	7	–	949
Community infrastructure	136,604	91,578	(61,210)	166,972
Total restricted reserves	137,546	91,585	(61,210)	167,921
Discretionary reserves				
Asset replacement	2,756	21	(2,777)	–
Perpetual maintenance	131	1	–	132
Public art	104	1	(46)	59
Defined benefit call	372	3	–	375
Accommodation reserve	6,884	–	(6,884)	–
Infrastructure and strategic investment	85,880	28,020	(21,010)	92,890
Total discretionary reserves	96,127	28,046	(30,717)	93,456
Total Other reserves	233,673	119,631	(91,927)	261,377
2020				
Restricted reserves				
Street trees/drainage	924	18	–	942
Community infrastructure	77,713	90,460	(31,569)	136,604
Total restricted reserves	78,637	90,478	(31,569)	137,546
Discretionary reserves				
Asset replacement	3,691	65	(1,000)	2,756
Perpetual maintenance	129	2	–	131
Public art	169	3	(68)	104
Defined benefit call	365	7	–	372
Accommodation reserve	7,858	–	(974)	6,884
Infrastructure and strategic investment	65,671	25,111	(4,902)	85,880
Total discretionary reserves	77,883	25,188	(6,944)	96,127
Total Other reserves	156,520	115,666	(38,513)	233,673

Street trees/drainage

Developer contributions for provision of drainage assets and street beautification.

Community infrastructure

Developer contributions collected to deliver community infrastructure within PSP and non-PSP areas in accordance with the Planning and Environment Act and section 173 agreements.

Asset replacement

Provision of ongoing replacement of plant and equipment for Council operations.

Perpetual maintenance

Provision for perpetual maintenance of Melton Cemetery.

Public art

Provision for installation and maintenance of public art throughout the municipality.

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2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters (continued)

Defined benefit call

Provision for potential future funding call under the Defined Benefits Superannuation scheme.

Accommodation reserve

Provision for update of staff accommodation.

Infrastructure and strategic investment

Income generated from Atherstone estate set aside for strategic investment and major capital works.

	2021	2020
	\$ '000	\$ '000

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

Surplus/(deficit) for the year	290,620	268,910
Depreciation/amortisation	45,092	39,443
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(11,592)	11,114
Fair value adjustments for investment property	200	228
Contributions - Non-monetary assets	(239,280)	(211,066)
Amounts disclosed in financing activities	519	642
Adjustment for unearned grants	19,877	-
Adjustment for prior year income under AASB1058	-	(4,215)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	21,061	(16,262)
(Increase)/decrease in inventories	15	52
(Increase)/decrease in prepayments	920	(45)
Increase/(decrease) in accrued income	(3,419)	16,222
Increase/(decrease) in trade and other payables	(756)	10,025
Increase/(decrease) in provisions	1,073	1,250
(Decrease)/increase in other liabilities	9,102	10,423
Increase/(decrease) in unearned income	17,185	-
Net cash provided by/(used in) operating activities	150,617	126,721

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

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

Defined Benefit

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

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot

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Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters (continued)

be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119 Employee Benefits.

Funding Arrangements

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

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

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

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

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

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

Employer contributions

Regular contributions

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

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

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including 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 2020 triennial actuarial investigation surplus amounts

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

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 9. Other matters (continued)

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

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

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

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

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

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

The 2021 interim actuarial investigation

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

Superannuation contributions

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

Scheme	Type of scheme	Rate	2021 \$ '000	2020 \$ '000
Vision Super	Defined benefits	0.0%	93	163
Vision Super	Accumulation fund	0.0%	2,386	2,262

In addition to the above contributions, Council has paid no unfunded liability payments to Vision Super during the 2020/21 year (2019/20 nil).

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

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$209,643.

Melton City Council

2020/2021 Financial Report

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10. Changes in accounting policies

10.1 Changes in accounting policies due to adoption of new accounting standards – not retrospective

i) Impact of adoption of new accounting standards

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

Council has adopted AASB 1059 *Service Concession Arrangements: Grantors*, from 1 July 2020.

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

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 *Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 *Property, Plant and Equipment* or AASB 138 *Intangible Assets*, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

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

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

Council has adopted AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*, from 1 July 2020.

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

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

Council has adopted AASB 2019-1 *Amendments to Australian Accounting Standards - References to the Conceptual Framework* from 1 July 2020.

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