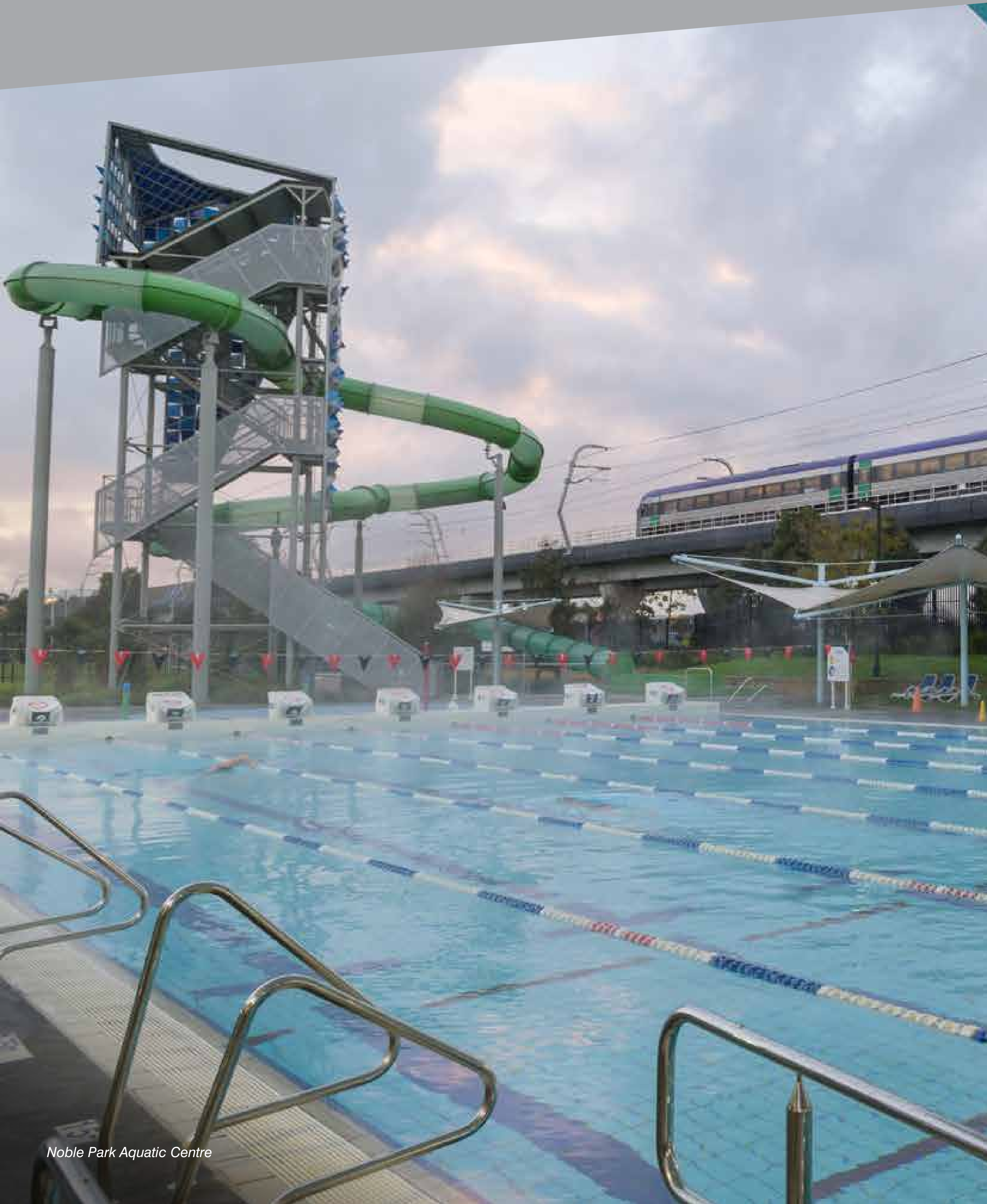
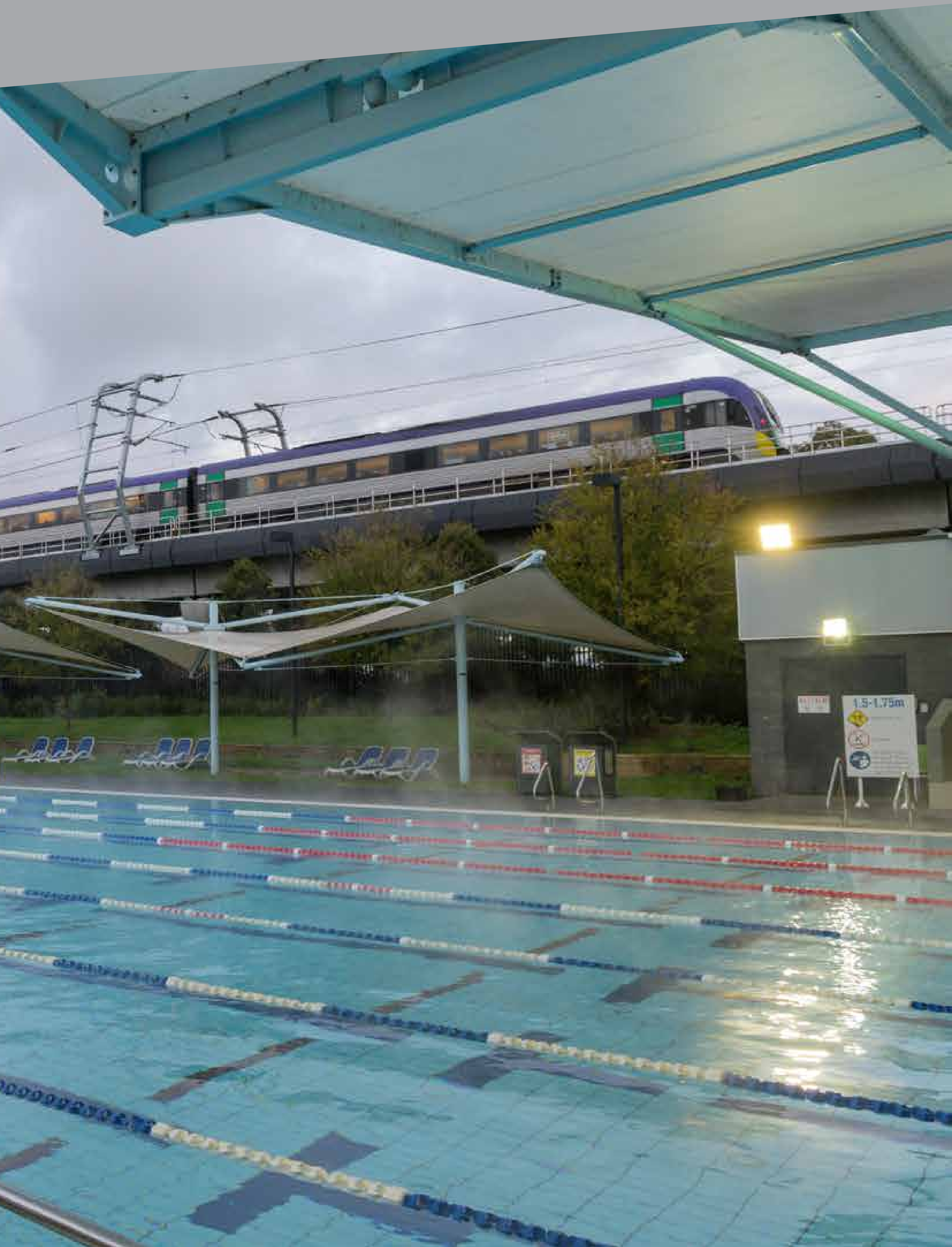
ANNUAL FINANCIAL REPORT



Noble Park Aquatic Centre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Certification of the Financial Statements

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

Michelle Hansen CPA
Principal Accounting Officer

Date : 14 September 2020

In our opinion the accompanying Financial Statements present fairly the financial transactions of the City of Greater Dandenong for the year ended 30 June 2020 and the financial position of the Council as at that date.

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

We have been authorised by the Council and by the Local Government (Planning and Reporting) Regulation 2014 on 14 September 2020 to certify the Financial Statements in their final form.

Jim Memeti
Mayor

Date : 14 September 2020

Matthew Kirwan
Councillor

Date : 14 September 2020

John Bennie PSM
Chief Executive Officer

Date : 14 September 2020

Independent Auditor's Report

To the Councillors of City of Greater Dandenong

Opinion

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

- consolidated entity balance sheet as at 30 June 2020
- consolidated entity comprehensive income statement for the year then ended
- consolidated entity statement of changes in equity for the year then ended
- consolidated entity statement of cash flows for the year then ended
- consolidated entity statement of capital works for the year then ended
- notes to the financial statements, including significant accounting policies
- certification of financial statements.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the consolidated entity as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the *Local Government Act 1989* and applicable Australian Accounting Standards.

Basis for Opinion

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

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

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

Councillors' responsibilities for the financial report

The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1989*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

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Auditor's responsibilities for the audit of the financial report	As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the consolidated entity's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors • conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the consolidated entity to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation • obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the consolidated entity to express an opinion on the financial report. I remain responsible for the direction, supervision and performance of the audit of the consolidated entity. I remain solely responsible for my audit opinion. I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
23 September 2020

Sanchu Chummar
as delegate for the Auditor-General of Victoria

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COMPREHENSIVE INCOME STATEMENT

For the year ended 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Income			
Rates and charges	3.1	145,002	140,943
Statutory fees and fines	3.2	8,146	9,471
User fees	3.3	6,949	8,199
Grants – operating	3.4	31,230	34,309
Grants – capital	3.4	1,435	4,068
Contributions — monetary	3.5	6,521	5,269
Contributions – non–monetary	3.5	8,043	7,735
Net gain on disposal of property, infrastructure, plant and equipment	3.6	583	457
Other income	3.7	12,064	15,683
Total income		219,973	226,134
Expenses			
Employee costs	4.1	(79,645)	(75,756)
Materials and services	4.2	(77,895)	(70,130)
Depreciation	4.3	(31,259)	(29,064)
Amortisation – intangible assets	4.4	(77)	–
Amortisation – right of use assets	4.5	(562)	–
Bad and doubtful debts	4.6	(1,300)	26
Borrowing costs	4.7	(3,041)	(3,131)
Finance costs – leases	4.8	(34)	–
Fair value adjustments for investment property	6.4	(383)	(907)
Other expenses	4.9	(9,299)	(15,893)
Total expenses		(203,495)	(194,855)
Surplus for the year		**16,478**	**31,279**
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment (decrement)	9.1(a)	29,152	(48,728)
Impairment (loss) reversal of previous revaluation	9.1(a)	(743)	–
Total comprehensive result		**44,887**	**(17,449)**

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

BALANCE SHEET

As at 30 June 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 $'000
Assets			
Current assets			
Cash and cash equivalents	5.1(a)	155,767	163,607
Trade and other receivables	5.1(c)	25,039	22,929
Other financial assets	5.1(b)	2,000	–
Non–current assets classified as held for sale	6.1	1,000	–
Other assets	5.2	4,561	4,473
Total current assets		188,367	191,009
Non–current assets			
Trade and other receivables	5.1(c)	305	325
Other financial assets	5.1(b)	–	230
Property, infrastructure, plant and equipment	6.2	2,190,995	2,136,629
Investment property	6.4	11,814	12,827
Right–of–use assets	5.8	998	–
Intangible assets	5.2(b)	124	–
Total non–current assets		2,204,236	2,150,011
Total assets		2,392,603	2,341,020
Liabilities			
Current liabilities			
Trade and other payables	5.3(a)	19,127	25,629
Trust funds and deposits	5.3(b)	8,712	35,311
Unearned income	5.3(c)	40,340	1,111
Provisions	5.5(c)	19,721	17,351
Interest–bearing liabilities	5.4	3,255	8,634
Lease liabilities	5.8	571	–
Total current liabilities		91,726	88,036
Non–current liabilities			
Trust funds and deposits	5.3(b)	311	900
Provisions	5.5(c)	1,182	1,599
Interest–bearing liabilities	5.4	56,636	49,891
Lease liabilities	5.8	442	–
Total non–current liabilities		58,571	52,390
Total liabilities		150,297	140,426
Net assets		**2,242,306**	**2,200,594**
Equity			
Accumulated surplus		905,147	876,273
Reserves	9.1(c)	1,337,159	1,324,321
Total equity		**2,242,306**	**2,200,594**

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Note	Total $'000	Accumulated Surplus $'000	Revaluation Reserve $'000	Other Reserves $'000
			Consolidated		
2020					
Balance at beginning of the financial year		2,200,594	876,273	1,241,807	82,514
Opening balance adjustment	10	(3,175)	(3,175)	–	–
Adjusted balance at beginning of the financial year		**2,197,419**	**873,098**	**1,241,807**	**82,514**
Surplus for the year		16,478	16,478	–	–
Net asset revaluation increment	9.1(a)	29,152	–	29,152	–
Revaluation reversal – disposed assets	9.1(a)	–	393	(393)	–
Impairment (loss) reversal of previous revaluation	9.1(a)	(743)	–	(743)	–
Transfers to other reserves	9.1(b)	–	(12,758)	–	12,758
Transfers from other reserves	9.1(b)	–	27,936	–	(27,936)
Balance at end of the financial year		**2,242,306**	**905,147**	**1,269,823**	**67,336**
2019					
Balance at beginning of the financial year		2,218,043	857,413	1,290,865	69,765
Surplus for the year		31,279	31,279	–	–
Net asset revaluation decrement	9.1(a)	(48,728)	–	(48,728)	–
Revaluation reversal – disposed assets	9.1(a)	–	330	(330)	–
Transfers to other reserves	9.1(b)	–	(21,942)	–	21,942
Transfers from other reserves	9.1(b)	–	9,193	–	(9,193)
Balance at end of the financial year		**2,200,594**	**876,273**	**1,241,807**	**82,514**

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	Note	Consolidated 2020 Inflows/ (Outflows) $'000	Consolidated 2019 Inflows/ (Outflows) $'000
Cash flows from operating activities			
Rates and charges		144,232	140,317
Statutory fees and fines		6,047	6,739
User fees		6,687	8,409
Grants – operating		34,749	34,394
Grants – capital		4,116	3,941
Contributions – monetary		7,451	5,025
Interest received		2,287	3,714
Trust funds and deposits taken		27,660	31,955
Other receipts		10,716	13,468
Net GST refund		12,193	10,376
Employee costs		(79,135)	(74,515)
Materials and services		(89,002)	(82,796)
Short–term, low value and variable lease payment		(561)	–
Trust funds and deposits repaid		(27,121)	(36,439)
Other payments		(5,066)	(8,446)
Net cash provided by operating activities	9.2	55,253	56,142
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(59,726)	(51,528)
Proceeds from sale of property, infrastructure, plant and equipment		929	857
Payments for investments		(2,000)	–
Net cash used in investing activities		(60,797)	(50,671)
Cash flows from financing activities			
Finance costs		(3,080)	(3,154)
Proceeds from borrowings		10,000	10,000
Repayment of borrowings		(8,634)	(3,301)
Interest paid – lease liability		(35)	–
Repayment of lease liabilities		(547)	–
Net cash (used in) provided by financing activities		(2,296)	3,545
Net (decrease) increase in cash and cash equivalents		(7,840)	9,016
Cash and cash equivalents at the beginning of the financial year		163,607	154,591
Cash and cash equivalents at the end of the financial year	5.1(a)	**155,767**	**163,607**
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

STATEMENT OF CAPITAL WORKS

For the year ended 30 June 2020

	Consolidated 2020 $'000	Consolidated 2019 $'000
Property		
Land	3,523	1,118
Total land	3,523	1,118
Buildings	28,886	22,453
Leasehold improvements	22	41
Total buildings	28,908	22,494
Total property	32,431	23,612
Plant and equipment		
Plant, machinery and equipment	2,369	2,942
Fixtures, fittings and furniture	174	179
Computers and telecommunications	856	178
Library books	792	842
Total plant and equipment	4,191	4,141
Infrastructure		
Roads	8,330	6,873
Bridges	113	60
Footpaths and cycleways	1,637	1,999
Drainage	2,470	3,095
Recreational, leisure and community facilities	2,917	1,860
Parks, open space and streetscapes	5,646	7,220
Off street car parks	228	2,377
Total infrastructure	21,341	23,484
Sub–total capital works expenditure ***(Property, infrastructure, plant and equipment)***	**57,963**	**51,237**
Investment property	–	2,337
Intangibles – software	71	–
Total capital works expenditure ***(All – Property, infrastructure, plant and equipment, Investment property and Intangibles)***	**58,034**	**53,574**
Represented by:		
New asset expenditure	22,693	22,771
Asset renewal expenditure	29,187	21,025
Asset upgrade expenditure	6,148	9,778
Asset expansion expenditure	6	–
Total capital works expenditure	**58,034**	**53,574**

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

NOTES TO THE FINANCIAL REPORT

Overview

The City of Greater Dandenong was established in December 1994 with the amalgamation of the former City of Springvale and former City of Dandenong, and is a body corporate. The Council's main office is located at 225 Lonsdale Street, Dandenong, 3175.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

These consolidated financial statements for the year ended 30 June 2020 comprise the results of operations for both Council and its wholly owned subsidiary, namely the Dandenong Market Pty Ltd.

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

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

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

– the fair value of land, buildings and infrastructure (refer to note 6.2 and 8.4).

– the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 6.2).

– the determination of employee provisions (refer to note 5.5 (a)).

– the determination of landfill provisions (refer to note 5.5 (b)).

– the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not–for–Profit Entities* (refer to note 3).

– the determination, in accordance with AASB 16 *Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short–term or low value (refer to note 5.8).

– other area requiring judgements.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income of Not–for–Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives (refer to note 10).

COVID-19 pandemic and the impact on Council's operations and the 2019–20 financial report

The World Health Organisation (WHO) on March 11 declared COVID-19 a pandemic.

The financial implications of the pandemic have been considered in the preparation of these financial statements for the reporting period 30 June 2020. Note 11 discloses detail of the impact of the COVID-19 pandemic on Council's operations.

The effects on the financial statements and estimates, as a result of the pandemic, have been reflected and can also be observed in the following components of these financial statements:

– Performance against budget (refer to note 1)

– Rates and charges (refer to note 3.1)

– Statutory fines and fees (refer to note 3.2)

– User fees (refer to note 3.3)

– Other income (refer to note 3.7)

– Property, infrastructure, plant and equipment, in relation to independent valuation undertaken of Council owned land and buildings (refer to note 6).

– Investments in associates, joint arrangements and subsidiaries (Dandenong Market Pty Ltd consolidated accounts (refer to note 6.3)

Note 1 Performance against budget

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of greater than 10 per cent and greater than $1 million or where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 11 June 2019. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long–term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Consolidated Actual 2020 $'000	Council Actual 2020 $'000 *(note 6.3)*	Council Budget 2020 $'000	Council Variance 2020 $'000 *Fav (Unfav)*	Ref
Income					
Rates and charges	145,002	145,103	145,942	(839)	
Statutory fees and fines	8,146	8,146	9,333	(1,187)	1.1.1
User fees	6,949	6,949	8,435	(1,486)	1.1.2
Grants – operating	31,230	31,230	29,453	1,777	1.1.3
Grants – capital	1,435	1,435	2,794	(1,359)	1.1.4
Contributions – monetary	6,521	6,521	2,829	3,692	1.1.5
Contributions – non–monetary	8,043	8,043	15,000	(6,957)	1.1.6
Net gain on disposal of property, infrastructure, plant and equipment	583	583	317	266	
Other income	12,064	7,630	10,623	(2,993)	1.1.7
Total income	**219,973**	**215,640**	**224,726**	**(9,086)**	
Expenses					
Employee costs	(79,645)	(78,717)	(80,417)	1,700	1.1.8
Materials and services	(77,895)	(74,722)	(67,850)	(6,872)	1.1.9
Depreciation	(31,259)	(31,241)	(29,816)	(1,425)	1.1.10
Amortisation – intangible assets	(77)	(77)	–	(77)	
Amortisation – right of use assets	(562)	(562)	–	(562)	1.1.11
Bad and doubtful debts	(1,300)	(1,290)	(1,299)	9	
Borrowing costs	(3,041)	(3,041)	(3,414)	373	
Finance costs – leases	(34)	(34)	–	(34)	
Fair value adjustments for investment property	(383)	(383)	–	(383)	
Other expenses	(9,299)	(9,312)	(5,010)	(4,302)	1.1.12
Total expenses	**(203,495)**	**(199,379)**	**(187,806)**	**(11,573)**	
Surplus for the year	**16,478**	**16,261**	**36,920**	**(20,659)**	

1.1 Income and expenditure *(continued)*

Explanation of material variations

Ref	Item	Explanation
1.1.1	Statutory fees and fines	Statutory fees and fines are $1.19 million less than the Original Budget due mainly to: – lower development activity combined with COVID-19 impacts resulting in a reduction in statutory fee income from planning applications, subdivisions, local law permits and plan checking ($865,000). – reduced statutory fines income across parking, planning compliance, food/health, local laws and littering ($544,000) partly offset by higher recovery of Fines Victoria costs associated with parking infringements ($303,000).
1.1.2	User fees	User fee income was $1.49 million lower than the Original Budget due to: – lower car park ticket machine and parking meter income and car park permit fee income ($727,000) due to reduced business activity, COVID-19 and unearned car park permit income transferred to the Balance Sheet in compliance with the new Accounting Standard (AASB 15 – *Revenue from Contracts with Customers*). – a reduction in Family Day Care (FDC) fee income due mainly to COVID-19 ($213,000). – lower than anticipated income from Asset Protection permits, Health / Food registrations and Drum Theatre box office and reception ($299,000) mostly due to COVID-19 impacts.
1.1.3	Grants – operating	Operating grant income was $1.78 million higher than the Original Budget due to: – higher Community Services program grant funding than expected in the Original Budget for Family Day Care, New Directions – Mothers and Babies, Child First, Right@Home, Enhanced Maternal and Child Health, Refugee Immunisation, Drug Strategy, Library Services Let's Read, Childrens Support Services and Market Street Occasional Care Centre, partly offset by lower Playgroups Initiative funding ($2.41 million). This was due to a number of factors – grant funding relating to 2020–21 programs being received early, growth funding received or grant funding not known at the time of adopting the 2019–20 Original Budget. – grant funding received for the Community Revitalisation project, the Communities Environment grant and in Waste Services to offset the higher waste recycling costs experienced across the sector ($561,000). These grant funds were not known at the time of adopting the Original Budget. – the early distribution of 50% of the 2019–20 and 2020–21 Financial Assistance Grant funding allocation in June in the preceding financial years. The 2019–20 actuals reflect 50% of the 2019–20 allocation and 50% of the 2020–21 allocation. Whilst 100% has effectively been received in 2019–20, both of the allocations were higher than expected in the Original Budget representing a favourable variance of $210,000. The above favourable variances are partly offset by lower than anticipated Community Care grant income due to requirement under new Accounting Standards to only recognise income based on the completion of performance obligations for both State and Federal grant funding. The Original Budget was based on the estimated target achievement levels for Federal funding, however, State funded income was budgeted based on recognition of all income received ($1.54 million).

1.1 Income and expenditure *(continued)*

Explanation of material variations

Ref	Item	Explanation
1.1.4	Grants – capital	Capital grant income was $1.36 million unfavourable to the Original Budget due to a capital grant that was received based on specific performance obligations that were not complete at 30 June 2020, which meant that this income was required to be transferred to unearned income in the Balance Sheet in accordance with the new Accounting Standard AASB 1058 'Income of Not–For–Profit Entities' (relating to Ross Reserve Plaza, Playground, Oval and Path project $1.83 million). This unfavourable variance was partly offset by grant funding that was either higher than anticipated or was not known at the time of adopting the Original Budget (relating to the Local Area Traffic Management and Robert Booth Reserve Baseball Lighting projects $390,000).
1.1.5	Contributions – monetary	The $3.69 million favourable variance in monetary contributions is due to: – the recognition of $2.58 million in Development Contributions Plan (DCP) developer infrastructure levies relating to the Keysborough South Residential DCP as all performance obligations are complete. These levies have been transferred to reserves to part fund construction of the Keysborough South Community Hub. – higher than budgeted open space contributions from developers ($866,000). These contributions are restricted in their use and are transferred to reserves at the end of the financial year which are set aside for open space projects. The timing of receipt and amount of open space contributions are difficult to predict.
1.1.6	Contributions – non–monetary	These contributions represent assets that are transferred to Council's ownership from developers upon completion of subdivisions. Refer to note 6.2 for further details about contributed assets. In 2019–20, they related mainly to land, land under roads, drains and footpaths. The number of subdivisions that are completed vary from year to year and the timing of these asset transfers is outside of Council's control and difficult to predict. This item is a non–cash accounting entry.
1.1.7	Other income	The unfavourable variance of $2.99 million in other income is attributable to: – lower recoveries from member councils in relation to a delay in Spring Valley landfill works ($2.27 million). – Council's waiver of the 2019–20 Dandenong Market (DMPL) rental return in a bid to support DMPL through COVID-19 restrictions ($1.52 million). – a loss in rental and venue hire income due to COVID-19 restrictions and waivers provided in areas such as the Drum Theatre, Civic and Community Facilities and Commercial Properties ($609,000). The above unfavourable variances are partly offset by the following favourable variances: – higher than anticipated Asset Protection reinstatement recoveries (partly offset by higher associated reinstatement costs), interest return on investments and recovery income relating to supplementary valuations and the follow up of outstanding rates debtors compared to the Original Budget ($787,000). – unbudgeted insurance claim recovery income relating to a fire damaged building (partly offset by insurance claim excess and demolition costs) ($345,000).
1.1.8	Employee costs	Employee costs were favourable to the 2019–20 Original Budget by $1.70 million due mainly to lower than anticipated salaries, overtime and associated oncosts as a result of vacant positions, a delay in recruitment and a number of grant funded programs that have been carried over to the 2020–21 financial year. This favourable variance was mostly offset by higher temporary agency staff costs ($3.54 million).

1.1 Income and expenditure *(continued)*

Explanation of material variations

Ref	Item	Explanation
1.1.9	Materials and services	The $6.87 million unfavourable variance is due to $9.31 million in capital expenditure that was not able to be capitalised to the asset register because it was not capital in nature, it did not meet the capitalisation threshold or it related to non–Council owned assets ($3.89 million relating to prior year capital expenditure and $5.42 million relating to current year capital expenditure). This variance was partly offset by lower costs relating to a delay in Spring Valley landfill works ($2.82 million).
1.1.10	Depreciation	Depreciation expense was higher than the Original Budget due mainly to finalisation of the 2018–19 year end fixed asset balances which involved a number of revaluations and occurred after the adoption of the Original Budget.
1.1.11	Amortisation – right of use assets	This is a new line item in the Comprehensive Income Statement relating to the amortisation of leased (right of use) assets in accordance with the new Accounting Standard AASB 16 'Leases'. This was not included in the Original Budget.
1.1.12	Other expenses	The unfavourable variance of $4.30 million to the 2019–20 Original Budget is mainly due to: – $4.05 million in asset write offs which are not budgeted for as they are difficult to predict and represent a non–cash accounting entry. The asset write offs mainly relate to the renewal and replacement of roads, buildings and footpaths. – $988,000 in capital program expenditure relating to non–Council owned assets mainly for traffic signals installed as part of the Springvale Community Hub development (represents contribution expenditure). These unfavourable variances are partly offset by lower lease expenses as a result of the transfer of leases to the Balance Sheet in accordance with the new Accounting Standard AASB 16 'Leases' ($583,000).

1.2 Capital works

	Consolidated Actual 2020 $'000	Council Actual 2020 $'000	Council Budget 2020 $'000	Council Variance 2020 $'000 *Fav (Unfav)*	Ref
Property					
Land	3,523	3,523	–	(3,523)	1.2.1
Total land	**3,523**	**3,523**	**–**	**(3,523)**	
Buildings	28,886	28,886	33,850	4,964	1.2.2
Leasehold improvements	22	22	100	78	
Total buildings	**28,908**	**28,908**	**33,950**	**5,042**	
Total property	**32,431**	**32,431**	**33,950**	**1,519**	
Plant and equipment					
Plant, machinery and equipment	2,369	2,369	2,274	(95)	
Fixtures, fittings and furniture	174	147	100	(47)	
Computers and telecommunications	856	856	1,847	991	1.2.3
Library books	792	792	974	182	
Total plant and equipment	**4,191**	**4,164**	**5,195**	**1,031**	
Infrastructure					
Roads	8,330	8,330	8,660	330	
Bridges	113	113	20	(93)	
Footpaths and cycleways	1,637	1,637	1,750	113	
Drainage	2,470	2,470	1,985	(485)	
Recreational, leisure and community facilities	2,917	2,917	4,883	1,966	1.2.4
Parks, open space and streetscapes	5,646	5,646	10,825	5,179	1.2.5
Off street car parks	228	228	2,021	1,793	1.2.6
Total infrastructure	**21,341**	**21,341**	**30,144**	**8,803**	
Sub–total capital works expenditure (*Property, infrastructure, plant and equipment*)	**57,963**	**57,936**	**69,289**	**11,353**	
Intangibles	71	71	–	(71)	
Total capital works expenditure (*Property, infrastructure, plant & equipment, Investment property & Intangibles*)	**58,034**	**58,007**	**69,289**	**11,282**	
Represented by:					
New asset expenditure	22,693	22,666	21,777	(889)	
Asset renewal expenditure	29,187	29,187	29,793	606	
Asset upgrade expenditure	6,148	6,148	17,098	10,950	1.2.7
Asset expansion expenditure	6	6	621	615	
Total capital works expenditure	**58,034**	**58,007**	**69,289**	**11,282**	

1.2 Capital works *(continued)*

Explanation of material variations

Ref	Item	Explanation
1.2.1	Land	Acquisitions of land were unfavourable by $3.52 million due to four land acquisitions that were not known at the time of adopting the Original Budget. Two open space land acquisitions were purchased to increase open space in the municipality (funded from the Open Space Acquisitions reserve), one Development Contribution Plan (DCP) land acquisition in Taylors Road was a required purchase as part of the DCP (funded by DCP contribution income) and 12–14 Stuart Street, Dandenong was acquired for strategic purposes (funded from the Major Projects reserve).
1.2.2	Buildings	Capital expenditure on buildings was lower than the 2019–20 Original Budget by $4.96 million due to a delay in the following projects: – Greater Dandenong Gallery of Art ($4.95 million) and – Keysborough South Community Hub development ($969,000). Partly offset by $1.11 million unfavourable variance to the Original Budget for Springvale Community Hub (this project had a carry over from the prior financial year of $4.20 million which is not included in the Original Budget).
1.2.3	Computers and telecommunications	The favourable variance of $991,000 to the 2019–20 Original Budget is due mainly to a delay in the Asset Management System project ($821,000). This is a multi–year project, the contract was awarded in June 2020 and this favourable variance will be carried over to 2020–21.
1.2.4	Recreational, leisure and community facilities	The favourable variance of $1.97 million to the 2019–20 Original Budget is due mainly to a delay in the Ross Reserve All Abilities Playground project ($2.00 million). The community consultation on this project took longer than anticipated. The project is currently out to tender with the view to appointing a suitably qualified contractor in August 2020 with on ground works planned in early September. This favourable variance will be carried over to 2020–21.
1.2.5	Parks, open space and streetscapes	Capital expenditure on parks, open space and streetscapes was $5.18 million lower than the 2019–20 Original Budget due mainly to delays in the following projects (to be carried over to the 2020–21 financial year): – Springvale Road Boulevard ($940,000) – Dandenong Park Master Plan Implementation ($831,000) – Activity Centres Strategic Plan Implementation – Dandenong and Noble Park ($826,000) – Frederick Wachter Reserve Master Plan Implementation ($721,000) – Wal Turner Reserve Master Plan Implementation ($494,000) – Sports Lighting Plan Implementation ($596,000) – Ross Reserve Community Centre Car Park ($500,000) – Ross Reserve Plaza, Oval and Path ($442,000).
1.2.6	Off street car parks	Off street car parks experienced a favourable variance of $1.79 million to the 2019–20 Original Budget due mainly to the Tatterson Park Car Park and Access Road ($1.65 million). This project was delayed due to the project scope being amended to facilitate access requirements for the Keysborough South Community Hub. Tender prices were resubmitted based on the amended scope of work. Currently, works are in progress and completion is scheduled for October 2020. This favourable variance will be carried over to 2020–21.

1.2 Capital works *(continued)*

Explanation of material variations

Ref	Item	Explanation
1.2.7	Asset upgrade expenditure	Asset upgrade expenditure was $10.95 million lower than anticipated in the Original Budget due to delays in the following projects which will be carried over to 2020–21: – Greater Dandenong Gallery of Art ($4.95 million) – Tatterson Park Master Plan Implementation ($2.11 million) – Springvale Road Boulevard ($979,000) – Dandenong Park Master Plan Implementation ($792,000) – Ross Reserve Community Centre Car Park ($500,000) – Asset Management System ($410,000) – Sports Lighting Plan Implementation ($400,000).

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.1a Chief Executive Office

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

Corporate Services

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

Business, Engineering and Major Projects

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

Greater Dandenong Business

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

Engineering Services

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

City Planning Design and Amenity

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

Community Services

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

Non–attributable

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

Note 2.1 Analysis of Council results by program

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

	Income $'000	Expenses $'000	Surplus/ (Deficit) $'000	Grants included in income $'000	Total assets $'000
2020					
CEO Services	1	(713)	(712)	–	12
Corporate Services	142,045	(29,455)	112,590	11,869	298,626
Business Engineering & Major Projects	34,197	(93,856)	(59,659)	2,401	1,352,306
City Planning, Design & Amenity	18,205	(17,119)	1,086	480	73,316
Community Services	21,192	(54,582)	(33,390)	17,915	666,668
Non–attributable**	–	(3,654)	(3,654)	–	359
Total for Council	**215,640**	**(199,379)**	**16,261**	**32,665**	**2,391,287**
Dandenong Market Pty Ltd***	4,333	(4,116)	217	–	1,316
Consolidated Total	**219,973**	**(203,495)**	**16,478**	**32,665**	**2,392,603**
2019					
CEO Services	–	(679)	(679)	–	12
Corporate Services	141,591	(27,565)	114,026	12,246	306,167
Greater Dandenong Business*	688	(3,932)	(3,244)	265	125
Engineering Services	35,544	(83,545)	(48,001)	4,434	1,339,849
City Planning, Design & Amenity	19,348	(16,861)	2,487	441	78,437
Community Services	24,741	(55,982)	(31,241)	20,991	614,662
Non–attributable**	–	(1,965)	(1,965)	–	617
Total for Council	**221,912**	**(190,529)**	**31,383**	**38,377**	**2,339,869**
Dandenong Market Pty Ltd***	4,222	(4,326)	(104)	–	1,151
Consolidated Total	**226,134**	**(194,855)**	**31,279**	**38,377**	**2,341,020**

*Greater Dandenong Business and Engineering Services merged from 1 December 2019.

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

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

Note 3 Funding for the delivery of our services

3.1 Rates and charges

Council uses the Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all improvements on it, and is determined by independent valuers and certified by the Valuer General Victoria. The valuation base used to calculate general rates for 2019–20 was $48.81 billion ($48.37 billion in 2018–19).

	Consolidated 2020 $'000	Consolidated 2019 $'000
Residential	56,630	54,657
Commercial	12,811	12,428
Industrial	52,547	49,219
Farm	421	434
Cultural and recreational	469	505
Waste management charge – residential	19,934	19,234
Supplementary rates and rates adjustment	1,292	2,291
Maintenance levy	1,549	1,497
COVID-19 Rate waivers (pensioners/jobseekers)*	(1,147)	–
Interest on rates and charges	496	678
Total rates and charges	145,002	140,943

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2019 and the valuation is first applied to the rating period commencing 1 July 2019.

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

*COVID-19 pandemic rate relief was provided to those residents receiving the new jobseeker allowance and pensioners. Impact of COVID-19 on rates and charges is presented in Note 11.

3.2 Statutory fees and fines

	Consolidated 2020 $'000	Consolidated 2019 $'000
Infringements and costs	3,986	4,730
Court recoveries	1,851	1,916
Building and town planning fees	1,877	2,162
Subdivision	115	144
Land information certificates	97	89
Election fines	18	13
Permits	202	417
Total statutory fees and fines	8,146	9,471

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

Impact of COVID-19 on statutory fees and fines are presented in Note 11.

	Consolidated 2020 $'000	Consolidated 2019 $'000
3.3 User fees		
Aged and health services	1,107	1,073
Child care/children's programs	902	999
Parking	2,506	3,360
Registration and other permits	1,497	1,789
Asset protection fees	359	364
Other fees and charges	578	614
Total user fees	6,949	8,199
User fees by timing of revenue recognition		
User fees recognised over time	216	381
User fees recognised at point in time	6,733	7,818
Total user fees	6,949	8,199

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

Impact of COVID-19 on user fees are presented in Note 11.

3.4 Funding from other levels of government

Grants were received in respect of the following:

	Consolidated 2020 $'000	Consolidated 2019 $'000
Summary of grants		
Commonwealth funded grants	23,228	25,102
State funded grants	9,437	13,275
Total grants received	32,665	38,377
a) Operating grants		
Recurrent – Commonwealth Government		
Financial Assistance Grants (via Victoria Grants Commission)*	11,828	12,206
Family day care	4,651	4,193
Family & Children	335	330
General home care	5,476	7,287
Libraries	170	152
Maternal and child health	23	62
Recurrent – State Government		
Aged care	1,297	2,633
Maternal and child health	2,566	2,573
Family and children services	1,572	1,698
Libraries	1,089	1,032
Community development	18	107
School crossing supervisors	451	417
Other	41	22
Right @ Home	123	225
Community wellbeing	214	213
Community education	–	57
Emergency management	40	40
Total recurrent operating grants	29,894	33,247

	Consolidated 2020 $'000	Consolidated 2019 $'000
(a) Operating grants *(continued)*		
Non–recurrent – Commonwealth Government		
Community development	–	15
Community wellbeing	90	120
Non–recurrent – State Government		
Environmental planning	391	234
Family and children	130	61
Maternal and child health	78	71
Community development	266	430
Sports and recreation	14	–
Home and community care	18	–
Waste management	349	131
Total non–recurrent operating grants	1,336	1,062
Total operating grants	31,230	34,309

*Payments for Financial Assistance Grants received via the Victorian Grants Commission can vary year on year. Whilst 2018–19 and 2019–20 financial years reflect 100% of funding received – 50% of the fundings for both year relates to early distribution of the funding in June for the following year.

	Consolidated 2020 $'000	Consolidated 2019 $'000
b) Capital grants		
Recurrent – Commonwealth Government		
Roads to recovery	655	–
Recurrent – State Government		
Sports and recreation	–	47
Total recurrent capital grants	655	47
Non–recurrent – Commonwealth Government		
Sports and recreation – Tatterson Park	–	311
Community safety	–	9
Roads	–	417
Non–recurrent – State Government		
Roads	590	397
Libraries – Springvale Community Hub	–	257
Sports and recreation	190	2,630
Total non–recurrent capital grants	780	4,021
Total capital grants	1,435	4,068

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

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Operating		
Balance at start of the year	10,111	9,413
Received in prior years and spent during the financial year	(9,475)	(8,645)
Received during the financial year and remained unspent at balance date	9,608	9,343
Balance at end of the year*	10,244	10,111
Capital		
Balance at start of the year	1,663	1,276
Opening balance adjustment on transition to new Accounting Standards	(1,454)	–
Received in prior years and spent during the financial year	(144)	(1,276)
Received during the financial year and remained unspent at balance date	–	1,663
Balance at end of the year	65	1,663

*The large balance of unspent operating grants in the 2020 and 2019 years relates to the early distribution by the Victoria Grants Commission of approximately 50% of the Financial Assistance Grants funding for the following financial year (2020: $6.12 million and 2019: $6.25 million).

3.5 Contributions	Consolidated 2020 $'000	Consolidated 2019 $'000
Monetary		
Community contributions (for capital works)	318	140
Other contributions	314	313
Total non–developer contributions	**632**	**453**
Open space contributions (*for future capital works*) (*note 3.5(a)*)	2,866	2,793
Development infrastructure levies (*for capital works completed*) (*note 3.5(b)*)	3,023	483
Community infrastructure levies (*note 3.5(c)*)	–	1,540
Total developer contributions	**5,889**	**4,816**
Total monetary contributions	**6,521**	**5,269**
Non–monetary	8,043	7,735
Total contributions	**14,564**	**13,004**
Contributions of non–monetary assets were received in relation to the following asset classes:		
Land	5,047	4,506
Buildings	37	–
Infrastructure	2,959	3,229
Total non–monetary contributions	**8,043**	**7,735**

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

Additional notes:

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

(b) The increase is mainly due to $2.57 million of developer infrastructure levies recognised in relation to Keysborough South Residential DCP. These funds have been transferred to reserves to part fund future construction of the Keysborough South Community Hub.

(c) During the 2018–19 financial year there was a change in the interpretation assessment for Community Infrastructure Levies which were previously recognised in the balance sheet. This amount was subsequently transferred back to the Balance Sheet as unearned Development Contributions Plan (DCP) income on 1 July 2019 as part of the transition to the new Accounting Standard AASB 1058 'Income of Not–For–Profit Entities'. This is because the performance obligations relating to this income have not been completed at 1 July 2019 or 30 June 2020.

	Consolidated 2020 $'000	Consolidated 2019 $'000
3.6 Net gain (loss) on disposal of property, infrastructure, plant and equipment		
Net gain on sale of property, infrastructure, plant and equipment		
Proceeds of sale	929	857
Less carrying amount of assets sold	(346)	(400)
Total net gain (loss) on disposal of property, infrastructure, plant and equipment	583	457

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

3.7 Other income

Other income		
Interest on investments	2,214	3,661
Interest – other	1	3
Dandenong Market revenue from operations	4,434	5,755
Property rental*	1,378	1,583
Other rent	1,202	1,363
Recoveries	2,222	2,044
Other	613	1,274
Total other income	12,064	15,683

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.

*Comparative figure for 2018–19 have been amended to reflect the correct classification of rent received from property and other sources.

Impact of COVID-19 on other income are presented in Note 11.

Note 4 The cost of delivering services

4.1 a) Employee costs

Wages and salaries	61,906	59,230
WorkCover	1,739	1,547
Casual staff	1,028	788
Superannuation	5,877	5,650
Long service leave oncost	2,016	2,184
Fringe benefits tax	662	359
Other	6,417	5,998
Total employee costs	79,645	75,756

	Consolidated 2020 $'000	Consolidated 2019 $'000
b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contribution to Local Authorities Superannuation Fund (Vision Super)	365	397
	365	397
Employer contributions payable at reporting date	–	–
Accumulation funds		
Employer contribution to Local Authorities Superannuation Fund (Vision Super)	3,316	3,412
Employer contribution – other funds	2,174	1,852
	5,490	5,264
Employer contributions payable at reporting date (Dandenong Market Pty Ltd)	1	1

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

4.2 Materials and services

	Consolidated 2020 $'000	Consolidated 2019 $'000
Waste management service*	16,792	14,839
Cleaning services*	3,324	3,334
Park maintenance service*	6,008	6,227
Educator services	4,223	4,226
Leisure centre contract and maintenance	2,585	1,707
Building maintenance service	2,465	3,503
Security services*	1,765	1,267
Meals for delivery	485	496
Library resources	552	498
Property valuation services	207	194
Cash collection services	194	172
Other contract payments*	9,506	9,217
General maintenance	4,630	2,895
Works in progress (unable to be capitalised)	3,891	1,683
Utilities	4,135	4,450
Office administration	5,391	5,775
Information technology	2,972	2,433
Insurance	1,320	1,144
Consultants and professional services	7,450	6,070
Total materials and services	77,895	70,130

**In order to comply with the Local Government Model Financial Report (LGMFR) prior year comparatives have been amended to further breakdown contract payments by major services.*

	Consolidated 2020 $'000	Consolidated 2019 $'000
4.3 Depreciation		
Property	6,499	5,957
Plant and equipment	3,726	3,858
Infrastructure	21,034	19,249
Total depreciation	31,259	29,064

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

4.4 Amortisation – intangible assets

Software	77	–
Total Amortisation – intangible assets	77	–

4.5 Amortisation – right of use assets

Property	380	–
Vehicles	68	–
IT and office equipment	114	–
Total Amortisation – right of use assets	562	–

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

4.6 Bad and doubtful debts

Parking fine debtors	698	(14)
Other debtors	602	(12)
Total bad and doubtful debts	1,300	(26)

Movement in provisions for doubtful debts

Balance at the beginning of the year	1,683	2,643
Reversal of previously recognised provisions AASB 9 adjustment*	–	(1,114)
New provisions recognised during the year	1,300	1,042
Amounts already provided for and written off as uncollectible	(1,223)	(888)
Amounts provided for but recovered during the year	–	–
Balance at end of year	1,760	1,683

*The reversal of previously recognised provisions AASB 9 adjustment relates to changes to the Australian Accounting Standard AASB 9 Financial Instruments, provision for doubtful debts is recognised on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment. First recognised in 2018–19.

4.7 Borrowing costs

Interest – borrowings	3,041	3,131
Total borrowing costs	3,041	3,131

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. Borrowing costs include interest on bank overdrafts and interest on borrowings.

	Consolidated 2020 $'000	Consolidated 2019 $'000
4.8 Finance costs – Leases		
Interest – Lease liabilities	34	–
Total finance costs – Leases	34	–
4.9 Other expenses		
Auditors' remuneration – VAGO – audit of the financial statements, performance statement and grant acquittals	88	88
Auditors' remuneration – internal	161	147
Audit – other	4	1
Councillors' allowances	446	443
Council election	47	35
Operating lease / rentals	514	1,047
Assets written–off	4,053	3,167
Landfill provision	93	16
Commonwealth Home Care Support Program – return of unexpended grant funds	–	4,853
Developer reimbursement	–	1,269
Other expenses	641	783
Community grants and contributions	2,359	2,404
Contributions – non Council assets	893	1,640
Total other expenses	9,299	15,893

Note 5 Our financial position

	Consolidated 2020 $'000	Consolidated 2019 $'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	6,834	3,492
Cash at bank	10,873	8,818
Term deposits	138,060	151,297
Total cash and cash equivalents	155,767	163,607
(b) Other financial assets		
Current		
Term deposits	2,000	–
Total current other financial assets	2,000	–
Non–current		
Financial assets held for sale		
Unlisted shares – Regional Kitchen Pty Ltd – at fair value	–	230
Total non–current other financial assets	–	230
Total other financial assets	2,000	230
Council's cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
– Trust funds and deposits (note 5.3(b))	9,023	36,211
Total restricted funds	9,023	36,211
Total unrestricted cash and cash equivalents	146,744	127,396
Intended allocations*		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
Employee provisions (note 5.5 (a))	19,898	18,039
Development Contribution Plans (DCP) unearned income (note 5.3 (c))	28,382	27,718
Statutory and other reserves (note 9.1(b))	67,336	82,514
Cash held to fund carried forward operational projects	10,660	10,286
Cash held to fund carried forward capital works (net)	19,638	16,190
Total funds subject to intended allocations	145,914	154,747

*Users of the financial report should refer to note 9.1(b) for details of funds held in reserve and note 5.7 for details of existing Council commitments.

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

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
(c) Trade and other receivables		
Current		
Statutory receivables		
Rates debtors	9,747	7,753
Infringement debtors	10,023	8,798
Provision for doubtful debts – infringements	(1,003)	(968)
Other statutory debtors	1,687	2,673
Provision for doubtful debts – other statutory debtors	(103)	(99)
Net GST receivable	2,124	2,296
Non statutory receivables		
Other debtors	3,219	3,092
Provision for doubtful debts – other debtors	(655)	(616)
Total current trade and other receivables	25,039	22,929
Non–current		
Non statutory receivables		
Narre Warren landfill – financial contribution	232	252
Other debtors – refundable deposit	73	73
Total non–current trade and other receivables	305	325
Total trade and other receivables	25,344	23,254

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised on an expected credit loss model per AASB 9 Financial Instruments. This model considers both historic and forward looking information in determining the level of impairment. Long term receivables are carried at amortised cost using the effective interest rate method.

i) Ageing of receivables

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Current (not yet due)	740	669
Past due by up to 30 days	511	524
Past due between 31 and 180 days	442	534
Past due between 181 and 365 days	167	157
Past due by more than 1 year	1,009	917
Total trade and other receivables (excluding statutory receivables)	2,869	2,801

ii) Ageing of individually impaired receivables

At balance date, trade and other receivables (excluding statutory receivables) representing financial assets with a nominal value of $549,000 (2019 $549,000) were impaired. The amount of the provision raised against these debtors was $549,000 (2019 $549,000). They have been individually impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

	Consolidated 2020 $'000	Consolidated 2019 $'000
Ageing of all impaired trade and other receivables (excluding statutory receivables)		
Current (not yet due)	22	16
Past due by up to 30 days	25	20
Past due between 31 and 180 days	48	21
Past due between 181 and 365 days	5	4
Past due by more than 1 year	555	555
Total trade and other receivables (excluding statutory receivables)	655	616
5.2 Non–Financial assets		
a) Other assets		
Prepayments	3,391	3,060
Accrued income	982	1,257
Other	188	156
Total other assets	4,561	4,473
(b) Intangible assets		
Software	124	–
Total intangible assets	124	–

	Consolidated Software $'000	Consolidated Total $'000
Gross carrying amount		
Balance at 1 July 2019	–	–
Transfers from plant and equipment	2,708	2,708
Additions from internal developments	–	–
Other additions	71	71
Balance at 30 June 2020	2,779	2,779
Accumulated amortisation and impairment		
Balance at 1 July 2019	–	–
Transfers from plant and equipment	(2,578)	(2,578)
Amortisation expense	(77)	(77)
Balance at 30 June 2020	(2,655)	(2,655)
Net book value at 30 June 2019	–	–
Net book value at 30 June 2020	124	124

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
5.3 Payables		
(a) Trade and other payables		
Trade payables	13,581	15,973
Accrued expenses	5,546	9,656
Total trade and other payables	19,127	25,629
(b) Trust funds and deposits		
Current		
Fire services property levy	1,474	738
Road deposits	2,429	2,609
Landscape deposits	803	836
Open space contributions	781	1,873
Development contribution plans (DCP)	–	26,635
Other refundable deposits	3,225	2,620
Total current trust funds and deposits	8,712	35,311
Non–current		
Other refundable deposits	311	900
Total non–current trust funds and deposits	311	900
Total trust funds and deposits	9,023	36,211

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

Purpose and nature of items

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

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

Development contribution plans (DCP) – amounts received from developers relating to the DCP were previously recorded as trust funds (2019), but on transition to the new Accounting Standard AASB 1058 'Income of Not–For–Profit Entities' on 1 July 2019 they were transferred to unearned income (transfers to construct a recognisable non–financial asset to be controlled by Council – see Note 5.3(c) below).

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.

(c) Unearned income		
Unearned income – operating grants*	5,073	–
Unearned income – capital grants*	4,576	–
Unearned income – DCPs*	28,382	–
Other	2,309	1,111
Total unearned income	40,340	1,111

**Movement reconciliations for 2020 provided on following page.*

(c) Unearned income *(continued)*

Revenue from contracts (AASB 15)

	Consolidated			
	2020 Opening balance adjustment on transition $'000	**2020 Income received during current year $'000**	**2020 Income recognised due to satisfied obligations $'000**	**2020 Closing balance of unsatisfied obligations $'000**
Operating grants				
Home and Community Care*	1,813	9,313	(6,371)	4,755
COVID-19 Community Support	–	143	(18)	125
Disability Access and Support	–	39	–	39
Families and Children	–	29	–	29
Parks and Open Space	–	82	–	82
Other	27	43	(27)	43
	1,840	**9,649**	**(6,416)**	**5,073**

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

*The most significant item above relates to Home and Community Care (HACC) grants from the Commonwealth Government for the Commonwealth Home Support Program (CHSP) and the Victorian Government for the HACC Program for Younger People (PYP). The $4.75 million relates to unsatisfied performance obligations from 2018–19 and 2019–20. These funds were received under an agreement ending in 2019 which is currently in overholding.

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

	Consolidated			
	2020 Opening balance adjustment on transition $'000	**2020 Income received during current year $'000**	**2020 Income recognised due to satisfied obligations $'000**	**2020 Closing balance of unsatisfied obligations $'000**
Capital grants				
Springvale Community Hub – Sport, recreation, play and landscape features*	462	–	–	462
Thomas Carroll Reserve – Pavilion^	200	125	–	325
Robert Booth Reserve – Lighting	90	10	(100)	–
Springvale Reserve – Cricket Nets	90	–	(90)	–
Ross Reserve – Playground, Plaza/Path and Oval^	1,220	1,525	–	2,745
Ross Reserve – Pavilion^	–	300	–	300
Police Paddocks – Grandstand^	–	180	–	180
Chapel Road – Intersection (Roads to Recovery)*	–	564	–	564
	2,062	**2,704**	**(190)**	**4,576**

Notes:

*Obligations anticipated to be satisfied in 0–1 years

^Obligations anticipated to be satisfied in 1–2 years

Council's obligations under the above transfers are to construct a Property, Infrastructure, Plant and Equipment asset and this obligation is considered to be satisfied upon completion of construction of the asset.

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

	Consolidated			
	2020 Opening balance adjustment on transition $'000	**2020 Income received during current year $'000**	**2020 Income recognised due to satisfied obligations $'000**	**2020 Closing balance of unsatisfied obligations $'000**
Development Contribution Plans (DCP)	#		^	
Keysborough Residential DCP	21,661	997	(2,679)	19,979
Dandenong Industrial DCP (Keysborough & Lyndhurst)	6,057	5,189	(2,843)	8,403
	27,718	**6,186**	**(5,522)**	**28,382**

Notes:

Includes an opening balance adjustment of $1.08 million comprising Keysborough Residential DCP levy income of $1.54 million recognised in a prior period but transferred to unearned income at 1 July 2019 on transition because of unsatisfied performance obligations, partly offset by the recognition of $457,000 in interest income which did not have specific performance obligations.

^ Includes developer reimbursements of $2.50 million

The satisfaction of DCP obligations depends on development activity and the construction of assets by developers.

5.4 Interest–bearing liabilities

	Consolidated 2020 $'000	**Consolidated 2019 $'000**
Current		
Borrowings – secured	3,255	8,634
Non–current		
Borrowings – secured	56,636	49,891
	56,636	49,891
Total interest–bearing liabilities	**59,891**	**58,525**

Borrowings are secured over the general rates of Council as per section 148 of the *Local Government Act 1989*.

a) The maturity profile for Council's borrowings is:		
Not later than one year	3,255	8,634
Later than one year and not later than five years*	14,168	9,709
Later than five years *	42,468	40,182
	59,891	58,525

*Comparative figure for maturity profile for interest–bearing liabilities has been reclassified to reflect the 10 year repayment options available on the $10.0 million loan drawn down at 30 June 2019. This information was not available at the time of preparing the 2018–19 financial statements.

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

The classification depends on the nature and purpose of the interest–bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

5.5 Provisions

	Consolidated		
	Employee $ '000	Landfill restoration $ '000	Total $ '000
2020			
Balance at beginning of the financial year	18,039	911	18,950
Additional provisions	8,170	94	8,264
Amounts used	(6,572)	–	(6,572)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	261	–	261
Balance at the end of the financial year	19,898	1,005	20,903
2019			
Balance at beginning of the financial year	16,868	895	17,763
Additional provisions	8,002	16	8,018
Amounts used	(7,214)	–	(7,214)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	383	–	383
Balance at the end of the financial year	18,039	911	18,950

	Consolidated 2020 $'000	Consolidated 2019 $'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	6,796	5,935
Long service leave	875	869
Other	561	473
	8,232	7,277
Current provisions expected to be wholly settled after 12 months		
Annual leave	235	117
Long service leave	10,765	9,365
	11,000	9,482
Total current employee provisions	19,232	16,759
Non–current		
Long service leave	666	1,280
Total non–current employee provisions	666	1,280
Aggregate carrying amount of employee provisions:		
Current	19,232	16,759
Non–current	666	1,280
Total aggregate carrying amount of employee provisions	19,898	18,039

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

(a) Employee provisions *(continued)*

Wages, salaries and annual leave

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

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non–current liability.

	Consolidated 2020 $'000	**Consolidated 2019 $'000**
Key assumptions:		
– discount rate	0.53%	1.13%
– index rate	2.75%	3.00%
– settlement rate		
long service leave (years)	7	7
annual leave (days)	260	260
(b) Landfill restoration	**$'000**	**$'000**
Current	489	592
Non–current	516	319
	1,005	911

The former Springvalley landfill has been closed to the receipt of refuse since December 1998. The former landfill is located between Clarke Road and Springvale Road and the premises was used as a landfill for disposal of waste from 1993 to 1999 under a licence issued by the Environmental Protection Authority (EPA). The landfill is owned by the City of Greater Dandenong and is used as recreational open space. Under the terms of a licence agreement with the Environment Protection Authority (EPA) and Pollution Abatement notices, Council is required to monitor, progressively rehabilitate and conduct rectification works.

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

The City of Greater Dandenong shares the commitment for rehabilitation and aftercare management of the landfill with other stakeholder Councils. Council's interest or share of the costs is 19.88%. In the financial report for 30 June 2020, Council has an amount of $1.0 million (30 June 2019 $911,000) as a provision for the restoration of the Springvalley Road landfill site which includes aftercare costs to meet EPA obligations.

Key assumptions:		
– discount rate	0.70%	1.23%
– index rate	2.00%	2.50%
– settlement rate	15 years	15 years

5.5 Provisions (*continued*)

	Consolidated 2020 $'000	Consolidated 2019 $'000
(c) Total provisions summary		
Current	19,721	17,351
Non–current	1,182	1,182
Total provisions	20,903	18,950

5.6 Financing arrangements

	Consolidated 2020 $'000	Consolidated 2019 $'000
Interest–bearing liabilities – secured	59,891	58,525
Credit card facilities	200	200
Bank overdraft	2,500	2,500
Total facilities	62,591	61,225
Used facilities	59,917	58,571
Unused facilities	2,674	2,654

5.7 Commitments

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of note and presented inclusive of the GST payable. All contract commitments are disclosed excluding schedule of rate contracts which vary from year to year depending on the volume of services required.

	Consolidated				
	Not later than 1 year $'000	Later than 1 year and not later than 2 years $'000	Later than 2 years and not later than 5 years $'000	Later than 5 years $'000	Total $'000
2020					
Operating					
Building maintenance services	3,540	3,000	6,000	3,000	15,540
Cleaning services	2,063	1,500	–	–	3,563
Consultancies	82	8	–	–	90
Garbage collection	7,196	1,849	–	–	9,045
Hard waste collection	1,815	1,840	2,913	–	6,568
Leisure centres management services	3,169	–	–	–	3,169
Meals for delivery	510	–	–	–	510
Open space management	2,028	85	–	–	2,113
Other contracts	5,643	403	158	154	6,358
Parking management	364	114	–	–	478
Recycling	4,878	963	–	–	5,841
Works (roads and drains) services	487	32	–	–	519
Dandenong Market Pty Ltd commitments	1,751	249	–	–	2,000
Total 2020 Operating	**33,526**	**10,043**	**9,071**	**3,154**	**55,794**
Capital					
Buildings	4,544	–	–	–	4,544
Roads	3,709	–	–	–	3,709
Drainage	419	–	–	–	419
Parks, open space and streetscapes	3,890	–	–	–	3,890
Total 2020 Capital	**12,562**	**–**	**–**	**–**	**12,562**

5.7 Commitments *(continued)*

	Consolidated				
	Not later than 1 year $'000	Later than 1 year and not later than 2 years $'000	Later than 2 years and not later than 5 years $'000	Later than 5 years $'000	Total $'000
2019					
Operating					
Building maintenance services	2,950	2,730	8,522	2,955	17,157
Cleaning services	2,138	1,732	185	–	4,055
Consultancies	123	38	–	–	161
Garbage collection	7,367	7,634	1,954	–	16,955
Hard waste collection	1,691	1,738	4,589	–	8,018
Leisure centres management services	2,913	2,983	–	–	5,896
Meals for delivery	550	–	–	–	550
Open space management	1,701	276	–	–	1,977
Other contracts	4,789	726	664	–	6,179
Parking management	231	145	–	–	376
Recycling	3,773	3,878	1,006	–	8,657
Works (roads and drains) services	553	32	–	–	585
Dandenong Market Pty Ltd commitments	1,711	1,752	249	–	3,712
Total 2019 Operating	**30,490**	**23,664**	**17,169**	**2,955**	**74,278**
Capital					
Buildings	21,488	5,339	–	–	26,827
Roads	5,286	–	–	–	5,286
Drainage	404	–	–	–	404
Parks, open space and streetscapes	850	–	–	–	850
Total 2019 Capital	**28,028**	**5,339**	**–**	**–**	**33,367**

5.8 Leases

Policy applicable before 1 July 2019

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

Operating lease payments, including any contingent rentals, were recognised as an expense in the Comprehensive Income Statement on a straight–line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the Balance Sheet.

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

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

Policy applicable after 1 July 2019

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

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

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

– The contract involves the use of an identified asset;

– The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

– The customer has the right to direct the use of the asset.

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

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

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

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

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

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

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

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

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

5.8 Leases (*continued*)

	Consolidated			
Right–of–Use Assets	**Property**	**Vehicles**	**IT and office equip**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2019	1,052	153	226	1,431
Additions	–	–	129	129
Amortisation charge	(380)	(68)	(114)	(562)
Balance at 30 June 2020	**672**	**85**	**241**	**998**

	Consolidated 2020 $'000
Lease Liabilities	
Maturity analysis – contractual undiscounted cash flows	
Less than one year	593
One to five years	452
More than five years	–
Total undiscounted lease liabilities as at 30 June:	**1,045**
Lease liabilities included in the Balance Sheet at 30 June:	
Current	571
Non–current	442
Total lease liabilities	**1,013**

Short–term and low value leases

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

Expenses relating to:	
Short–term leases	25
Leases of low value assets	489
Total	**514**
Variable lease payments (not included in measurement of lease liabilities)	–

Non–cancellable lease commitments – Short–term and low–value leases

Commitments for minimum lease payments for short–term and low–value leases are payable as follows:

Payable:	
Within one year	451
Later than one year but not later than five years	965
Total lease commitments	**1,416**

5.8 Leases (*continued*)

i. Leases classified as operating leases under *AASB 117 Leases*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right–of–use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying *AASB 16 Leases* to leases previously classified as operating leases under *AASB 117 Leases*.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right–of–use assets by the amount of AASB 137 Provisions, Contingent Liabilities and Contingent Assets onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right–of–use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under *AASB 117 Leases*, the carrying amount of the right–of–use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under *AASB 117 Leases* immediately before that date.

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

Impact on financial statements

On transition to *AASB 16 Leases*, Council recognised an additional $1.41 million of right–of–use assets and $1.41 million of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted–average rate applied is 2.89%.

	Consolidated 2019 $'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	2,079
Adjustment to information technology leased assets incorrectly stated at 30 June 2019	226
Other minor adjustments	(79)
Discounted using the incremental borrowing rate at 1 July 2019	(58)
Finance lease liability recognised as at 30 June 2019	–
– Recognition exemption for:	
short–term leases	(31)
leases of low–value assets	(1,013)
Extension and termination options reasonably certain to be exercised	307
– Residual value guarantees	–
Lease liabilities recognised as at 1 July 2019	**1,431**

Note 6 Assets we manage

Note content:

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

6.1 Non–current assets classified as held for sale

Non–current assets classified as held for sale – current	1,000	–
Total non–current assets classified as held for sale	1,000	–

Non–current assets classified as held for sale are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non–current assets and related liabilities are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within 12 months from the date of classification. At 30 June 2020, there was one car park land asset classified as held for sale which is due to settle by 24 December 2020.

Note 6.2 Property, infrastructure, plant and equipment

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

Consolidated

	At fair value/cost 30 June 2019	Acquisitions	Contributions	Revaluation	Depreciation	Impairment (loss) / reversal	Disposals	Write Offs	Transfers	At fair value/cost 30 June 2020
(Related FS note)		*(Stmt Cap Wrks)*	*(Note 3.5)*	*(Note 9.1(a))*	*(Note 4.3)*	*(Note 9.1(a))*	*(Note 3.6)*	*(Note 4.2 & 4.9)*	*	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Land	1,127,985	3,342	5,047	18,788	–	–	–	(43)	(370)	1,154,749
Buildings	255,239	20,680	37	10,364	(6,499)	(743)	–	(1,755)	13,993	291,316
Plant and equipment	11,994	7,317	–	–	(3,726)	–	(346)	(10)	326	15,555
Infrastructure	708,963	9,933	2,959	–	(21,034)	–	–	(2,245)	10,683	709,259
Work in progress (WIP)	32,448	16,691	–	–	–	–	–	(3,891)	(25,132)	20,116
	2,136,629	**57,963**	**8,043**	**29,152**	**(31,259)**	**(743)**	**(346)**	**(7,944)**	**(500)**	**2,190,995**

*The transfers balance of $500,000 represents the net transfer from Property, Infrastructure, Plant and Equipment to Non–Current Assets Classified as Held for Sale ($1 million – Note 6.1), the opening balance transfer to Intangibles ($130,000 – Note 5.2(b)) and a transfer from Investment Property to Property, Infrastructure, Plant and Equipment for a land asset no longer classified as Investment Property ($630,000 – Note 6.4).

(b) SUMMARY OF WORK IN PROGRESS

	Opening WIP 30 June 2019	Additions	Transfers	Write Offs	Closing WIP 30 June 2020
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Property	17,980	5,066	(15,196)	(1,421)	6,429
Plant and equipment	160	32	(135)	(25)	32
Infrastructure	14,308	11,593	(9,801)	(2,445)	13,655
Total	**32,448**	**16,691**	**(25,132)**	**(3,891)**	**20,116**

(c) PROPERTY

Consolidated

	*Land – specialised $'000	Land – non–specialised $'000	Total land $'000	Buildings – specialised $'000	Leasehold improve-ments $'000	Total buildings $'000	Work in progress $'000	TOTAL PROPERTY $'000
Opening balance at 1 July 2019								
At cost	44,605	–	44,605	–	3,461	3,461	17,980	66,046
At fair value	909,216	174,164	1,083,380	397,522	–	397,522	–	1,480,902
Accumulated depreciation	–	–	–	(144,435)	(1,309)	(145,744)	–	(145,744)
	953,821	**174,164**	**1,127,985**	**253,087**	**2,152**	**255,239**	**17,980**	**1,401,204**
Movements in fair value/cost								
Additions at cost	29	–	29	–	3	3	5,066	5,098
Additions at fair value	809	2,504	3,313	21,004	–	21,004	–	24,317
Contributed assets at cost	1,300	–	1,300	–	–	–	–	1,300
Contributed assets at fair value	3,747	–	3,747	43	–	43	–	3,790
Revaluation increments (decrements)	20,941	(2,153)	18,788	34,611	–	34,611	–	53,399
Fair value/cost of assets disposed	–	–	–	–	–	–	–	–
Fair value/cost of assets written off	(43)	–	(43)	(5,126)	–	(5,126)	(1,421)	(6,590)
Transfers in (out)	(3,030)	2,660	(370)	13,993	–	13,993	(15,196)	(1,573)
	23,753	**3,011**	**26,764**	**64,525**	**3**	**64,528**	**(11,551)**	**79,741**
Movements in accumulated depreciation								
Depreciation	–	–	–	(6,308)	(191)	(6,499)	–	(6,499)
Accumulated depreciation of contributed assets	–	–	–	(6)	–	(6)	–	(6)
Accumulated depreciation of acquisitions	–	–	–	(327)		(327)	–	(327)
Accumulated depreciation of write offs	–	–	–	3,371	–	3,371	–	3,371
Impairment loss/(reversal) in revaluation reserve	–	–	–	(743)	–	(743)	–	(743)
Revaluation (increments) decrements	–	–	–	(24,247)	–	(24,247)	–	(24,247)
Transfers (in) out	–	–	–	–	–	–	–	–
	–	**–**	**–**	**(28,260)**	**(191)**	**(28,451)**	**–**	**(28,451)**
Closing balance at 30 June 2020								
At cost	45,934	–	45,934	–	3,464	3,464	6,429	55,827
At fair value	931,640	177,175	1,108,815	462,047	–	462,047	–	1,570,862
Accumulated depreciation	–	–	–	(172,695)	(1,500)	(174,195)	–	(174,195)
	977,574	**177,175**	**1,154,749**	**289,352**	**1,964**	**291,316**	**6,429**	**1,452,494**

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

(d) PLANT AND EQUIPMENT

Consolidated

	Plant, machinery and equipment $'000	Fixtures, fittings and furniture $'000	Computers and telecomm's $'000	Library books $'000	Work in progress $'000	TOTAL PLANT AND EQUIPMENT $'000
Opening balance at 1 July 2019						
At cost	15,645	7,267	7,252	7,935	160	38,259
Accumulated depreciation	(8,608)	(6,269)	(6,178)	(5,050)	–	(26,105)
	7,037	**998**	**1,074**	**2,885**	**160**	**12,154**
Movements in cost						
Acquisition of assets at cost	2,403	1,199	2,923	792	32	7,349
Cost of assets disposed	(2,511)	–	–	–	–	(2,511)
Cost of assets written off	(4)	–	(14)	(23)	(25)	(66)
Transfers in (out)	30	50	(2,332)	–	(135)	(2,387)
	(82)	**1,249**	**577**	**769**	**(128)**	**2,385**
Movements in accumulated depreciation						
Depreciation	(1,902)	(439)	(399)	(986)	–	(3,726)
Accumulated depreciation of disposals	2,165	–	–	–	–	2,165
Accumulated depreciation of write offs	1	–	14	16	–	31
Transfers (in) out	–	–	2,578	–	–	2,578
	264	**(439)**	**2,193**	**(970)**	**–**	**1,048**
Closing balance at 30 June 2020						
At cost	15,563	8,516	7,829	8,704	32	40,644
Accumulated depreciation	(8,344)	(6,708)	(3,985)	(6,020)	–	(25,057)
	7,219	**1,808**	**3,844**	**2,684**	**32**	**15,587**

(e) INFRASTRUCTURE

Consolidated

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community facilities	Parks, open space and streetscapes	Off street car parks	Work in progress	TOTAL INFRA–STRUCTURE	GRAND TOTAL PROPERTY, PLANT & EQUIP, INFRAST.
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at 1 July 2019										
At cost	–	–	–	–	40,117	45,496	–	14,308	99,921	204,226
At fair value	501,708	64,768	86,817	423,358	–	–	17,550	–	1,094,201	2,575,103
Accumulated depreciation	(219,487)	(18,210)	(28,233)	(152,873)	(19,620)	(27,123)	(5,305)	–	(470,851)	(642,700)
	282,221	**46,558**	**58,584**	**270,485**	**20,497**	**18,373**	**12,245**	**14,308**	**723,271**	**2,136,629**
Movements in fair value/cost										
Acquisition of assets at cost	–	–	–	–	941	1,283	–	11,593	13,817	26,264
Acquisition of assets at fair value	4,024	–	2,353	985	–	–	347	–	7,709	32,026
Contributed assets at cost	–	–	–	–	192	–	–	–	192	1,492
Contributed assets at fair value	1,589	–	669	664	–	–	160	–	3,082	6,872
Revaluation increments (decrements)	–	–	–	–	–	–	–	–	–	53,399
Fair value/cost of assets disposed	–	–	–	–	–	–	–	–	–	(2,511)
Fair value/cost of assets written off	(2,585)	–	(1,190)	(307)	(936)	(441)	(90)	(2,445)	(7,994)	(14,650)
Transfers in (out)	1,390	45	1,511	2,389	1,036	3,105	1,207	(9,801)	882	(3,078)
	4,418	**45**	**3,343**	**3,731**	**1,233**	**3,947**	**1,624**	**(653)**	**17,688**	**99,814**
Movements in accumulated depreciation										
Depreciation	(9,901)	(833)	(2,264)	(4,220)	(1,884)	(1,637)	(295)	–	(21,034)	(31,259)
Accumulated depreciation of contributed assets	(209)	–	(74)	(1)	–	–	(31)	–	(315)	(321)
Accumulated depreciation of acquisitions	–	–	–	–	–	–	–	–	–	(327)
Accumulated depreciation of disposals	–	–	–	–	–	–	–	–	–	2,165
Accumulated depreciation of write offs	1,485	–	427	128	935	297	32	–	3,304	6,706
Revaluation (increments) decrements	–	–	–	–	–	–	–	–	–	(24,247)
Impairment loss/(reversal) in revaluation reserve	–	–	–	–	–	–	–	–	–	(743)
Impairment loss/(reversal) in operating result	–	–	–	–	–	–	–	–	–	–
Transfers (in) out	(33)	–	–	–	(7)	32	8	–	–	2,578
	(8,658)	**(833)**	**(1,911)**	**(4,093)**	**(956)**	**(1,308)**	**(286)**	**–**	**(18,045)**	**(45,448)**
Closing balance at 30 June 2020										
At cost	–	–	–	–	41,350	49,443	–	13,655	104,448	200,919
At fair value	506,126	64,813	90,160	427,089	–	–	19,174	–	1,107,362	2,678,224
Accumulated depreciation	(228,145)	(19,043)	(30,144)	(156,966)	(20,576)	(28,431)	(5,591)	–	(488,896)	(688,148)
	277,981	**45,770**	**60,016**	**270,123**	**20,774**	**21,012**	**13,583**	**13,655**	**722,914**	**2,190,995**

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

(f) Recognition

Acquisition

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

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

In accordance with Council's policy, the threshold limits detailed in note 6.2 have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Recognition thresholds

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

Land under roads

In accordance with options available under Australian Accounting Standards, Council has opted to recognise all land under roads acquired after 30 June 2008 using the cost basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

Repairs and maintenance

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

Leasehold improvements

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

(g) Depreciation

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

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

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

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

(g) Depreciation *(continued)*

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

	Depreciation period (years)	Threshold limit $'000
Property		
Land		
Land	N/A	–
Land under roads	N/A	–
Buildings		
Buildings	50–100	5
Leasehold improvements	Lease term	–
Plant and equipment		
Plant and equipment		
Heavy plant and equipment	7	3
Buses, quads and trailers	10	3
Light plant and equipment, passenger and light commercial vehicles	5	3
Fixtures, fittings and furniture		
Fixtures, fittings, furniture and equipment	6	3
Musical instruments	20	3
Art works	N/A	3
Computers and telecommunications		
Hand held devices / mobile phones	3	3
Hardware and equipment	5	3
Library books	5	–
Infrastructure		
Roads		
Seal	12–20	20
Substructure	100	20
Kerb and channel	15–80	5
Existing local area traffic management (LATM) devices	5–30	5
New local area traffic management (LATM) devices	5–30	–
On–street car parks	20–100	5
Bridges	20–100	5
Footpaths and cycleways	10–50	–
Drainage		
New pipes and pits	100	–
Existing pipes and pits	100	5
Gross pollutant traps	50	5
Recreational, leisure and community facilities		
Recreational equipment and facilities, minor outdoor electronic screens, signs and scoreboards. Sportsgrounds, grass (turf), courts, hardstand, other ground surfaces. Minor structures (sporting, shade structures and retaining walls), irrigation, sportsfield drainage, controllers, sensors, water tanks/pumps.	10–20	3
Major outdoor LED screens	5	3
Playgrounds	15	3
Outdoor pools	50	3

(g) Depreciation *(continued)*

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

(h) Revaluation

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

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

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

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

	Consolidated 2020 $'000	Consolidated 2019 $'000
Specialised land is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restrictions of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 15% and 85%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently, land values range between $13 and $2,700 per square metre.	977,574	909,216

Note – Specialised land valued at fair value disclosed here, excludes land under roads which are valued at cost.

(h) Revaluation *(continued)*

	Consolidated 2020 $'000	Consolidated 2019 $'000
Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and range from $320 to $55,000 per square metre. The remaining useful lives of specialised buildings are determined on the basis of the current condition of buildings and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.	289,352	253,087
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 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.	667,473	670,093

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

(i) Valuation of Property

Valuation of land and buildings

The last formal valuation of land and buildings at 1 January 2020 was undertaken by qualified independent valuers, Proval (Vic) Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the Comprehensive Income Statement. The 1 January 2020 revaluation of land resulted in an increment of $18.79 million (1.7% increase on the opening balance of land at fair value).

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

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

Details of the written down value of Council's land and buildings and information about the fair value hierarchy** as at 30 June 2020 are as follows:

	Level 1	*Non–specialised* Level 2	*Specialised* Level 3	Date of last valuation
Land*	–	177,175	931,640	1–Jan–20
Buildings*	–	–	289,352	1–Jan–20
Total written down value	–	177,175	1,220,992	

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

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

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

(i) Valuation of Property *(continued)*

Proval (Vic) Pty Ltd undertook a review of 'Annual Material Change' in the fair value of the land and building asset classes in the City of Greater Dandenong portfolio for the period 1 January 2020 to 30 June 2020. No material change was identified based on data available. The state of the property market within the review period is at present most influenced by the recent COVID-19 pandemic and resulting declaration of State of Emergency. Market conditions are changing daily at present. The full extent of the effect of these conditions upon the property market and broader economic environment is unclear at best. Initial falls in auction and inspection attendance rates prior to the State of Emergency, the evolution and ensuing shift to online auctions only, and recent return of on-site auctions, albeit limited in attendance numbers, have at varying times all conspired to result in a period of limited transaction volumes from which to base a meaningful and thorough analysis process. For the period of the annual material change review, we consider that there is a market uncertainty resulting in significant valuation uncertainty.

Land under roads

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

(j) Valuation of Infrastructure

Valuation of infrastructure assets at fair value (except 'Parks, open space and streetscapes' and 'Recreational, leisure and community facilities' which are valued at cost, and bridges which are independently valued) has been determined in accordance with a Council valuation. No infrastructure asset classes were revalued at 30 June 2020 as roads, footpaths and cycleways, drainage and off-street car parks were revalued in the prior financial year. The fair value of infrastructure is valued using the depreciated replacement cost method. This cost represents the replacement cost of the asset after applying depreciation rates on a useful life basis. Where condition data was available for assets, remaining useful life was revised based on condition. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 year to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

The valuation of bridges at 31 March 2017 was undertaken by qualified independent valuers, Sterling Group and WT Partnership. The methodology used depreciated replacement costs to quantify fair value and remaining useful life was revised based on condition.

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

	Level 1	*Non–specialised* Level 2	*Specialised* Level 3	Date of last valuation
Roads	–	–	277,981	Jun–19
Bridges	–	–	45,770	Mar–17
Footpaths and cycleways	–	–	60,016	Jun–19
Drainage	–	–	270,123	Jun–19
Off street car parks	–	–	13,583	Jun–19
Total written down value	–	–	667,473	

Infrastructure assets valued at fair value are subject to an annual review of replacement rates. This review uses several inputs which are mainly sourced from the February 2020 update of the Rawlinsons Australian Construction Handbook. At balance date, no adjustment has been made to the fair value valuation due to the market that the assets are transacted in is being impacted by the uncertainty that the COVID-19 outbreak has caused. These assets are specialised assets classified at level three under AASB 13. This means that the fair value valuations are based on techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The COVID-19 impacts on these asset valuations are particularly difficult to assess as there is generally no observable market for these assets. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

	Consolidated 2020 $'000	Consolidated 2019 $'000
(k) Reconciliation of specialised land at fair value*		
Parks and reserves	625,803	604,882
Floodway	10,700	9,528
Public use	18,750	21,637
Industrial	51,709	46,813
Other	224,678	226,356
Total specialised land	931,640	909,216

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

Note 6.3 Investments in associates, joint arrangements and subsidiaries

Committees of management

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

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

Principles of consolidation

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

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

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

Entities consolidated into Council include:

– Dandenong Market Pty Ltd

Reconciliation of Council, The Dandenong Market Pty Ltd (DMPL) and consolidated accounts

Dandenong Market Pty Ltd manages the Dandenong Market on the terms set out in a management service agreement dated 30 November 2012 between Dandenong Market Pty Ltd and City of Greater Dandenong. The management service agreement runs concurrently with the Lease Agreement (50 years) and provides for annual agreement extensions at Council's discretion. An extension has been exercised by Council up to 30 June 2021. The following Comprehensive Income Statement, Balance Sheet and Statement of Cash Flows has been provided to show the individual financial positions of the Council and The Dandenong Market Pty Ltd and consolidated accounts for the 2019–20 financial year. These financial statements should be read in conjunction with the accompanying notes in the financial report.

In response to the COVID-19 pandemic, Council has waived the requirement for DMPL to pay a return to Council in both the 2019–20 and 2020–21 financial years. This has allowed DMPL to provide support to Market traders in the form of short-term relief ensuring the long-term viability of the Market. Council has also agreed to allow the DMPL to hold on to any surplus funds in 2019–20 which will be added to DMPL's retained earnings.

Comprehensive Income Statement
For the year ended 30 June 2020
Consolidated

	Council 2020 $'000	DMPL 2020 $'000	Consolidation Adjustment 2020 $'000	Consolidated Accounts 2020 $'000
Income				
Rates and charges	145,103	–	(101)	145,002
Statutory fees and fines	8,146	–	–	8,146
User fees	6,949	–	–	6,949
Grants – operating	31,230	–	–	31,230
Grants – capital	1,435	–	–	1,435
Contributions – monetary	6,521	–	–	6,521
Contributions – non–monetary	8,043	–	–	8,043
Net gain on disposal of property, infrastructure, plant and equipment	583	–	–	583
Other income	7,630	4,682	(248)	12,064
Total income	215,640	4,682	(349)	219,973
Expenses				
Employee costs	(78,717)	(978)	50	(79,645)
Materials and services	(74,722)	(3,292)	119	(77,895)
Bad and doubtful debts	(1,290)	(10)	–	(1,300)
Depreciation	(31,241)	(18)	–	(31,259)
Amortisation – intangible assets	(77)	–	–	(77)
Amortisation – right of use assets	(562)	–	–	(562)
Borrowing costs	(3,041)	–	–	(3,041)
Finance costs – leases	(34)	–	–	(34)
Fair value adjustments for investment property	(383)	–	–	(383)
Other expenses	(9,312)	(167)	180	(9,299)
Total expenses	(199,379)	(4,465)	349	(203,495)
Net surplus for the year	**16,261**	**217**	**–**	**16,478**
Other comprehensive income				
Items that will not be reclassified to surplus or deficit in future periods				
Net asset revaluation increment	29,152	–	–	29,152
Impairment (loss) reversal in revaluation of previous revaluation	(743)	–	–	(743)
Total comprehensive result	**44,670**	**217**	**–**	**44,887**

Balance Sheet
As at 30 June 2020
Consolidated

	Council 2020 $'000	DMPL 2020 $'000	Consolidation Adjustment 2020 $'000	Consolidated Accounts 2020 $'000
Assets				
Current assets				
Cash and cash equivalents	154,563	1,204	–	155,767
Trade and other receivables	24,974	65	–	25,039
Other financial assets	2,000	–	–	2,000
Non-current assets classified as held for sale	1,000	–	–	2,000
Other assets	4,537	27	(3)	4,561
Total current assets	187,074	1,296	(3)	188,367
Non–current assets				
Trade and other receivables	305	–	–	305
Property, infrastructure, plant and equipment	2,190,972	23	–	2,190,995
Investment property	11,814	–	–	11,814
Right of use assets	998	–	–	998
Intangible assets	124	–	–	124
Total non–current assets	2,204,213	23	–	2,204,236
Total assets	2,391,287	1,319	(3)	2,392,603
Liabilities				
Current liabilities				
Trade and other payables	18,800	330	(3)	19,127
Trust funds and deposits	8,425	287	–	8,712
Unearned income	40,340	–	–	40,340
Provisions	19,659	62	–	19,721
Interest-bearing liabilities	3,255	–	–	3,255
Lease liabilities	571	–	–	571
Total current liabilities	91,050	679	(3)	91,726
Non–current liabilities				
Trust funds and deposits	311	–	–	311
Provisions	1,110	72	–	1,182
Interest-bearing liabilities	56,636	–	–	56,636
Interest-bearing liabilities	442	–	–	442
Total non–current liabilities	58,499	72	–	58,571
Total liabilities	149,549	751	(3)	150,297
Net assets	**2,241,738**	**568**	**–**	**2,242,306**
Equity				
Accumulated surplus	904,579	568	–	905,147
Reserves	1,337,159	–	–	1,337,159
Total equity	**2,241,738**	**568**	**–**	**2,242,306**

Statement of Cash Flows
For the year ended 30 June 2020
Consolidated

	Council 2020 $'000	DMPL 2020 $'000	Consolidation Adjustment 2020 $'000	Consolidated Accounts 2020 $'000
Cash flows from operating activities				
Rates and charges	144,333	–	(101)	144,232
Statutory fees and fines	6,047	–	–	6,047
User fees	6,687	–	–	6,687
Grants – operating	34,749	–	–	34,749
Grants – capital	4,116	–	–	4,116
Contributions – monetary	7,451	–	–	7,451
Interest received	2,286	1	–	2,287
Trust funds and deposits taken	27,546	114	–	27,660
Other receipts	5,808	5,198	(290)	10,716
Net GST refund	12,325	(132)	–	12,193
Employee costs	(78,224)	(954)	43	(79,135)
Materials and services	(85,440)	(3,730)	168	(89,002)
Short-term, low value and variable lease payments	(536)	(25)	–	(561)
Trust funds and deposits repaid	(27,052)	(69)	–	(27,121)
Other payments	(5,104)	(142)	180	(5,066)
Net cash provided by operating activities	**54,992**	**261**	**–**	**55,253**
Cash flows from investing activities				
Payments for property, infrastructure, plant and equipment	(59,699)	(27)	–	(59,726)
Proceeds from sale of property, infrastructure, plant and equipment	929	–	–	929
Payments for investments	(2,000)	–	–	(2,000)
Net cash used in investing activities	**(60,770)**	**(27)**	**–**	**(60,797)**
Cash flows from financing activities				
Finance costs	(3,080)	–	–	(3,080)
Proceeds from borrowings	10,000	–	–	10,000
Repayment of borrowings	(8,634)	–	–	(8,634)
Interest paid – lease liability	(35)	–	–	(35)
Repayment of lease liabilities	(547)	–	–	(547))
Net cash used in financing activities	**(2,296)**	**–**	**–**	**(2,296)**
Net decrease in cash and cash equivalents	(8,074)	234	–	(7,840)
Cash and cash equivalents at the beginning of the financial year	162,637	970	–	163,607
Cash and cash equivalents at the end of the financial year	**154,563**	**1,204**	**–**	**155,767**

	Consolidated 2020 $'000	Consolidated 2019 $'000
6.4 Investment property		
Balance at beginning of financial year	12,827	11,330
Additions	–	2,404
Transfers to property, infrastructure, plant and equipment	(630)	–
Fair value adjustments	(383)	(907)
Balance at end of financial year	11,814	12,827

Valuation of investment property

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

Investment property, comprising retail complexes, are held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the Comprehensive Income Statement in the period that they arise. Investment property are not subject to depreciation. Rental income from the leasing of investment properties is recognised in the Comprehensive Income Statement on a straight line basis over the lease term.

During 2019–20, one investment property was no longer held for rental purposes, so was transferred to property, infrastructure, plant and equipment.

Proval (Vic) Pty Ltd undertook a review of ‘Annual Material Change’ in the valuation of investment property in the City of Greater Dandenong portfolio for the period 1 January 2020 to 30 June 2020. No material change was identified based on data available. The state of the property market within the review period is at present most influenced by the recent COVID-19 pandemic and resulting declaration of State of Emergency. Market conditions are changing daily at present. The full extent of the effect of these conditions upon the property market and broader economic environment is unclear at best. Initial falls in auction and inspection attendance rates prior to the State of Emergency, the evolution and ensuing shift to online auctions only, and recent return of on-site auctions, albeit limited in attendance numbers, have at varying times all conspired to result in a period of limited transaction volumes from which to base a meaningful and thorough analysis process. For the period of the annual material change review, we consider that there is a market uncertainty resulting in significant valuation uncertainty.

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related parties

Parent entity
City of Greater Dandenong

Subsidiaries
Dandenong Market Pty Ltd – detailed in note 6.3

(b) Key Management Personnels

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

Councillors	**2020 No.**	**2019 No.**
From 12 November 2019 to Current		
Councillor Peter Brown		
From 1 July 2019 to Current		
Councillor Roz Blades AM (Mayor 15 November 2018 – 12 October 2019)		
Councillor Youhorn Chea (Mayor 14 October 2019 – 13 November 2019)		
Councillor Jim Memeti (Mayor 14 November 2019 – Current)		
Councillor Matthew Kirwan		
Councillor Angela Long		
Councillor Sean O'Reilly		
Councillor Maria Sampey		
Councillor Loi Truong		
Councillor Tim Dark		
Councillor Zaynoun Melhem		
Councillor Sophie Tan		
Total number of Councillors	**12**	**12**
Other Key Management Personnel		
Mick Jaensch – Director Corporate Services		
Jody Bosman – Director City Planning, Design and Amenity		
Martin Fidler – Director Community Services		
Paul Kearsley – Director Business, Engineering and Major Projects		
Julie Reid – Director Engineering Services (1 July 2019 - 23 August 2019)		
	5	**5**
Chief Executive Officer		
John Bennie PSM	1	1
Total key management personnel	**18**	**18**
Dandenong Market Board Members		
Ms Julie Busch – Director (1 July 2019 – 31 May 2020)	1	1
Mr Franz Madlener – Director	1	1
Mr Tom Mollenkopf – Director	1	1
Mr Tim Cockayne – Director (1 July 2019 – 15 October 2019) and (22 June 2020 – Current)	1	1
Ms Donna McMaster – Director	1	1
Executives	2	1
Total number of Dandenong Market Board Members	**7**	**6**

(c) Remuneration of Key Management Personnel

	Consolidated 2020 $'000	Consolidated 2019 $'000
Total remuneration of key management personnel was as follows:		
Short–term benefits*	2,504	2,518
Long–term benefits	46	57
Post employment benefit	142	160
Termination benefits	6	–
	2,698	**2,735**

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

	2020 No.	2019 No.
The numbers of key management personnel, whose total remuneration from Council and any related entities fall within the following bands:		
$1 – $9,999	1	–
$10,000 – $19,999	–	2
$20,000 – $29,999	4	4
$30,000 – $39,999	10	9
$40,000 – $49,999	1	–
$50,000 – $59,999	1	–
$60,000 – $69,999	–	1
$80,000 – $89,999	–	1
$100,000 – $109,999	1	–
$140,000 – $149,999	1	–
$230,000 – $239,999	1	1
$280,000 – $289,999	1	3
$290,000 – $299,999	–	1
$300,000 – $309,999	1	–
$310,000 – $319,999	2	1
$430,000 – $439,999	–	1
$440,000 – $449,999	1	–
Total	**25**	**24**

(d) Senior Officers remuneration

			2020 No.	2019 No.
A Senior Officer is an officer of Council, other than Key Management Personnel, who:				
a) has management responsibilities and reports directly to the Chief Executive; or				
b) whose total annual remuneration exceeds $151,000.				
The number of Senior Officers are shown below in their relevant income bands:				
Income range:				
	<	$150,999	–	5
$151,000	–	$159,999**	11	10
$160,000	–	$169,999**	6	5
$170,000	–	$179,999**	9	4
$180,000	–	$189,999	–	2
$190,000	–	$199,999**	6	4
$200,000	–	$209,999**	3	4
$210,000	–	$219,999	1	2
$220,000	–	$229,999	1	1
$240,000	–	$249,999	1	–
			38	37

	$'000	$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to:*	6,743	6,439

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

**Comparative figures have been amended to include the accrued annual leave entitlements for the year in calculating the "Total remuneration". This amendment has resulted in an increase of $8,000 in "Total remuneration" and also change in income bands for senior officers.

7.2 Related party disclosure

(a) Transactions with related parties

(i) During 2019–20 Council entered into the following transactions with related party Dandenong Market Pty Ltd (DMPL).

	2020 Excl GST $'000	2019 Excl GST $'000
Received from DMPL		
Rent received	–	1,447
Other reimbursements	14	–
Refund of gift vouchers not redeemed by the Council	–	11
Total received	**14**	**1,458**
Paid to DMPL		
Contributions for festival/events	170	82
Payment for Gift vouchers	54	48
Payment for other items	29	13
Total paid	**253**	**143**

Councillor Memeti has a financial interest in a stall at Dandenong Market. The financial arrangements are at arms length based on commercial terms. A number of related parties have minority shareholdings in public companies, which have dealings with the Council from time to time.

(ii) During the financial year ended 30 June 2020, John Bennie CEO was a non-executive board member of the following organisations to which Council has paid the following amounts;

MAV Insurance (which operates under the umbrella of Municipal Association of Victoria) a value of $2.19 million (2018-19 $2.15 million), the transaction was for the provision of Workcare self-insurance scheme.

Community Chef $484,000 (2018-–19 $517,000) agreement for delivery of meals.

Chisholm institute $440 (2018–19 $26,000) for the provision of external training courses.

(b) Outstanding balances with related parties

	2020	2019
The following transaction was outstanding at 30 June		
Refund of gift vouchers not redeemed by the Council	–	11
Other reimbursements	3	–
	3	**11**

(c) Loans to/from related parties

No loans were made, guaranteed or secured by the Council to related parties during 2019–20 (2018–19 $nil).

(d) Commitments to/from related parties

Under the Management Services Agreement with Dandenong Market Pty Ltd (DMPL) an extension has been exercised up to 30 June 2021.

	2020	2019
A commitment for rent of the Market premises is as follows*	–	1,447
	–	1,447

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

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

	Consolidated 2020 $'000	Consolidated 2019 $'000
Operating lease receivables		
The Council has entered into commercial property leases on selected properties. These properties are held under operating leases and have remaining non-cancellable lease terms of between 1 and 50 years.		
Future minimum rentals receivable under non–cancellable operating leases are as follows:		
Not later than one year	1,938	1,724
Later than one year and not later than five years	2,238	2,702
Later than five years	234	274
	4,410	**4,700**

Developer contributions

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

(b) Contingent liabilities

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

Future superannuation contributions

In addition to the disclosed contributions, Council has paid unfunded liability payments to Vision Super totalling Nil during 2019–20 year (Nil for 2018–19). At 30 June 2020 the outstanding contribution of $1,000 relates to Dandenong Market Pty Ltd ($1,000 as at 30 June 2019) and there were no loans issued from or to the above schemes.

The expected contributions to be paid to the defined benefit category of Vision Super for the year ending 30 June 2021 are $375,000 ($409,120 as at 30 June 2019).

Development Contribution Plans (DCP)

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

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

New development in each of the areas is required to meet its share of the total cost of delivering the required infrastructure works – as measured by its projected share of usage – through development contributions collected under the DCP's. The balance of works not covered by development contributions has been agreed to be funded by Council. The total value of these works is estimated to be around $14.4 million.

Landfills

The City of Greater Dandenong may be liable for the consequences of disposing refuse at a number of legacy landfill sites. A legacy site refers to a landfill that has been decommissioned and is no longer receiving waste. At balance date Council is unable to assess whether there are any financial implications.

Legal actions

Council is presently involved in a number of confidential legal matters, which are being conducted through Council's solicitors. The estimated potential financial effect of these matters may be up to $1.46 million ($1.56 million as at 30 June 2019).

MAV Workcare

Council is a participant of the MAV WorkCare Scheme. The MAV WorkCare scheme provides workers compensation insurance. The MAV WorkCare 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.

With investments having not delivered the requisite returns, the Scheme's ratio of assets to liabilities has dropped to around 86%, representing an overall dollar deficit, as at 31 March 2020, of $12 million. As a result (and in keeping with the Scheme Rules), the deficit position has prompted the need for additional contributions from members to help progressively rectify the financial shortfall.

Under year one of the plan, the total Capital Recovery Contribution amount to be paid by the Scheme is $2.4 million, which will be proportionately allocated to members based on each member's allocated/calculated share of the 2020–21 premium pool. Council was informed formally of our share based on 8.51633% ($204,392) of the Scheme's overall 2020–21 premium pool on 5 June 2020. Council has accounted for the $204,392 in the Comprehensive Income Statement in employee costs (refer to note 4.1) and in the Balance Sheet in current liabilities (refer to note 5.3).

(c) Guarantees for loans to other entities

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

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

As at 30 June 2020, Council's maximum potential exposure is as follows:

Entities	Amount outstanding 30 June 2020 $'000	Amount outstanding 30 June 2019 $'000	Year loan commenced
Keysborough Bowls Club Inc.	96	110	18 May 2015
Total Guarantees for loans to other entities	**96**	**110**	

Note 8.2 Change in accounting standards

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

Pronouncement	***AASB 1059 Service Concession Arrangements: Grantors***
Background	AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to: – recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset; – reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset; – initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in AASB 13 Fair Value Measurement. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets, as appropriate, except as specified AASB 1059, – recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and – disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.
Impact/action	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.
Effective date	Periods beginning on or after 1 January 2020.

Pronouncement	***AASB 2018–7 Amendments to Australian Accounting Standards – Definition of Material***
Background	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.
Impact/action	The impacts on the local government sector are expected to be minimal.
Effective date	Applies to 2020–21 financial year

Pronouncement	***AASB 2019–1 Amendments to Australian Accounting Standards – References to the Conceptual Framework***
Background	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.
Impact/action	The impacts on the local government sector are expected to be minimal.
Effective date	Applies to 2020–21 financial year

Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statements may not equate due to rounding.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. We manage interest rate risk by adopting an investment policy that ensures:

– diversification of investment product

– monitoring of return on investment

– benchmarking of returns and comparison with budget

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

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

(c) Credit risk

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

– we have a policy for establishing credit limits for the entities we deal with

– we may require collateral where appropriate and

– we only invest surplus funds with financial institutions which have a recognised credit rating specified in our investment policy.

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

– has readily accessible standby facilities and other funding arrangements in place

– has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments

– monitors budget to actual performance on a regular basis and

(d) Liquidity risk *(continued)*

– sets limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

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

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

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

(e) Sensitivity disclosure analysis

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

– A parallel shift of +1% and - 1% in market interest rates (AUD) from year-end rates of 0.73%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Comprehensive Income Statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

At balance date, two building assets were impaired to the extent of having one year of remaining useful life as they have been nominated for demolition in the 2020-21 Building Disposal program. The impairment of these assets has been recognised in the Asset Revaluation Reserve as these assets are valued at fair value. Refer to note 9.1 for further details.

8.5 Events occurring after balance date

The Victorian Government announced a 'State of Disaster' on the 2 August 2020 and 'Stage 4' restrictions were applied to Metro Melbourne, which includes the City of Greater Dandenong.

The introduction of Stage 4 restrictions however has had further implications for Council services and facilities beyond those already affected by the previous Stage 3 restrictions. Several of Council services have now been or continued to be closed including Council's libraries, leisure centres, community centres and The Drum Theatre. Essential services including kerbside waste collection, services for older and vulnerable residents and our critical Maternal and Child Health visits continued to be provided.

At this stage, it is not possible to estimate what affect this will have on the Council's financial performance during 2020-21. Council will continue to monitor the impacts during 2020-21 and will actively manage its budgets to ensure the financial outcomes to Council remain in alignment with Council budgets.

8.6 Adjustments directly to equity

Other than the transitional impacts of the new Accounting Standards (refer Note 10), there were no adjustments to opening equity balances in the 2019–20 financial year.

Note 9 Other matters

9.1 Reserves

	Balance at beginning of reporting period $'000	Increment (decrement) $'000	Reversal of previous revaluations for assets disposed $'000	Impairment loss (credited against previous increments)/ reversal $'000	Balance at end of reporting period $'000
(a) Asset revaluation reserves					
2020					
Property					
Land	797,514	10,364	(18)	–	807,860
Buildings	24,772	18,788	(375)	(743)	42,442
	822,286	29,152	(393)	(743)	850,302
Infrastructure					
Roads	196,658	–	–	–	196,658
Bridges	20,324	–	–	–	20,324
Footpaths and cycleways	15,289	–	–	–	15,289
Drainage	183,446	–	–	–	183,446
Off street car parks	3,804	–	–	–	3,804
	419,521	–	–	–	419,521
Total asset revaluation reserves	**1,241,807**	**29,152**	**(393)**	**(743)**	**1,269,823**
2019					
Property					
Land	867,966	(70,452)	–	–	797,514
Buildings	25,102	–	(330)	–	24,772
	893,068	(70,452)	(330)	–	822,286
Infrastructure					
Roads	188,977	7,681	–	–	196,658
Bridges	20,324	–	–	–	20,324
Footpaths and cycleways	15,101	188	–	–	15,289
Drainage	170,324	13,122	–	–	183,446
Off street car parks	3,071	733	–	–	3,804
	397,797	21,724	–	–	419,521
Total asset revaluation reserves	**1,290,865**	**(48,728)**	**(330)**	**–**	**1,241,807**

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

9.1 Reserves *(continued)*

	Balance at beginning of reporting period $'000	Transfer to accumulated surplus $'000	Transfer from accumulated surplus $'000	Balance at end of reporting period $'000
(b) Other reserves				
2020				
Insurance reserve	987	(72)	84	999
Re–vegetation reserves	272	(123)	257	406
Open space – planning, development and improvements	9,170	(2,327)	2,866	9,709
Open space – acquisitions	5,918	(1,658)	1,740	6,000
Keysborough South maintenance levy	1,613	(1,442)	1,550	1,721
Major projects reserve	38,810	(13,537)	977	26,250
General reserve	840	(506)	–	334
Council funded development contributions reserve	15,703	(343)	4,070	19,430
Spring Valley landfill rehabilitation	924	(34)	–	890
Springvale Activity Precinct – parking and development	235	–	–	235
Dandenong Activity Precinct – parking and development	382	(234)	1,000	1,148
Local Government Funding Vehicle	4,900	(4,900)	–	–
Future maintenance reserve	–	–	214	214
Grants in advance reserve	1,220	(1,220)	–	–
Keysborough South Community Infrastructure Levies	1,540	(1,540)	–	–
Total other reserves	**82,514**	**(27,936)**	**12,758**	**67,336**
2019				
Insurance reserve	876	(35)	146	987
Re–vegetation reserves	334	(62)	–	272
Open space – planning, development and improvements	9,220	(2,843)	2,793	9,170
Open space – acquisitions	6,000	(82)	–	5,918
Keysborough South maintenance levy	1,508	(1,392)	1,497	1,613
Major projects reserve	28,663	(200)	10,347	38,810
General reserve	3,880	(3,040)	–	840
Council funded development contributions reserve	12,702	(259)	3,260	15,703
Spring Valley landfill rehabilitation	1,064	(140)	–	924
Springvale Activity Precinct – parking and development	166	(70)	139	235
Dandenong Activity Precinct – parking and development	452	(1,070)	1,000	382
Local Government Funding Vehicle	4,900	–	–	4,900
Grants in advance reserve	–	–	1,220	1,220
Keysborough South Community Infrastructure Levies	–	–	1,540	1,540
Total other reserves	**69,765**	**(9,193)**	**21,942**	**82,514**

Nature and purpose of other reserves:

Insurance reserve

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

Re–vegetation reserves

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

Open space – planning, development and improvements

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

Open space – acquisitions

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

Keysborough South maintenance levy

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

Major projects reserve

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

General reserve

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

Council funded development contributions reserve

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

Spring Valley landfill rehabilitation reserve

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

Springvale Activity Precinct – parking and development reserve

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

Dandenong Activity Precinct – parking and development reserve

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

Local Government Funding Vehicle

The purpose of this reserve is to provide for the $4.90 million principal repayment required on maturity of the interest-only Local Government Funding Vehicle (LGFV) in 2019–20 and to provide future borrowing capacity for major infrastructure projects.

Future maintenance reserve

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

Grants in advance reserve

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

Keysborough South Community Infrastructure Levies

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

9.1 Reserves *(continued)*

(c) Total reserves summary	**Note**	**Consolidated 2020 $'000**	**Consolidated 2019 $'000**
Asset revaluation reserve	9.1(a)	1,269,823	1,241,807
Other reserves	9.1(b)	67,336	82,514
Total reserves		1,337,159	1,324,321

9.2 Reconciliation of cash flows from operating activities to surplus

Surplus for the year		**16,478**	**31,279**
Depreciation		31,259	29,064
Amortisation intangible assets		77	–
Amortisation right of use assets		562	–
Gain on disposal of property, infrastructure, plant and equipment		(583)	(457)
Fair value adjustments		383	907
Contributions of non–monetary assets		(8,043)	(7,735)
Works in progress unable to be capitalised (expensed)		3,891	1,683
Assets written–off		4,053	3,167
Borrowing costs		3,041	3,131
Finance cost – leases		34	–
Change in assets and liabilities			
Increase in trade and other receivables		(1,860)	(3,475)
Decrease in trust funds and deposits		(553)	(5,294)
Increase in other assets		(89)	(731)
Increase in trade and other payables		4,650	3,416
Increase in provisions		1,953	1,187
Net cash provided by operating activities		55,253	56,142

9.3 Superannuation

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

Accumulation

The Fund's accumulation categories receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% required under Superannuation Guarantee legislation).

Defined Benefit

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

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

Funding arrangements

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

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

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

The financial assumptions used to calculate the VBIs were:

Net investment returns	6.0% pa
Salary information	3.5% pa
Price inflation (CPI)	2.0% pa

Vision Super has advised that the estimated VBI at quarter ended 30 June 2020 was 104.6%.

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

Employer contributions

Regular contributions

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, the Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018–19). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation.

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

Funding calls

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

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

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

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

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

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

9.3 Superannuation *(continued)*

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and a full actuarial investigation was conducted as at 30 June 2017.

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

	2019 $ million	2017 $ million
A VBI surplus	151.3	69.8
A total service liability surplus	233.4	193.5
A discounted accrued benefits surplus	256.7	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

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 2019.

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

2020 interim actuarial investigation

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

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

Superannuation contributions

Contributions by Council to the below superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Type of scheme	Rate	Consolidated 2020 $'000	Consolidated 2019 $'000
Vision Super	Defined benefits	9.50%	365	397
Vision Super	Accumulation	9.50%	3,316	3,412
Other funds	Accumulation	9.50%	2,174	1,852

There were no payments made to Vision Super unfunded liability during 2019–20 (2018–19 – $nil).

As at 30 June 2020 outstanding contribution payable of $1,000 relates to Dandenong Market Pty Ltd and no loans issued from or to the above schemes.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is $375,000.

Note 10 Change in accounting policy

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

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

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

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

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

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

b) AASB 16 *Leases*

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

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

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

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

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

d) Transition impacts

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019.

	Consolidated 2019 $'000
Retained earnings at 30 June 2019	876,273
Revenue adjustment – impact of AASB 15 *Revenue from Contracts with Customers*	(27)
Income adjustment – impact of AASB 1058 *Income of Not-for-Profit Entities*	(3,145)
Leases adjustment – impact of AASB 16 *Leases*	(3)
Retained earnings at 1 July 2019	**873,098**

Note 10 Change in accounting policy *(contimued)*

	Consolidated		
	As reported 30 June 2019 $'000	Adjustments $'000	Post Adoption 1 July 2019 $'000
Assets			
Right of use assets	-	1,431	1,431
	-	1,431	1,431
Liabilities			
Accrued expenditure	(1,813)	1,810	(3)
Unearned income – operating grants	-	(1,840)	(1,840)
Unearned income – capital grants	-	(2,062)	(2,062)
Unearned income – DCP	-	(27,718)	(27,718)
DCP trust funds	(26,635)	26,635	-
Lease liability – current	-	(542)	(542)
Lease liability – non-current	-	(889)	(889)
	(28,448)	(4,606)	(33,054)
Adjustment to Retained earnings at 1 July 2019		(3,175)	

Note 11 Impact of COVID-19 pandemic on Council's operations and 2019–20 financial report

The COVID-19 pandemic has resulted in one of the most challenging and uncertain times in recent history. At balance date, the state of Victoria was subject to 'Stage 3' restrictions. On the 2 August 2020, Victoria was declared a 'state of disaster' and metropolitan Melbourne became subject to 'Stage 4' restrictions.

Council unveiled local economic support on the 14 April 2020 to support our most vulnerable community members during the COVID-19 pandemic. A series of measures were introduced to ease the financial burden on Greater Dandenong residents, local businesses and community groups. The measures combined with other costs have impacted Council's operations for the financial year end 30 June 2020 in the following areas:

Rate relief package

Council extended its Financial Hardship Policy in response to COVID-19 on the 14 April 2020. No interest charged on outstanding rates and immediate relief to residents by way of $100 rate waivers to each of the City's 10,728 pensioners and $200 to those residents receiving the new Jobseeker allowance. Rate waivers provided up until 30 June 2020 resulted in foregone revenue $1.15 million.

Deferral of rates revenue received/interest free period has resulted in the debtor balance as at 30 June 2020 to increase by $1.99 million compared to 2018–19. Penalty interest waived on outstanding rates is estimated to around $250,000.

Dandenong Market

Council provided rental waivers for all traders at the Dandenong Market at a cost of $1.5 million to provide stimulus funding to encourage traders to remain open and allow the market to continue to be a source of fresh, affordable food.

Material Aid

Council supported the distribution of around 15 tonnes of food to our community, including fresh fruit, vegetables and non-perishable food through material aid funding. Expenses relating to the provision of material aid at 30 June 2020 was $159,000.

Other impacts to Council's operations

In response to significant decrease in demand / government directive amidst the COVID-19 outbreak, Council's leisure centre facilities / libraries / community centres including Council's Drum Theatre were closed. Council waived rents for many of Council's commercial leaseholders and for those that continued to trade, rent reductions of 50% from 1 April – 30 June 2020. Rental rebates were offered to sporting clubs for seasonal venue hire and other facilities that were forced to close. Council also suspended enforcement of time restrictions for parking in and around the municipality.

Impacts to Council's revenue is as follows:

Statutory fees and fines and Council user fees decreased by $2.37 million compared to the 2019–20 Original Budget. The most significant decreases are as follows:

- Car parking, ticket machine and permit income $727,000.
- Transport civil development statutory and user fees, mainly subdivision, plan checking and asset protection fee income $446,000.

- Statutory planning applications, subdivision certificate and user fees $256,000.
- Building and compliance services mainly building permit and fines income $199,000.
- General law enforcement statutory fees and fines $155,000.
- Health statutory fees and fine income $122,000.
- Drum Theatres closure resulted in a decrease of $203,000 in fee income.

Other income reductions – a loss in rental and venue hire income due to COVID-19 restrictions and waivers provided in areas such as The Drum Theatre, civic and community facilities and commercial properties ($609,000).

Council will continue to monitor the impacts during 2020–21 and will actively manage its budgets to ensure the financial outcomes to Council remain in alignment with Council budgets.

Council's Land and Buildings valuation at 1 January 2020

A formal valuation of land and buildings was performed at 1 January 2020 undertaken by qualified independent valuers, Proval (Vic) Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. The 1 January 2020 revaluation of land resulted in an increment of $18.79 million (1.7% increase on the opening balance of land at fair value).

Proval (Vic) Pty Ltd undertook a review of 'Annual Material Change' in the fair value of the land and building asset classes in the City of Greater Dandenong portfolio for the period 1 January 2020 to 30 June 2020. No material change was identified based on data available.

The state of the property market within the review period is at present most influenced by the recent COVID-19 pandemic and resulting declaration of State of Emergency. Market conditions are changing daily at present. The full extent of the effect of these conditions upon the property market and broader economic environment is unclear at best. Initial falls in auction and inspection attendance rates prior to the State of Emergency, the evolution and ensuing shift to online auctions only, and recent return of on-site auctions, albeit limited in attendance numbers, have at varying times all conspired to result in a period of limited transaction volumes from which to base a meaningful and thorough analysis process. For the period of the annual material change review, we consider that there is a market uncertainty resulting in significant valuation uncertainty.

Valuation of infrastructure

Infrastructure assets valued at fair value are subject to an annual review of replacement rates. This review uses several inputs which are mainly sourced from the February 2020 update of the Rawlinsons Australian Construction Handbook. At balance date, no adjustment has been made to the fair value valuation due to the market that the assets are transacted in is being impacted by the uncertainty that the COVID-19 outbreak has caused. These assets are specialised assets classified at level three under AASB 13. This means that the fair value valuations are based on techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The COVID-19 impacts on these asset valuations are particularly difficult to assess as there is generally no observable market for these assets. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

CUSTOMER SERVICE CENTRE LOCATIONS

Dandenong Civic Centre
Level 2, 225 Lonsdale Street, Dandenong
Hours of operation: 8.30am–5pm Monday to Friday

Springvale
5 Hillcrest Grove, Springvale
Hours of operation: 8.30am–5pm Monday to Friday

Parkmore
Shop A7, Parkmore Shopping Centre
Cheltenham Road, Keysborough
Hours of operation: 9am–5pm Monday to Friday, 9am–1pm Saturday

Phone 8571 1000
Fax 8571 5196
council@cgd.vic.gov.au

NATIONAL RELAY SERVICE
TTY: 133 677
Speak and listen: 1300 555 727
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