

MONASH CITY COUNCIL
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

Monash City Council
Annual Financial Report

for the Year Ended 30 June 2020

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CERTIFICATION OF THE FINANCIAL REPORT

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.

.....

Principal Accounting Officer
Daniel Wain CPA

Dated: 25 August 2020

In our opinion the accompanying financial report presents fairly the financial transactions of Monash City Council for the year ended 30 June 2020 and the financial position of the Council as of that date.

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

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

.....

Stuart James
Mayor

.....

Geoff Lake
Councillor

.....

Dr Andi Diamond
Chief Executive Officer

Dated: 25 August 2020

Comprehensive Income Statement For the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Revenue			
Rates & Charges	3.1	125,594	121,187
Statutory Fees & Fines	3.2	11,813	10,906
User Fees	3.3	19,162	25,831
Grants - Operating	3.4	18,705	19,565
Grants - Capital	3.4	4,078	6,669
Contributions - monetary	3.5	11,241	9,837
Contributions - non-monetary	3.5	295	756
Net (loss)/gain on disposal of Property, Infrastructure, Plant & Equipment	3.6	457	343
Share of net profit/(loss) of joint operation accounted for by the equity method	6.3	(188)	(156)
Other Income	3.7	2,897	3,817
Total Revenue		194,054	198,755
Expenses			
Employee Costs	4.1	80,412	76,716
Materials & Services	4.2	69,925	73,127
Depreciation	4.3	29,519	27,481
Amortisation-Intangible Assets	4.4	1,101	789
Amortisation- Right Of Use Assets	4.5	1,069	-
Finance Costs-Leases	4.6	92	-
Other Expenses	4.7	657	683
Total Expenses		182,775	178,796
Surplus for the year		11,279	19,959
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net Asset revaluation (decrement) /increment	9.1 (a)	1,059	(153,194)
Total Comprehensive result		12,338	(133,235)

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

Balance Sheet As at 30 June 2020

ASSETS	Note	2020 \$'000	2019 \$'000
Current Assets			
Cash & Cash Equivalents	5.1	44,783	35,971
Trade & Other Receivables	5.1	14,365	9,463
Other Financial Assets	5.1	45,077	68,077
Non Current Assets Classified as held for sale	6.1	2,905	4,125
Other Assets	5.2	1,384	1,061
Total Current Assets		108,514	118,697
Non-Current Assets			
Investments in joint arrangement accounted for using the equity method	6.3	478	832
Property, Infrastructure, Plant & Equipment	6.2	3,220,439	3,191,940
Right Of Use Assets	5.7	8,150	-
Intangible Assets	5.2	4,907	3,327
Other Non Current Assets		51	-
Total Non-Current Assets		3,234,025	3,196,099
TOTAL ASSETS		3,342,539	3,314,796
LIABILITIES			
Current Liabilities			
Trade & Other Payables	5.3	22,478	19,707
Trust Funds & Deposits	5.3	13,598	12,507
Unearned Income/Income in Advance	5.3	3,210	862
Provisions	5.4	16,431	16,996
Lease Liabilities	5.7	1,488	-
Total Current Liabilities		57,205	50,072
Non-Current Liabilities			
Provisions	5.4	2,974	1,247
Liabilities in joint arrangement accounted for using the equity method	6.3	1,896	2,062
Lease Liabilities	5.7	6,710	-
Total Non-Current Liabilities		11,580	3,309
TOTAL LIABILITIES		68,785	53,381
NET ASSETS		3,273,754	3,261,415
EQUITY			
Accumulated Surplus		1,014,469	1,002,133
Reserves	9.1	2,259,285	2,259,282
TOTAL EQUITY		3,273,754	3,261,415

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 2020 \$'000	Accumulated Surplus 2020 \$'000	Asset Revaluation Reserve 2020 \$'000	Other Reserves 2020 \$'000	Total 2019 \$'000	Accumulated Surplus 2019 \$'000	Asset Revaluation Reserve 2019 \$'000	Other Reserves 2019 \$'000
Balance at beginning of the Financial Year		3,261,415	1,002,133	2,231,223	28,059	3,394,650	985,589	2,384,417	24,644
Surplus for the year		11,279	11,279	-	-	19,959	19,959	-	-
Net Asset revaluation increment /(decrement)	9.1	1,059	-	1,059	-	(153,194)	-	(153,194)	-
Transfers from Reserves	9.1	-	11,698	-	(11,698)	-	6,600	-	(6,600)
Transfers to Reserves	9.1	-	(10,642)	-	10,642	-	(10,015)	-	10,015
Balance at End of the Financial Year		3,273,754	1,014,469	2,232,282	27,003	3,261,415	1,002,133	2,231,223	28,059

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	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
Cash Flows from Operating Activities			
Rates & Charges		122,449	120,549
Statutory Fees & Fines		11,813	10,906
User Fees		18,537	25,702
Grants - Operating		21,066	19,032
Grants - Capital		4,091	6,128
Contributions-monetary		11,241	9,837
Interest Received		1,915	2,696
Trusts and Refundable Deposits taken		935	1,069
Other Receipts		1,128	1,380
Net GST Refund		9,648	9,749
Employee Costs		(82,787)	(76,148)
Materials, Services and Contracts Paid		(79,215)	(79,173)
Trusts and Refundable Deposits repaid		156	(37)
Other Payments		(657)	(683)
Net cash used by operating activities	9.2	40,320	51,007
Cash Flows from Investing Activities			
(Payments for) / Proceeds from Investment(Net)		23,000	(15,075)
Payments for Acquisition of Property, Infrastructure, Plant and Equipment		(55,257)	(38,856)
Proceeds from Sale of Property, Infrastructure, Plant and Equipment		1,863	2,032
Net cash used by investing activities		(30,394)	(51,899)
Cash Flows from financing Activities			
Interest paid-lease liability		(92)	-
Repayment of lease liabilities		(1,021)	-
Net cash used by financing activities		(1,113)	-
Net (decrease) increase in cash and cash equivalents		8,813	(892)
Cash and cash equivalents at the beginning of the financial year		35,971	36,863
Cash and Cash equivalents at the end of the financial year	5.1 (a)	44,783	35,971
Financing arrangements	5.5		
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

	2020 \$'000	2019 \$'000
Property		
Land Improvements	13	12
Buildings & Building Improvements	30,317	9,475
Total property	30,330	9,487
Plant and equipment		
Plant, machinery and equipment	2,002	3,105
Fixtures, fittings and furniture	644	663
Computers and telecommunications	5,797	3,866
Library books	1,271	1,288
Total plant and equipment	9,714	8,922
Infrastructure		
Roads	5,693	8,050
Bridges	116	63
Footpaths and cycleways	5,361	6,709
Drainage	1,955	1,948
Recreational, leisure and community facilities	4,116	3,019
Waste management	212	7
Parks, open space and streetscapes	3,178	3,062
Off street car parks	1	277
Other infrastructure	265	16
Total infrastructure	20,897	23,151
Total capital works expenditure	60,941	41,560
Less transferred to operating as unable to capitalise from work in progress	(1,404)	(877)
Adjusted Balance of Capital Works Expenditure	59,537	40,683
Represented by:		
New asset expenditure	3,093	-
Asset renewal expenditure	39,268	31,054
Asset expansion expenditure	5,247	2,094
Asset upgrade expenditure	13,333	8,412
Total capital works expenditure	60,941	41,560
Less transferred to operating as unable to capitalise from work in progress	(1,404)	(877)
Adjusted Balance of Capital Works Expenditure	59,537	40,683

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

OVERVIEW

Introduction

The City of Monash was established by an Order of the Governor in Council on December 1994 and is a body corporate. The Council's main office is located at 293 Springvale Road, Glen Waverley, Victoria.

COVID-19 Impacts on Council

The COVID-19 pandemic has had a significant impact on our residents, businesses and organisations. In response to those impacts Council reframed its hardship policy to provide support to the community, including deferral, on application, for rate payments and fees and charges that will help sustain residents who are living in a new reality. We do not believe that these measures will have a material effect on Council's overall finances going forward.

In line with government restrictions due to COVID-19, Council reduced its operating costs at its aquatic and leisure centres, and closed other public facilities such as libraries, halls and golf courses. These facilities are mostly funded from fee paying clients so our revenues were also significantly reduced. As we navigate through recovery, there will be financial impacts on the 2020/21 budget and beyond.

Despite these challenges, the majority of important Council services including waste and recycling, road and drain maintenance and, community services have continued to be delivered. These include home care and meals-on-wheels, child immunisation, parks and garden maintenance, and customer service.

Throughout the document we have made reference to the COVID-19 financial impacts with additional disclosure. (refer to Note 1, Note 5.1, Note 6.2 & Note 8.5)

Statement of compliance

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

Significant accounting policies

(a) Basis of Accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.4)
- the determination of Council results by program (refer to Note 2.1)
- 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 5.7)

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

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

Note 1 Performance Against Budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold greater than 10 percent and \$1,000,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 25 June 2019. The budget was based on assumptions that were relevant at the time of adoption of the budget. Council set guidelines and parameters for revenue and expense targets in this budget in order to meet Council's business plan and financial performance targets for both the short and long-term. The budget did not reflect expected 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

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Income					
Rates and charges	125,740	125,594	(146)	-0.1%	
Statutory fees and fines	10,596	11,813	1,217	11.5%	1
User fees	24,467	19,162	(5,305)	-21.7%	2
Contributions - monetary	6,587	11,241	4,654	70.7%	3
Contributions - non monetary	-	295	295	-100.0%	
Grants - Operating (recurrent)	15,558	18,036	2,478	15.9%	4
Grants - Operating (non-recurrent)	781	669	(112)	-14.3%	5
Grants - Capital (recurrent)	1,304	2,062	758	58.1%	6
Grants - Capital (non-recurrent)	2,239	2,016	(223)	-10.0%	7
Other Revenue	3,367	2,897	(470)	-14.0%	8
Profit from Sale of Assets		457	457	0.0%	
Share of net loss of joint operation		(188)	(188)	0.0%	
Total income	190,639	194,054	3,415	1.8%	
Expenses					
Employee costs	80,717	80,412	305	0.4%	
Materials, Services & Contracts	70,117	69,925	192	0.3%	
Depreciation	28,872	29,519	(647)	-2.2%	
Amortisation-intangible assets	920	1,101	(181)	0.0%	
Amortisation- right of use assets	-	1,069	(1,069)	0.0%	9
Finance Costs-leases	-	92	(92)	0.0%	
Other Expenses	773	657	116	15.0%	10
Total expenses	181,399	182,775	(1,376)	-0.8%	
Surplus for the year	9,240	11,279	2,039	22.1%	

Note 1 Performance Against Budget (Cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Statutory fees and fines through car parking infringements were better than budgeted by \$0.2M, in addition to court recovered income of \$0.93M. Planning income related to swimming pool inspections and compliance was additional during the year of which \$0.23M was achieved as well as asset protection income of \$0.08M. These favourable budget variances were partially offset by an unfavourable budget variance in town planning applications due to a decline in development activity, this was approximately \$0.19M.
2	User Fees	With the restrictions imposed by the State Government to control the spread of the covid-19 virus, this saw a number of Council facilities temporarily closed. These services included the leisure and aquatic centres, libraries, golf courses, recreation centres, community halls and Monash Gallery of Art. These impacts resulted in lower than budgeted user fees of \$5.3M, with predominantly the impact felt at Council's 3 aquatic and leisure centres of \$3.57M variance to budget. Other income areas effected by the covid-19 restrictions included the hire and rental charges (\$0.37M) and service charges at Council's child care centre (\$0.61M), however this was supplemented by additional grant funding as the Government was providing additional child care relief during the pandemic. User fees also dropped due to ceasing the family day care service from January 2020 (\$0.34M) and lower than budgeted income received at the waste transfer station (\$0.21M).
3	Contributions-monetary	Contributions -monetary have exceeded the budget in public open space contributions (\$5.43M) predominantly from large developments and in addition to unbudgeted capital contributions related to the redevelopment of the Oakleigh Recreation Centre (\$0.25M), car parking project at Clapham Road Oakleigh (\$0.91M) and Princes Hwy Reserve scoreboard (\$0.065M). This is partially offset by an unfavourable variance to budget in parking contributions (\$1.3M).
4	Grants- Operating (recurrent)	Operating grants (recurrent) are higher than budget by \$2.48M mostly related to the advance receipt of \$2.22M Financial Assistance Grant funding allocation for 2020/21. Additional growth subsidy of \$0.14M for home and community care, children and family services related to child care grants (\$0.37M).
5	Grants- Operating (non-recurrent)	Operating grants (non-recurrent) are lower than budget by \$0.112M or 14.3%, mostly related to unspent grants for a feasibility study at the Monash Gallery of Art (\$0.42M). The unspent portion of funds have been recognised in the Balance Sheet under the new Accounting Standards AASB 15 Revenue from Contracts with Customers. This unfavourable variance is partially offset by additional support funding related to covid-19 through Working for Victoria grant and additional meals (total \$0.28M) funding was received. In addition, receipt of unbudgeted funding associated with gender equality, community leaders united by sports club grant and free from violence funding (\$0.18M) was also received during the year.
6	Grants- Capital (recurrent)	Capital grants (recurrent) is \$0.75M over budget mainly due to the advance payment of the 2020/21 Financial Assistance Grant funding allocation paid in 2019/20 (\$0.64M).
7	Grants- Capital (non-recurrent)	Capital Grants (non-recurrent) is lower than budget by \$0.22M as most of these were tied funding and have been transferred to unspent grants in the Balance Sheet. These in particular are the funding related to the redevelopment project at the Oakleigh Recreation Centre (\$0.25M), Mulgrave Reserve Pavilion (\$0.1M) and the Caloola Reserve project (\$0.12M). The lower than budgeted grant income is partially offset by unbudgeted grant related to the Safety System Road Infrastructure Program (SSRIP) which was a joint TAC and VicRoads project to upgrade high risk roads (\$0.26M).
8	Other Revenue	Other revenue was under budget by \$0.37M as interest on investment underperformed due to lower than budgeted interest rates and did not achieve budget by \$0.6M. This is partially offset by a favourable budget variance related to donations through Creative Partnerships Australia.
9	Amortisation- right of use assets	The 2019/20 year was the first year of implementing the reporting requirements of the new accounting standard on Leases (AASB 16 Leases). This was not budgeted and shows an overspend of \$1.02M. The new standard requires leases to be recognised as assets in the balance sheet, these items include printers, gym equipment and building leases. It is an accounting measure which attempts to allocate the value of an asset over its useful life.
10	Other Expenses	Other expenses are favourable to budget by \$0.17M or 15% mostly due to delaying planned internal audit reviews as covid-19 restrictions prevented progressing the 2019/20 audit program.

Note 1 Performance Against Budget (Cont'd)

1.2 Capital Works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
Property					
Land Improvements	36	13	23	100.0%	
Buildings & Building improvements	33,668	30,317	3,351	10.0%	1
Total Property	33,704	30,330	3,374	10.0%	
Plant and Equipment					
Plant, machinery and equipment	3,004	2,002	1,002	33.4%	2
Fixtures, fittings and furniture	642	644	(2)	-0.3%	
Computers and telecommunications	5,598	5,797	(199)	-3.6%	
Library books	1,325	1,271	54		
Total Plant and Equipment	10,569	9,714	855	8.1%	
Infrastructure					
Roads	4,422	5,693	(1,271)	-28.7%	3
Bridges	115	116	(1)	-0.9%	
Footpaths and cycleways	5,568	5,361	207	3.7%	
Drainage	2,116	1,955	161	7.6%	
Recreational, leisure and community facilities	3,247	4,116	(869)	-26.8%	4
Waste management	236	212	24	10.2%	5
Parks, open space and streetscapes	3,030	3,178	(148)	-4.9%	
Off street car parks	-	1	(1)	0.0%	
Other infrastructure	433	265	168	38.8%	6
Total Infrastructure	19,167	20,897	(1,730)	-9.0%	
Total Capital Works Expenditure	63,440	60,941	2,499	3.9%	
Less transferred to operating as unable to capitalise from work in progress	-	(1,404)	1,404		
Adjusted Balance of Capital Works Expenditure	63,440	59,537	3,903	6.2%	
Represented by:					
New asset expenditure	3,220	3,093	127	3.9%	
Asset renewal expenditure	40,878	39,268	1,610	3.9%	
Asset expansion expenditure	5,462	5,247	215	3.9%	
Asset upgrade expenditure	13,880	13,333	547	3.9%	
Total Capital Works Expenditure	63,440	60,941	2,372	3.7%	
Less transferred to operating as unable to capitalise from work in progress	-	(1,404)	1,404		
Adjusted Balance of Capital Works Expenditure	63,440	59,537	3,776	6.0%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings & Building improvements	The Montclair Avenue Multi-Level Car Park project was suspended by Council for 6 months awaiting a clearer direction on the Suburban Rail Loop project and determination of the preferred underground station envelope, resulting in an underspend of \$1.7M; \$1.8M underspend on Caloola Reserve multi-sport pavilion is due to delay in commencement of construction in 2019/20. The delay was due to necessary extended user group consultation and review of the pavilion design to ensure the final layout met user requirements within available budgets. Oakleigh Recreation Centre Redevelopment additional expenditure (\$1.2M) is due to additional required works (Electrical, Mechanical and Fire services). Central Reserve Grandstand project was an unbudgeted project (\$1.1M). Work had commenced the previous year (2018/19) on the design which required further negotiation and user group engagement (Waverley Gem Club & Woodworkers Group) to amend the design to provide a cost efficient design. The total overspend in the Building & Building Improvements category was offset to other projects that are underspent or for incomplete projects have been carried forward to FY20-21.
2	Plant, machinery and equipment	Planned purchases of equipment within the fleet and plant renewal program were delayed due to COVID-19 related border closures, this resulted in an underspend of \$0.9M in the program which will be carried over to 2020/21.
3	Roads	The overall roads capital spend was over budget by \$1.27M. This is due mainly to Atherton Road - Road Reconstruction Project (\$1.18M). During the delivery of the works various problems / latent conditions were encountered that required additional funding to complete incl: investigation and removal of a large number of additional plane trees, asbestos pipe removals, night works, additional bluestone edging works, communications & electrical conduits for smart city integration, traffic signal renewal, root barrier & strata vault installations, drainage alignment alterations, significant road pavement reconstruction, service alterations, associated traffic management & delay costs incurred in delivering the above.
4	Recreational, leisure and community facilities	Three major unbudgeted projects were incorporated into the Capital Works Program in 2019/20, including Gladeswood Reserve Baseball Improvements (\$0.4M) - Funded by Monash University to enable baseball to be relocated from their Monash University Campus in Clayton which was earmarked to be utilised for the new Monash Heart Hospital. The project wasn't identified until after adoption of the 2019/20 budget; Gardiners Reserve Modular Change Rooms (\$0.2M) The Eastern Lions Soccer Club seniors in the 2019 season won the right to be promoted in the top level of NPL in 2020. This was known by Council in September 2019. As a result of being promoted Football Victoria has provided Council with the minimum facility standards required for clubs playing at this level. Wellington Reserve Sportsground Lighting Upgrade (\$0.3M) - through condition assessments the existing lighting towers were assessed and found to be structurally at the end of their life. The project was identified as a priority as part of the structures renewal program of works but a pole collapse occurred which escalated this site to be undertaken during the 2019/20 FY.
5	Waste Management	The waste management capital program (underspent by \$0.02M) relates to reactive management of post closure landfill sites and fluctuates based on the required works in a given period.
6	Other Infrastructure	Other infrastructure capital expenditure is under budget by 39.1% with the program of works identified in 2018/19 able to be delivered in the 2019/20 FY at a lower cost than originally forecast. The surplus funds were identified and partially reallocated to other infrastructure projects in this category during the period. The remaining surplus funds will be carried forward into 2020/21 to support the delivery of priority projects identified out of the structures condition audits scheduled for 2020/21.

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2.1 (a) Chief Executive

This division provides corporate management necessary to ensure the effective, efficient and innovative implementation of programs and communication of Council's achievement in policies and programs to external and internal audiences. It includes Corporate Administration and Customer Services, Communications and People and Culture.

Corporate Services

This division works across the organisation to support departments to deliver services and projects that benefit Monash's diverse community. This entails planning, strategic discussion, continuous improvement, business assurance, monitoring, reporting and evaluation support. The division manages Council processes regarding Tendering, Contracts and Purchasing. Corporate Services manages the Budget, Annual Report, Financial Reporting and Property & Valuation services.

Community Development & Services

This division provides a wide range of customer focused services which are relevant, of high quality, responsive to community needs and are accessible to all residents of Monash. It includes Active Monash, Arts & Culture, Children, Youth and Family Services, Community Support and Libraries and Community Strengthening.

City Development

This division aims to further develop the Council's environment through effective strategic city, environmental and social planning, building control and municipal regulation. It includes City Planning, Public Health & Community Law, Property, Strategic Planning and Economic Development and Urban Design and Architecture.

Infrastructure and Environment Services

This division's role is to efficiently provide and maintain City infrastructure and facilities to meet operating performance standards set by other divisions. It includes Horticultural Services, Engineering, Strategic Asset Management, Sustainable Monash and Capital Works.

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

Note 2.1 Analysis of Council results by program

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

	Income \$'000	Expenses \$'000	Surplus/(Deficit) \$'000	Grants included in income \$'000	Total assets \$'000
2020					
Chief Executive	695	21,195	(20,500)	-	-
Corporate Services	132,828	39,504	93,324	4,550	3,225,346
Community Development & Services	24,118	41,587	(17,469)	13,537	-
City Development	14,704	17,186	(2,482)	614	-
Infrastructure and Environment Services	21,709	63,303	(41,594)	4,082	-
	194,054	182,775	11,279	22,783	3,225,346

	Income \$'000	Expenses \$'000	Surplus/(Deficit) \$'000	Grants included in income \$'000	Total assets \$'000
2019					
Chief Executive	1,094	20,758	(19,664)	-	-
Corporate Services	129,799	36,337	93,462	4,243	3,195,267
Community Development & Services	30,266	42,807	(12,541)	14,498	-
City Development	14,370	20,947	(6,577)	727	-
Infrastructure and Environment Services	23,226	57,947	(34,721)	6,766	-
	198,755	178,796	19,959	26,234	3,195,267

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

Note 3 Funding for the delivery of our services

	2020 \$'000	2019 \$'000
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3.1 Rates and Charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all improvements. The valuation base used to calculate general rates for 2019/20 was \$ 76.695billion (2018/19 \$81.964 billion). The 2019/20 rate in the dollar for residential was \$0.00158350 (2018/19 \$0.00141486 and for other properties \$0.00179606 (2018/19 \$0.00175623).

General Rates	122,927	118,617
Cultural & Recreational	266	206
Supplementary rates & rate adjustments	896	886
Recycling Levy	1,505	1,478
Total Rates and Charges	125,594	121,187

The date of the latest general revaluation of land for rating purposes within the municipality is 1 January 2019 and the valuation was first applied in the rating year commencing 1 July 2019. Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory Fees and Fines

Infringements	6,262	6,557
Court Recoveries	1,588	593
Town Planning Fees	3,130	2,906
Land Information Certificates	147	135
Permits	686	715
Total Statutory Fees and Fines	11,813	10,906

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

3.3 User Fees

Aged, Health and Children's Services	2,516	3,073
Recreation Fees	7,717	11,691
Waste Transfer Station	2,553	2,472
Building Services Fees	1,686	1,822
Library Fees and Fines	126	174
Bin Charges	1,754	1,630
Lease Charges	493	517
Hire and Rental Charges	564	1,072
Other Fees and Charges	1,753	3,380
Total User Fees	19,162	25,831

User fees by timing of revenue recognition

User fees recognised over time	292	174
User fees recognised at a point in time	18,870	25,657
Total User Fees	19,162	25,831

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

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

	2020 \$'000	2019 \$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	16,860	15,407
State funded grants	7,212	10,827
Total grants received	22,783	26,234
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	4,286	4,164
Family and Children	1,672	2,217
General Home Care	7,572	7,191
Recurrent - State Government		
Family and Children	224	223
Maternal & child health	1,357	1,442
Libraries	1,218	1,188
General Home care	817	1,023
Youth Services	60	392
School crossing supervisors	574	550
Other	256	317
Total recurrent operating grants	18,036	18,707
Non Recurrent - Commonwealth Government		
Family and Children	-	-
Non Recurrent - State Government		
Community	197	342
Youth services	163	209
Recycling relief grant	29	10
Other	280	297
Total non-recurrent operating grants	669	858
Total operating grants	18,705	19,565
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	807	561
Financial Assistance Grants - Local Roads	1,234	1,274
Recurrent - State Government		
Libraries	21	22
Total recurrent capital grants	2,062	1,857
Non Recurrent - State Government		
Buildings & Building improvements	1,289	610
Computers and Telecommunications	114	374
Fixtures Fittings & Furniture	14	-
Footpaths & Cycleway	248	2,250
Parks & Open space and streetscapes	171	30
Recreational & Leisure and community facilities	92	554
Roads	25	980
Other infrastructure	63	14
Total non recurrent capital grants	2,016	4,812
Total capital grants	4,078	6,669
Total Grants	22,783	26,234
(c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	940	89
Received during the financial year and remained unspent at balance date	1,879	940
Received in prior years and spent during the financial year	(940)	(89)
Balance at year end	1,879	940
Capital		
Balance at start of year	1,155	2,776
Received during the financial year and remained unspent at balance date	485	1,155
Received in prior years and spent during the financial year	(1,155)	(2,776)
Balance at year end	485	1,155

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

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

	2020	2019
	\$'000	\$'000
3.5 Contributions		
Monetary	11,241	9,837
Non-monetary	295	756
Total Contributions	11,536	10,593

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

Infrastructure	77	435
Other	218	321
Total Non-Monetary Contributions	295	756

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

3.6 Net Gain/(Loss) on Disposal of Property, Infrastructure, Plant and Equipment

Land & Buildings		
Proceeds from Sale of Assets	1,401	1,249
Sale Cost	(33)	(16)
Written Down Value of Assets Disposed	(1,229)	(1,184)
Write back of Revaluation on Assets Disposed	78	164
Gain on Disposal of Land & Buildings	217	213
Plant & Equipment		
Proceeds from Sale of Assets	496	783
Written Down Value of Assets Disposed	(255)	(649)
Gain on Disposal of Plant & Equipment	241	134
Infrastructure		
Written Down Value of Assets Disposed		(3)
Gain on Disposal of Infrastructure and Plant & Equipment	-	(3)
Total		
Proceeds from Sale of Assets	1,863	2,032
Write back of Revaluation on Assets Disposed	78	164
Written Down Value of Assets Disposed	(1,484)	(1,853)
Total Net Gain/(Loss) on Disposal of Property, Infrastructure, Plant and Equipment	457	343

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

3.7 Other Income

Investment Interest	1,517	2,314
Rates and Charges Interest	398	382
Other Income	982	1,121
Total Other Income	2,897	3,817

Interest is recognised progressively 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.

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

	2020	2019
	\$'000	\$'000
Note 4 The cost of delivering services		
4.1 (a) Employee Costs		
Salaries & Wages	67,525	61,858
Work cover *	1,780	839
Casual staff	5,141	6,664
Superannuation	6,236	5,885
Fringe Benefits Tax	276	275
Long Service Leave	1,247	2,210
Other Employee Related costs	922	961
	83,127	78,692
Less: Amounts capitalised (non-current assets constructed by Council)	(2,715)	(1,976)
Total Employee Costs	80,412	76,716

* 19/20 WorkCover expense includes a one-off payment of \$488K that relates to a debt to Worksafe from 2017-2019 capped premium obligation.

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	447	467
	447	467
Employer contributions at payable date	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,378	3,243
Employer contributions - other funds	2,369	2,175
	5,747	5,418
Employer contributions at payable date	132	1411

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

4.2 Materials and Services

Waste Management Services	18,721	17,164
Building Maintenance	7,173	6,281
General Maintenance	10,939	10,093
Local Law Services	4,958	8,080
Fleet Management	821	894
Legal costs	1,341	1,323
General Administration Costs	9,918	11,683
Consultants	1,564	1,565
Utilities	4,200	4,853
Insurance	1,914	1,811
Information Technology	5,008	5,695
Bad and doubtful debts	13	28
Other	3,356	3,657
Total Materials and Services	69,925	73,127

4.3 Depreciation

Buildings	7,473	7,577
Plant and Equipment	6,125	5,715
Infrastructure	15,921	14,189
Total Depreciation	29,519	27,481

4.4 Amortisation - Intangible assets

Intangible Assets	1,101	789
Total Amortisation - Intangible assets	1,101	789

4.5 Amortisation - Right of use assets

Property	468	-
Gym Equipment	221	-
Waste Contract- Vehicles	184	-
Printers	196	-
Total Amortisation - Right of use assets	1,069	-

4.6 Finance Costs - Leases

Interest - Lease Liabilities	5.7	92	-
Total Finance Costs		92	-

4.7 Other Expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	71	71
Auditors Remuneration - Internal	133	170
Councillor Allowances	453	442
Total Other Expenses	657	683

	2020	2019
	\$'000	\$'000
Note 5 Our financial position		
5.1 Financial Assets		
(a) Cash and Cash Equivalents		
Cash at bank	2,764	2,955
Cash on hand	19	16
Short term deposits (with a maturity date of 90 Days or less)	42,000	33,000
Total Cash and Cash Equivalents	44,783	35,971
(b) Other Financial Assets		
Term deposits - Current	45,000	68,000
Other	77	77
Total Other Financial Assets	45,077	68,077
Total Financial Assets	89,860	104,048

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)	13,598	12,507
Statutory Reserves	16,999	13,310
Total Restricted funds	30,597	25,817
Total Unrestricted Cash and Cash Equivalents	14,186	10,154

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

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

(c) Trade and Other Receivables

Current

Statutory Receivables

Rates Receivable	8,002	4,899
Parking Infringements	9,884	8,206
Less: Provision for Doubtful Debts	(7,984)	(7,304)
	9,902	5,801

Non- Statutory Receivables

Sundry debtors	2,649	2,804
Less: Provision for Doubtful Debts	(85)	(79)
New GST Receivable	1,899	937
	4,463	3,662

Total Trade and Other Receivables	14,365	9,463
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Receivables are carried at invoice amount. Provision for doubtful debts is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

In response to the impacts of the COVID-19 pandemic, Council reframed its hardship policy to provide support to the community, including deferral, on application, for rate payments and fees and charges that will help sustain residents who are living in a new reality. This has had an impact on the balance of rates receivable as at 30 June 2020, increasing by \$3.1M over 2018/19. The deferment provisions provide relief until June 2021 and the rates receivable balance is expected to return to be consistent with previous years.

(a) Ageing of Receivables

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

Current (not yet overdue)	3,968	2,774
Past due by up to 30 days	137	371
Past due between 31 and 180 days	443	596
Total Trade & Other Receivables	4,548	3,741

Movement in Receivables Provision for Doubtful Debts

Balance at the beginning of the year	79	61
Provisions adjusted during the year	6	18
Balance at the end of year	85	79

Movement in provisions for doubtful debts

Balance at the beginning of the year	7,383	5,622
New provisions recognised during the year	691	1,770
Amounts already provided for and written off as uncollectible	(5)	(9)
Balance at end of year	8,069	7,383

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

(b) Ageing of individually impaired Receivables

At balance date there were no other debtors representing financial assets that were impaired (2018-19 Nil).

	2020 \$'000	2019 \$'000
5.2 Non-Financial Assets		
(a) Other Assets		
Accrued Income	527	732
Prepayments	743	266
Other	114	63
Total Other Assets	1,384	1,061

(b) Intangible Assets

Software

Gross carrying amount

Balance as at 1 July	5,212	4,566
Additions	1,965	646
	7,177	5,212
Work in Progress	1,739	1,023
Balance as at 30 June	8,916	6,235

Accumulated amortisation

Balance as at 1 July	(2,908)	(2,119)
Amortisation expense	(1,101)	(789)
Balance as at 30 June	(4,009)	(2,908)

Net book value as at 30 June

	4,907	3,327
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Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

5.3 Payables

(a) Trade and Other Payables

Operating Payables	9,322	7,835
Capital Payables	8,436	5,990
Employee Costs	3,051	3,869
Parking Infringements	1,669	2,013
Total Trade and Other Payables	22,478	19,707

(b) Trust Funds and Deposits

Refundable Deposits	12,374	10,537
Retention Amounts	665	1,561
Fire Services Property Levy	462	306
Other Refundable Deposits	97	103
Total Trust Funds and Deposits	13,598	12,507

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 recognised as revenue at the time of forfeit.

Purpose and nature of items

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

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

Fire Services Property Levy - Council is the collection agent for fire services property 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.

(c) Unearned Income/Income in Advance

Grants received in advance - operating	1,879	-
Grants received in advance - capital	485	-
Aquatic Facilities Membership & Learn-to Swim	206	158
Rates Paid in Advance	640	577
Other	-	127
Total Unearned Income/Income in Advance	3,210	862

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

5.4 Provisions

2020	Annual leave	Long service leave	Total
	\$ '000	\$ '000	\$ '000
Balance at beginning of the financial year	(5,781)	(12,462)	(18,243)
Additional provisions	(5,482)	(1,247)	(6,729)
Amounts used	4,609	1,417	6,026
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	(194)	(265)	(459)
Balance at the end of the financial year	(6,848)	(12,557)	(19,405)

2019	Annual leave	Long service leave	Total
	\$ '000	\$ '000	\$ '000
Balance at beginning of the financial year	(5,362)	(11,921)	(17,283)
Additional provisions	(5,018)	(1,998)	(7,016)
Amounts used	4,881	1,909	6,790
Decrease in the discounted amount arising because of time and the effect of any change in the discount rate	(282)	(452)	(734)
Balance at the end of the financial year	(5,781)	(12,462)	(18,243)

5.4 Provisions (Cont'd)

	2020	2019
	\$'000	\$'000
(a) Employee Provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	5,059	4,387
Long service leave	2,012	2,355
	7,071	6,742
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,790	1,394
Long service leave	7,570	8,860
	9,360	10,254
Total Current Provisions	16,431	16,996
Non-Current		
Long service leave	2,974	1,247
Total Non-Current Provisions	2,974	1,247

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

Wages and salaries and annual leave

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

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

Long service leave

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

The following assumptions were adopted in measuring the present value of employee benefits:

Weighted average increase in costs	2.25%	2.50%
Weighted average discount rates	0.29%	1.78%
Weighted average settlement period	2-5 Years	2-5 Years

5.5 Financing Arrangements

The Council has the following funding arrangements in place.

Credit card facilities	100	100
Other facilities	7,500	7,500
Total facilities	7,600	7,600
Used facilities		
Unused facilities	16	14
	7,584	7,586

Other facilities include the TNA (Transaction Negotiation Authority) facility on the Direct Entry Bulk File processing .

5.6 Commitments

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

2020	Not later than 1	Later than 1 year	Later than 2	Later than 5	Total
	year	and not later than	years and not	years	
	\$'000	2 years	later than 5	\$'000	\$'000
Operating					
Cleaning Services	448	-	-	-	448
Domestic Waste Collection	16,045	11,959	39,336	14,401	81,741
Other Operating Services	3,257	1,692	822	100	5,871
Printing & IT Infrastructure	3,741	2,898	1,669	-	8,308
Recycling	3,510	1,027	1,078	-	5,615
Repairs & Maintenance	4,077	874	-	-	4,951
Supply Meals/Foodstuffs	474	474	474	-	1,422
Traffic & Parking Management	3,772	1,040	-	-	4,812
Utilities & Fuel	1,280	-	-	-	1,280
Total Operating	36,604	19,964	43,379	14,501	114,448
Capital					
Buildings	6,804	-	-	-	6,804
Infrastructure	2,290	2,456	5,108	-	9,854
Roads	37	-	-	-	37
Total Capital	9,131	2,456	5,108	-	16,695

2019	Not later than 1	Later than 1 year	Later than 2	Later than 5	Total
	year	and not later than	years and not	years	
	\$'000	2 years	later than 5	\$'000	\$'000
Operating					
Cleaning Services	1,451	1,265	-	-	2,716
Domestic Waste Collection	15,980	6,777	6,363	26,464	55,584
Other Operating Services	2,298	654	266	-	3,218
Printing & IT Infrastructure	2,328	1,268	619	6	4,221
Recycling	2,577	-	-	-	2,577
Repairs & Maintenance	1,296	153	81	-	1,530
Traffic & Parking Management	2,788	-	-	-	2,788
Utilities & Fuel	2,602	790	-	-	3,392
Total Operating	31,320	10,907	7,329	26,470	76,026
Capital					
Buildings	21,629	2,000	-	-	23,629
Infrastructure	1,098	60	-	-	1,158
Roads	1,000	-	-	-	1,000
Total Capital	23,727	2,060	0	-	25,787

5.7 Lease

Policy applicable before 1 July 2019

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

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

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

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

Policy applicable after 1 July 2019

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

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

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

The contract involves the use of an identified asset.

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

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 (2.44%). 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.

5.7 Lease (Cont'd)

Right-of-Use Assets

	Property	Waste Contract - Vehicles	Gym Equipment	Printers	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2019	1,559	6,625	529	505	9,218
Amortisation charge	468	184	221	196	1,069
Balance at 30 June 2020	1,091	6,441	308	309	8,150

Lease Liabilities

	2020
	\$'000
Maturity analysis - contractual undiscounted cash flows	
Less than one year	1,488
One to five years	4,593
More than five years	2,117
Total undiscounted lease liabilities as at 30 June:	8,198

Lease liabilities included in the Balance Sheet at 30 June:

Current	1,488
Non-current	6,710
Total lease liabilities	8,198

5.7 Lease (Cont'd)

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 \$8,150M of right-of-use assets and \$8,198M 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 2.44%.

	2019
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	\$'000
Lease liability recognised as at 30 June 2019	2,096
	<u>2,096</u>

Note 6 Assets We Manage

6.1 Non Current Assets Classified As Held For Sale

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

	2020 \$'000	2019 \$'000
Land & Buildings	2,905	4,125
Total Non Current Assets Classified As Held For Sale	2,905	4,125

6.2 Property, Infrastructure, Plant and Equipment

- (a) Summary of Property, Infrastructure, Plant and Equipment
- (b) Summary of Work in Progress
- (c) Details of Property Category
- (d) Details of Plant and Equipment Category
- (e) Details of Infrastructure Category
- (f) Acquisition
- (g) Repairs and Maintenance
- (h) Depreciation and Amortisation
- (i) Revaluation
- (j) Valuation of Property
- (k) Valuation of Infrastructure
- (l) Reconciliation of Specialised Land

6.2 Property, Infrastructure, Plant and Equipment

(a) Summary of Property, Infrastructure, Plant and Equipment

Category	At Fair Value 30 June 2019	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At Fair Value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	2,296,247	-	-	(19)	-	(6)	-	2,296,222
Buildings	207,374	6,192	-	299	(7,473)	59	-	206,451
Plant and Equipment	26,024	6,969	218	780	(6,125)	(253)	-	27,613
Infrastructure	650,296	22,711	77	-	(15,921)	-	-	657,163
Work in progress	11,999	-	-	-	-	-	20,991	32,990
Total	3,191,940	35,872	295	1,060	(29,519)	(200)	20,991	3,220,439

(b) Summary of Work in Progress

Category	Opening WIP	Additions	Transfer to Operating	Reclassification	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Buildings	4,450	30,331	(298)	(646)	(6,192)	27,645
Plant and Equipment	352	5,299	(866)	2,184	(6,969)	0
Infrastructure	7,197	20,897	(240)	202	(22,711)	5,345
Total	11,999	56,527	(1,404)	1,740	(35,872)	32,990

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

6.2 Property, Infrastructure, Plant and Equipment (Cont'd)

Land and Buildings	Land - specialised	Land - non specialised	Land under roads	Total land	Buildings - specialised	Work in progress	Total property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(c) Fair value at 1 July 2019	1,741,631	551,964	2,652	2,296,247	372,124	4,450	2,672,821
Accumulated depreciation at 1 July 2019	-	-	-	-	(164,750)	-	(164,750)
	1,741,631	551,964	2,652	2,296,247	207,374	4,450	2,508,071
Movements in fair value							
Acquisition of assets at fair value				-		\$30,331	30,331
Revaluation decrement	(19)			(19)	358		339
Fair value of assets disposed	(6)			(6)	(514)		(520)
Transfers to Properties for resale				-			-
Transfers to operating				-		(298)	(298)
Reclassification				-		(646)	(646)
Transfer from WIP				-	6,192	(6,192)	-
	(25)	-	-	(25)	6,036	23,195	29,206
Movements in accumulated depreciation							
Depreciation and amortisation	-	-	-	-	7,473	-	7,473
Accumulated depreciation of disposals	-	-	-	-	(514)	-	(514)
	-	-	-	-	6,959	-	6,959
Fair value at 30 June 2020	1,741,606	551,964	2,652	2,296,222	378,160	27,645	2,702,027
Accumulated depreciation at 30 June 2020	-	-	-	-	(171,709)	-	(171,709)
	1,741,606	551,964	2,652	2,296,222	206,451	27,645	2,530,318

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

6.2 Property, Infrastructure, Plant and Equipment (Cont'd)

(d) Plant and Equipment	Plant machinery and equipment	Fixtures fittings and furniture	Computers & telecomms	Artwork	Library books	Work in progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value at 1 July 2019	18,805	16,263	7,968	7,098	6,914	352	57,400
Accumulated depreciation at 1 July 2019	(9,649)	(11,834)	(5,563)	-	(3,978)	-	(31,024)
	9,156	4,429	2,405	7,098	2,936	352	26,376
Movements in fair value							
Acquisition of assets at fair value						5,299	5,299
Contributions				218			218
Revaluation increments/decrements				780			780
Fair value of assets disposed	(1,454)	(31)	(110)		(1,612)		(3,207)
Transfers to operating						(866)	(866)
Reclassification						2,184	2,184
Transfer from WIP	1,873	2,282	1,497	47	1,270	(6,969)	-
	419	2,251	1,387	1,045	(342)	(352)	4,408
Movements in accumulated depreciation							
Depreciation and amortisation	2,322	1,162	1,296		1,345		6,125
Accumulated depreciation of disposals	(1,202)	(30)	(110)		(1,612)		(2,954)
	1,120	1,132	1,186	-	(267)	-	3,171
Fair value at 30 June 2020	19,224	18,514	9,355	8,143	6,572	-	61,808
Accumulated depreciation at 30 June 2020	(10,769)	(12,966)	(6,749)	-	(3,711)	-	(34,195)
	8,455	5,548	2,606	8,143	2,861	-	27,613

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

6.2 Property, Infrastructure, Plant and Equipment (Cont'd)

(e) Infrastructure	Roads	Bridges	Footpaths	Drainage	Recreational, leisure and community	Traffic management	Parks open spaces and streetscapes	Bicycle paths	Off street car parks	Other infrastructure	Work in progress	Total infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fair value at 1 July 2019	556,907	5,379	185,000	428,830	29,191	11,545	45,456	8,985	12,871	9,067	7,197	1,300,428
Accumulated depreciation at 1 July 2019	(230,322)	(2,476)	(117,625)	(238,497)	(9,447)	(3,335)	(23,546)	(3,198)	(7,249)	(7,240)	-	(642,935)
	326,585	2,903	67,375	190,333	19,744	8,210	21,910	5,787	5,622	1,827	7,197	657,493
Movements in fair value												
Acquisition of assets at fair value											\$20,897	20,897
Contributions	77											77
Fair value of assets disposed					(20)							(20)
Transfers to operating											(240)	(240)
Reclassification											202	202
Transfer from WIP	10,073	-	4,393	1,201	3,820	439	2,364	130	120	171	(22,711)	-
	10,150	-	4,393	1,201	3,800	439	2,364	130	120	171	(1,852)	20,916
Movements in accumulated depreciation												
Depreciation and amortisation	4,263	64	2,349	4,292	1,586	520	1,783	336	455	273		15,921
Accumulated depreciation of disposals					(20)							(20)
	4,263	64	2,349	4,292	1,566	520	1,783	336	455	273	-	15,901
Fair value at 30 June 2020	567,057	5,379	189,393	430,031	32,991	11,984	47,820	9,115	12,991	9,238	5,345	1,321,344
Accumulated depreciation at 30 June 2020	(234,585)	(2,540)	(119,974)	(242,789)	(11,013)	(3,855)	(25,329)	(3,534)	(7,704)	(7,513)	-	(658,836)
	332,472	2,839	69,419	187,242	21,978	8,129	22,491	5,581	5,287	1,725	5,345	662,508

6.2 Property, Infrastructure, Plant and Equipment (Cont'd)

(f) 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, costs include all materials used in construction, direct labour, and an appropriate share of directly attributable variable and fixed overheads.

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

Asset recognition threshold and description periods	Depreciation Period	Threshold Limit \$
<i>Land and Buildings</i>		
-Land	Indefinite	1
-Land under roads	Indefinite	1
-Buildings	25 - 50 Years	1
-Heritage Buildings	100-250 Years	1
<i>Plant and Equipment</i>		
-Plant Machinery & Equipment	2- 25 Years	1,000
-Furniture, Fittings and Office Equipments	2 -10 Years	1,000
-Art work	Indefinite	1
-Computer equipment	3 -7 Years	1
-Library books	2 -7 Years	1
<i>Infrastructure</i>		
-Roads Pavements & Footpaths	25-150 Years	1,000
-Bridges	40 - 120 Years	1,000
-Drainage	100 Years	1,000
-Recreational leisure & community	10 - 100 Years	1,000
-Parks, open spaces & streetscape	5 - 100 Years	1,000
-Bicycle paths	30 Years	1,000
-Off street car parks	25 - 40 Years	1,000
-Traffic Management	20 -25 Years	1,000
-Othe infrastructure	10 - 50 Years	1,000
Intangible assets	3 -10 Years	1,000
Right of Use Asstes	2-10 Years	10,000

Land under roads

Council recognises land under roads post 1 July 2008 at fair value.

(g) Repairs and Maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. 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 assets is expensed.

6.2 Property, Infrastructure, Plant and Equipment (Cont'd)

(h) Depreciation of Property, Plant and Equipment, Infrastructure

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

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

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

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

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

During the financial year, Council reviewed the useful life, and applicable depreciation rates, of all asset classes, in accordance with Australian Accounting Standard *AASB 116 "Property, Plant & Equipment"*. There has been no changes to Useful Life or Threshold Limits.

(i) Revaluation

Subsequent to the initial recognition of assets, non current physical assets, other than plant and equipment, are measured at their fair value, being the amount for which the assets could be exchanged subsequent to initial recognition. At reporting date each year, Council reviews the carrying value of the individual classes of assets to ensure that each asset materially approximates their 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 which can only occur if an external change in the restrictions or limitations on the use of an asset result in changes to the permissible or practical highest and best use of the asset.

In addition, Council undertakes a formal valuation of land, buildings and infrastructure assets on a cycle of 2 years. The valuations are performed either by appropriately experienced Council officers or independent experts engaged by Council.

Where assets are revalued, the revaluation increments arising from the valuations 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 previously 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 have been included in the asset revaluation reserve for that class of asset in which case the decrement is debited 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.

6.2 Property, Infrastructure, Plant and Equipment (Cont'd)

Council	2020 \$'000	2019 \$'000
Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$36 and \$4,449 per square metre.	1,744,258	1,744,283
Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$250 to \$5,800 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 30 years to 250 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.	206,451	207,373
Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 150 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.	657,163	651,652

(j) Valuation of Property

Council undertook a fair value assessment of its land as at 31 March 2020. Based on the advice from the Westlink Consulting the increase in fair value was 9.56%. This figure was below the 10% threshold in AASB 1031. Given the uncertainty around the impacts of COVID-19 on the market, the certified valuers were asked to provide a further assessment of the movement in land fair values as at 30 June, 2020. Their advice was that a market movement of 4.56% for the period 1 July 2019 to 30 June 2020 was a more appropriate figure and takes into account the negative effect of COVID-19. Council has therefore considered the movement in value to be immaterial.

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

Valuation of buildings was undertaken as at 31 March 2020, by a qualified independent valuer Brian Robinson (CPV) of Westlink Corporation Pty Ltd (trading as Westlink Consulting).

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

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Land	-	551,964	-	30-Jun-19
Specialised Land	-	-	1,744,258	30-Jun-19
Specialised buildings	-	-	206,451	31-Mar-20
Total	-	551,964	1,950,709	

(k) Valuation of Infrastructure

A review of the rates for infrastructure assets for 2019/20 has been undertaken to assess any "material movement" in 'Fair Value' of Council's infrastructure assets as at the 30 June 2020. As a result of this review a revaluation of these assets have been undertaken.

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

Council	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Roads	-	-	332,473	30-Jun-19
Bridges	-	-	2,838	30-Jun-19
Footpaths	-	-	69,420	30-Jun-19
Drainage	-	-	187,242	30-Jun-19
Recreational, leisure and community	-	-	21,978	30-Jun-19
Traffic management	-	-	8,129	30-Jun-19
Parks open spaces and streetscapes	-	-	22,491	30-Jun-19
Bicycle paths	-	-	5,581	30-Jun-19
Off street car parks	-	-	5,287	30-Jun-19
Other infrastructure	-	-	1,725	30-Jun-19
Total	-	-	657,164	

Reconciliation of Specialised Land

Council	2020 \$'000	2019 \$'000
Land under roads	2,652	2,652
Parks and reserves and other	1,741,606	1,741,631
Total specialised land	1,744,258	1,744,283

6.3 Investments in Joint Arrangement Accounted For Using The Equity Method

Regional Landfill Clayton South Unincorporated Joint Arrangement

Under an agreement dated 23 September 1986, the former City of Oakleigh (now vested in the Monash City Council) contracted to purchase a 16.8% interest in the landfill site situated at 654 – 718 Clayton Road, South Clayton from the former City of Camberwell at a cost of \$840k.

Whilst the site was closed in December 2015, the joint venture continues to manage the site to ensure compliance with relevant environmental standards. Under Clause 2.2 of the purchase agreement Council receives 16.8% of any net operating surplus and pays 16.8% of any net operating deficit of the operations of the Clayton Landfill venture. Council's share of the operating loss for the year ended 30 June 2020 was \$202K, which has been recognised as an expense in the Comprehensive Income Statement.

The value of the investment in the Clayton Landfill has been revalued at year end to reflect Council's share of net assets recorded in the audited Accounts of the Joint operation at 30 June 2020 and is included in the Balance Sheet as follows:

REGIONAL LANDFILL CLAYTON SOUTH JOINT OPERATION		
Balance Sheet		
As at 30 June 2020		
	2020	2019
	\$'000	\$'000
Current Assets	2,891	4,976
Current Liabilities	(3,040)	(3,080)
Net Current Assets	(149)	1,896
Non-Current Assets	-	-
Non-Current Liabilities	(8,295)	(9,219)
Net Liability	(8,444)	(7,323)
Contribution-Re Land	1,659	1,659
Retained earnings	(10,103)	(8,982)
Deficit	(8,444)	(7,323)
Share of Monash City Council (16.8%)		
Movements		
Share in Joint Operation Equity as at 1 July	(1,230)	(1,074)
Share of net (loss)/ profits of joint operation	(188)	(156)
Share in Joint Operation Equity as at 30 June 2020	(1,418)	(1,230)
Represented in Council's Balance Sheet - Equity		
Non - Current Assets - Investment in Joint arrangement accounted for using the equity method	478	832
Non-Current Liability - Investment in Joint arrangement accounted for using the equity method	(1,896)	(2,062)
Net Liability	(1,418)	(1,230)

The landfill closed on the 29 January 2016. At balance date the landfill itself retains sufficient liquidity to fund the post closure capital works and the post closure after care expenses for the medium term. It is likely that additional Council funding will be required to support the entity in the longer term. Council has recognised its share of the future funding obligation in its Balance Sheet as a Non-Current Liability.

At the reporting date the Joint Venture recognised a provision for rehabilitation works which is measured at the present value of the Joint Venturers' best estimate of the costs associated with remediation of the site over a period of 25 years. Remediation is expected to be completed by 2045.

The calculation of the provision is based on a review of the Annual and planned equipment replacement aftercare costs of the site. These costs have been inflated at 2% per year. The present value calculation uses the Milliman Group of 100 discount rate forecasts for 25 years.

The provision also takes into account a forecast \$2.995 million of capping and gas infrastructure works that are required to be completed primarily in 2020-21 in order to decommission the land fill.

The provision is assessed at the end of each reporting period in order to ensure it accurately reflects the cost of closing and restoring the site.

Note 7 People and Relationships

7.1 Council and Key Management Remuneration

(a) Related Parties

Parent entity
Monash City Council

Subsidiaries and Associates

Interests in Regional Landfill Clayton South Joint Operation is detailed in note 6.3.

(b) Key Management Personnel

Key Management Personnel includes the 11 Councillors in office from time to time, the Chief Executive Officer and those members of Council staff who have management responsibilities and report directly to the Chief Executive Officer.

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

	2020	2019
Key Management Personnel - Councillors		
	No	No
From 1 July 2019 to 30 June 2020		
Councillor Paul Klisaris	1	1
Councillor Stuart James (Mayor)	1	1
Councillor Shane McCluskey	1	1
Councillor Josh Fergeus	1	1
Councillor Lynnette Saloumi	1	1
Councillor MT Pang Tsoi (Deputy Mayor)	1	1
Councillor Robert Davies	1	1
Councillor Brian Little	1	1
Councillor Geoff Lake	1	1
Councillor Theo Zographos	1	1
Councillor Rebecca Paterson	1	1
Key Management Personnel - Officers		
Andi Diamond (Chief Executive Officer)	1	1
Danny Wain (Chief Financial Officer)	1	1
Julie Salomon (Director Community Development & Services)(resigned 22/12/19)	-	1
Russell Hopkins (Director Community Services)	1	-
Ossie Martinz (Director Infrastructure & Environment)	1	1
Peter Panagakos (Director City Development)	1	1
Leanne Wiebenga (Executive Manager - People and Culture)	1	1
Jarrod Doake (Chief Operating Officer)	1	1
Joanne Robertson (Executive Manager, Communications)	1	1
Total Key Management Personnel	19	19
(c) Remuneration of Key Management Personnel	2020	2019
Total remuneration of key management personnel was as follows:	\$,000	\$,000
Short-term benefits	2,223	2,309
Post-employment benefits	198	195
Long-term benefits	53	51
Total	2,474	2,555

The Councillor and Mayoral allowances are required to be set within the range specified by an Order in Council. Under that Order, which identifies 3 categories of Council, based upon physical size and population, Monash is deemed a Category 3 Council. The Councillor and Mayoral allowances for 2016-2020 have been set at the allowance range for a Category 3 Council, approved by the Minister for Local Government, and applicable from 1 December 2016, is:

Mayor allowance: \$94,641 per annum

Councillor allowance : \$29,630 per annum

Council also contributes the legislative requirement for 9.5% superannuation.

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

	2020	2019
	No.	No.
\$30,000 - \$39,999	9	9
\$50,000 - \$59,999	1	1
\$80,000 - \$89,999	1	1
	11	11

(c) Remuneration of Key Management Personnel (Cont'd)

Chief Executive Officer and the numbers of KMP's whose total remuneration from Council and any related entities, fall within the following bands:

	2020	2019
	No.	No.
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	1	-
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	1	2
\$230,000 - \$239,999	2	-
\$260,000 - \$269,999	1	3
\$270,000 - \$279,999	1	-
\$280,000 - \$289,999	1	-
\$420,000 - \$429,999	1	-
\$430,000 - \$439,999	-	1
	8	8

(d) Senior Officer Remuneration

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

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

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

	2020	2019
	No.	No.
Income Range:		
\$151,000 - \$159,999	8	4
\$160,000 - \$169,999	7	5
\$170,000 - \$179,999	7	8
\$180,000 - \$189,999	7	4
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	-	-
	29	22

Total Remuneration for the reporting year for Senior Officers includes all bonuses, termination payments and payments of outstanding leave which amounted to:

\$	4,942	\$	3,786
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7.2 Related Party Disclosure

(a) Transactions with related parties

During the period Council entered into no reportable transactions with related parties.

(b) Outstanding balances with related parties

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

(c) Loans to/from related parties

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

(d) Commitments to/from related parties

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

Note 8 Managing Uncertainties

8.1 Contingent Assets and Liabilities

(a) Contingent Assets

As at 30 June 2020, there are no potential contingent assets

(b) Contingent Liabilities

Legal Matters

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

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 in Note 9.3. 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.

Landfill

There are two sites outside the City of Monash boundary that may incur liabilities. The Heatherton Park landfill in Kingston was managed by the former City of Oakleigh (now City of Kingston). The other site is the former tip site located at Spring Valley Reserve in the City of Greater Dandenong. This site was managed by the former City of Springvale under the overall management of a Regional Group. At balance date Council is unable to accurately assess whether it is liable, validity of the claims or the financial implications of such works and as such, at this time, in each case is unable to accurately measure and recognise as a provision.

Liability Mutual Insurance

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

MAV Workcare

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.

(c) Guarantees for Loans to Other Entities

Council has guaranteed bank loans for community bodies covering development of assets on Council property. In the event of any calls, Council has the right to retain the subject assets.

	2020	2019		
	Outstanding Loan Liability	Outstanding Loan Liability	Guarantee Limit	Year Loan Commenced
Community Organisation				
Waverley Hockey Club	160,000	144,000	300,000	2011-12
	160,000	144,000	300,000	

Waverley Hockey Club were ahead on loan repayments leading into 2020. Given the recent COVID-19 pandemic, Club has draw down excess funds and decided to freeze loan repayments for 6 months to ensure sufficient cashflow.

8.2 Change in Accounting Standards

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

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

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

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

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

Based on the Council's current assessment, there is expected to be no material impact on the transactions and balances recognised in the financial statements.

- (a) a description of the arrangements;
- (b) significant terms of the arrangements that may affect the amount, timing and
- (c) the nature and extent (e.g. quantity, time period, or amount, as appropriate) of:
 - (i) rights to receive specified services from the operator;
 - (ii) the carrying amount of service concession assets as at the end of the reporting
 - (iii) rights to receive specified assets at the end of an arrangement;
 - (iv) renewal and termination options;
 - (v) other rights and obligations (e.g. major overhaul of service concession assets); and
 - (vi) obligations to provide the operator with access to service concession assets or other
- (d) changes in arrangements occurring during the reporting period.

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

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

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

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

8.3 Financial Instruments

(a) Objectives and Policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables) and payables (excluding statutory payables). 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 exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

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 our balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- 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 because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

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

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

8.3 Financial Instruments (Cont'd)

(d) Liquidity Risk

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

To help reduce these risks Council:

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

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

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

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 (base rates are sourced from Reserve Bank of Australia):

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 1.17%.

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; and

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

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

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

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 to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive operating 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.

Assessment of the impairment of assets has been undertaken as part of Monash internal work plan and there have been no impairment write-downs in 2019-20.

8.5 Events Occurring After Balance Date

The COVID-19 pandemic has had a significant impact on the operations of Council. In line with government restrictions, Council closed many facilities and reduced service delivery. The financial impacts of these closures have been reflected in the results for 2019/20 and appropriate commentary appears throughout the annual report. Council reframed its hardship policy to provide support to the community, including deferral, on application, for rate payments and fees and charges that will help sustain residents who are living in a new reality. We do not believe that these measures will have a material effect on Council's overall finances going forward.

During June the Government restrictions began to ease and our facilities returned to normal service delivery. In July 2020 the government reported on a second wave and announced further restrictions. Those restrictions have again impacted on our service delivery and resulted in closure of our facilities such as Libraries, Recreation Centres and the Gallery.

Due to the significant uncertainty surrounding the COVID-19 second wave and the government's response to this, it is not possible to estimate the full impact on the Council's operations, financial position and cash flows at this point in time. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of the COVID-19 second wave at this time.

Council will continue to monitor the non-financial and financial impacts of COVID-19 on its operations, and has put in place various mitigation strategies, e.g. discretionary savings and capital works postponement to ensure we will remain an ongoing concern.

The financial statements have been prepared based upon conditions existing as at 30 June 2020, and considering those events occurring subsequent to that date that provide evidence of conditions that existed at the end of the reporting period.

As the second wave of COVID-19 occurred after 30 June 2020 its impact is considered an event that is indicative of conditions that arose after the reporting period, and as such, no adjustments have been made to the financial statement balances as at 30 June 2020 for any further impacts.

Council has decided to take advantage of the government extension to 31 August 2020 to adopt the 2020/21 Annual Budget, which allows us to incorporate further rate relief in the form of a waiver and also gain a better understanding of the financial impacts of COVID-19 second wave.

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

Note 9 Other Matters

9.1 Reserves

	Balance at beginning of reporting period	Revaluation Increment / (decrement)	Adjustments	Balance at end of reporting period
(a) Asset Revaluation Reserves 2020	\$'000	\$'000	\$'000	\$'000
Property				
Land	1,939,939	-	(19)	1,939,920
Buildings	77,155	358	(59)	77,454
Infrastructure				
Roads and Footpaths	118,755	-	-	118,755
Drainage	83,659	-	-	83,659
Other Infrastructure	9,476	-	-	9,476
Other				
Plant & Equipment	11	-	-	11
Library Books	250	-	-	250
Art Collection	1,978	779	-	2,757
Total Asset Revaluation Reserves	2,231,223	1,137	(78)	2,232,282
2019				
	\$'000	\$'000	\$'000	\$'000
Property				
Land	2,138,329	(198,390)	-	1,939,939
Buildings	77,319	-	(164)	77,155
Infrastructure				
Roads and Footpaths	84,106	34,649	-	118,755
Drainage	73,201	10,458	-	83,659
Other Infrastructure	9,223	253	-	9,476
Other				
Plant & Equipment	11	-	-	11
Library Books	250	-	-	250
Art Collection	1,978	-	-	1,978
Total Asset Revaluation Reserves	2,384,417	(153,030)	(164)	2,231,223

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

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

Note 9 Other Matters (Cont'd)

(b) Statutory Reserve	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
2020	\$'000	\$'000	\$'000	\$'000
Drainage Reserve	7,415	962	(819)	7,558
Parking Reserve	3,580	90	(454)	3,216
Public Open Space Reserve	2,315	9,590	(5,680)	6,225
Total Statutory Reserves	13,310	10,642	(6,953)	16,999
2019				
Drainage Reserve	6,927	1,224	(736)	7,415
Parking Reserve	3,198	439	(57)	3,580
Public Open Space Reserve	-	7,352	(5,037)	2,315
Total Statutory Reserves	10,125	9,015	(5,830)	13,310

Drainage Reserve

New property developments are required to make a contribution towards Council's strategic drainage system where the development may impact on the drainage system. These funds are maintained by catchment area and when any strategic drainage projects are undertaken funds in that catchment area's account are utilised to fund these works.

Parking Reserve

Currently where a development is considered to increase the parking requirements of a centre the developer is required to pay a predetermined amount per additional parking space required.

Public Open Space Reserve (POS)

The Monash Planning Scheme requires that a person who proposes to subdivide land must make a contribution to the Council for public open space (being a percentage of the land intended to be used for residential, industrial or commercial purposes, or a percentage of the site value of such land, or a combination of both). If no amount is specified, a contribution for public open space may still be required under *section 18 of the Subdivision Act 1988*. These funds are then used to either upgrade recreational facilities in existing open space areas or provide additional open space in the municipality.

(c) Discretionary Reserves	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
2020	\$'000	\$'000	\$'000	\$'000
Development Reserve	7,154		(2,650)	4,504
Superannuation Reserve	5,500	-	-	5,500
Unspent Grant Reserve	2,095	-	(2,095)	-
Total Discretionary Reserves	14,749	-	(4,745)	10,004
2019				
Development Reserve	7,154	-	-	7,154
Superannuation Reserve	4,500	1,000	-	5,500
Unspent Grant Reserve	2,865	-	(770)	2,095
Total Discretionary Reserves	14,519	1,000	(770)	14,749

Development Reserve (formerly named the Aged Residential Care Facilities Upgrade Reserve)

This Reserve (formerly named the Aged Residential Care Facilities Upgrade Reserve) provided for future capital upgrades and refurbishment at Council's Aged Care facilities. Following the divestment of Council's Aged Care facilities the Reserve has been renamed to reflect Council's desire to utilise the funds for wider municipal development.

Superannuation Reserve

This is a discretionary reserve to provide funding towards any future call to top-up the Defined Benefit category of Vision Super.

Note 9 Other Matters (Cont'd)

9.2 Reconciliation of Cash Flows from Operating Activities to Surplus

	2020	2019
	\$'000	\$'000
Surplus for the year	11,279	19,959
Depreciation	30,620	28,270
Amortisation- Right Of Use Assets	1,069	-
Net Gain/(Loss) on disposal of Property, Infrastructure, Plant and Equipment	(457)	(343)
Developer contributions of Infrastructure	(77)	(435)
Art Donation	(218)	(321)
Capitalised Salaries (Note 4.1)	(2,715)	(1,976)
Share of loss from Clayton Joint Venture	188	156
<i>Change in operating assets and liabilities</i>		
(Increase)/Decrease in Receivables	(3,818)	134
(Increase)/Decrease in Prepayments	(476)	690
(Increase)/Decrease in Current Refundable Deposits	1,091	1,032
Increase/(Decrease) in other liabilities	2,429	(702)
Increase/(Decrease) in Payables	243	3,584
Increase/(Decrease) in Current Provisions	(565)	997
(Decrease)/Increase in Non Current Provisions	1,727	(37)
Net cash provided by operating activities	40,320	51,008

Note 9 Other Matters (Cont'd)

9.3 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, 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% as required under Superannuation Guarantee legislation).

Defined Benefit

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

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

Funding arrangements

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

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 30 June 2019 was 107.1%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2019 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate will increase in line with any increases in the SG contribution rate.

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

Funding calls

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

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

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

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

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

Note 9 Other Matters (Cont'd)

9.3 Superannuation

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

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

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

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

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.

	2019 \$'000
Retained earnings at 30 June 2019	1,002,133
Revenue adjustment - impact of <i>AASB 15 Revenue from Contracts with Customers</i>	-
Retained earnings at 1 July 2019	<u>1,002,133</u>