

Understanding the Financial Report

Financial Overview

Interpreting Council's financial performance through financial statements prepared in accordance with Australian Accounting Standards can often be complex. This overview aims to provide greater clarity and insight into the financial outcomes for the 2024-25 financial year, helping readers better understand the key results and what they mean for our community.

Council's financial statements present a consolidated view of its financial performance, including the results of entities over which Council has control. This includes Dandenong Market Pty Ltd and South East Leisure Pty Ltd, whose operations are governed by Council to deliver community benefits.

The statements have been prepared in accordance with the Local Government Model Financial Report, as required by the *Local Government (Planning and Reporting) Regulations 2020* and the *Local Government Act 2020*. This ensures consistency, transparency, and compliance with Australian Accounting Standards.

Council recorded a surplus of \$30.91 million for the 2024-25 financial year, a significant increase compared to the \$12.29 million surplus in 2023-24. It's important to note that this result is influenced by a mix of factors – some are recurring operational items, while others are more variable and can fluctuate significantly from year to year. This overview aims to help readers understand the key drivers behind the surplus and the broader financial context.

In 2024-25, Council delivered a strong financial result, supported by early grant funding, favourable investment returns and reduced operating costs in some areas due to non-recurring factors. Delays in multi-year capital projects contributed to increased cash holdings, which, combined with sustained high interest rates, boosted revenue. The broader economic environment – marked by high inflation and interest rates – had mixed effects, benefiting investment income but increasing borrowing costs and dampening development activity in some areas.

Council continued to invest in key infrastructure, including progressing the Keysborough Community Hub and Dandenong Wellbeing Centre major capital projects. Council's commitment for the 2025-26 year is to continue to invest in services and infrastructure in a financially responsible way by balancing the needs of our community while achieving long term financial sustainability.

It should be kept in mind that the surplus for the year is not a cash-based result but remains an accounting surplus which includes capital grants and contributions but excludes net asset revaluation increments.

A comprehensive review of Council's asset valuations in 2024-25 resulted in a significant revaluation increase of \$373 million, contributing to a \$404 million surplus in the Comprehensive Income Statement. The uplift was driven by improvements in valuation methods, including more detailed assessments of asset features, location, and updated construction inputs. Key asset classes such as drainage, footpaths, cycleways, off-street car parks, and roads saw notable increases. These changes reflect both market conditions and updates to accounting standards. For further details, refer to Note 6.2 of the Financial Report.

Comprehensive Income Statement

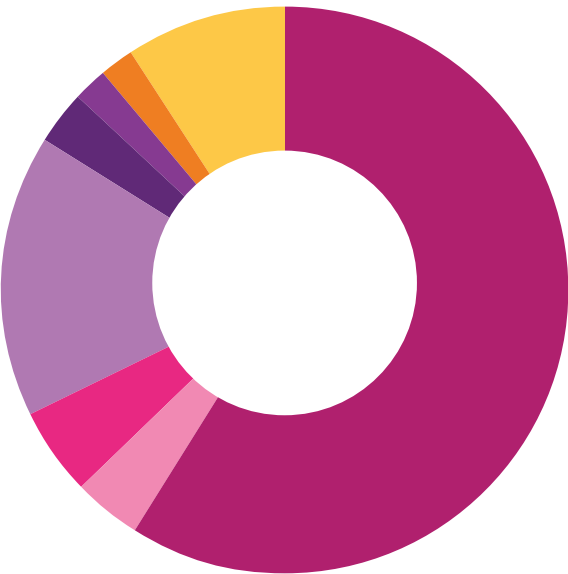
This Statement shows:

- The sources of Council’s revenue under various income headings.
- The expenses incurred in running the Council during the year. These expenses relate only to the operations and do not include the cost associated with capital purchases or the building of assets. While capital purchase costs are not included in the expenses there is an item for ‘Depreciation’. This is the value of the assets ‘used up’ during the year.

Income

The consolidated operating income for 2024-25 was \$305.54 million (\$272.60 million in 2023-24) including rates and charges income (\$178.13 million), fees, charges and fines (\$26.67 million), operating grants (\$48.78 million), capital grants (\$9.68 million), monetary contributions (\$7.15 million), contributions of non-monetary assets, mainly from subdivision activity (\$6.00 million), net gain on disposal of property, infrastructure, plant and equipment (\$1.39 million) and other income (\$27.56 million). The breakdown of operating income by major categories is depicted in the graph following:

Operating Income 2025



● Rates and charges	59%
● Statutory fees and fines	4%
● User fees	5%
● Grants – operating	16%
● Grants – capital	3%
● Contributions – monetary	2%
● Contributions – non-monetary	2%
● Other income	9%
○ Fair value adjustments for investment property	0%

Rates and charges income (including waste collection charges) – general rate income is based on the Capital Improved Value of properties and a ‘rate in the dollar’ is applied against each category of property. Waste collection charges are based on full cost recovery including the State Government waste levy, the number of bins and frequency of collections. Refer note 3.1 of Financial Report for further details on rate income.

Fees, charges and fines – Income from these sources were \$26.67 million for the year (\$25.06 million in 2023-24). The major sources of income are:

Fees, charges and fines income

	2024–25 \$ million	2023–24 \$ million	Movement %
Statutory fees and fines	11.69	11.29	3.5%
Registrations and other permits	1.88	1.85	1.6%
Parking fees	3.54	3.28	7.9%
Aged care services	1.24	1.15	7.8%

As can be seen from the above table, statutory fees, fines, and parking revenue increased compared to the previous year, reflecting a higher number of infringements issued and a recovery in business activity across the municipality.

Grants

Where grants have specific performance obligations that have not yet been satisfied at 30 June, the income has been recognised as unearned income in the Balance Sheet (refer note 5.3(c)) of the Financial Report).

Grants operating – operational grant income mainly comprises tied grants across multiple ongoing and non-recurrent programs, mainly in Community Strengthening. Council’s most significant single source of grant funding is the Financial Assistance Grant received via the Victoria Local Government Grants Commission of around \$12-13 million per annum. Operating grant income increased significantly in 2024-25, largely due to the timing of the Financial Assistance Grant payments. 2025 includes 150% of these grant allocations (100% of 2024-25 and 50% of 2025-26 distributed early) and 2024 had 0% of these grant allocations as 100% of the 2023-24 allocation was distributed early in 2022-23. These payments can vary year to year depending on early distribution practices. Additional grant income was also recognised following the finalisation of the Regional Assessment Service program and prior year acquittal outcomes of the Commonwealth Home Support Programme.

Grants capital – capital grants recognised of \$9.68 million (2023-24: \$8.28). These grants are mainly non-recurrent in nature essentially for the purposes of funding specific capital projects and are expended on these services in addition to the funds allocated by Council from other sources of revenue. Capital grant income is recognised in the Income Statement as the performance obligations are satisfied (generally as capital expenditure is incurred). The \$1.4 million increase in capital grant income is due primarily to higher funding recognised for the Roads to Recovery program and Dandenong Wellbeing Centre project compared to the prior year. Refer to note 5.3(c) of the Financial Report for further details.

Contributions

Contributions monetary – Council received increased monetary contributions in 2024-25, primarily driven by \$3.99 million in open space contributions (transferred to reserves) and \$2.9 million contribution income from the Development Contributions Plan (DCP). The uplift reflects both stronger development activity and the completion of key capital project milestones for Perry Road stages 1 and 2.

Contributions non-monetary – Capital non-monetary contributions of \$6.00 million were mainly from “gifted” land and infrastructure assets from subdivisions and developer activity.

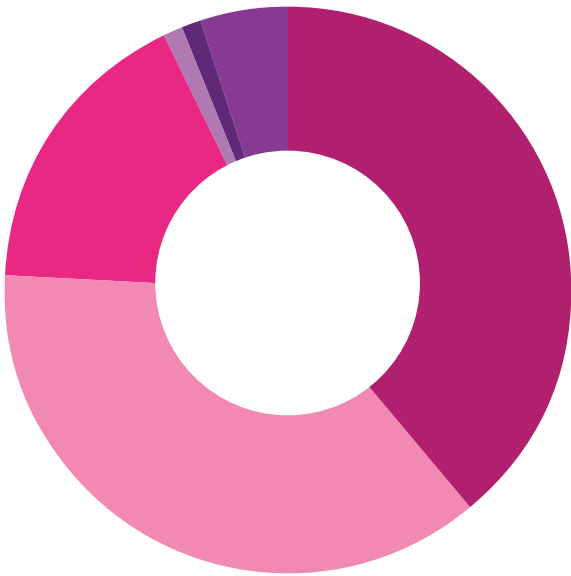
Other income (\$27.56 million) – This comprises a number of income sources including Dandenong Market revenue from operations, recoveries, property rental, interest received on investments and other sundry income.

Expenditure

Total operating expenditure for 2024-25 including depreciation was \$274.63 million (\$260.32 million in 2023-24).

The major items of operating expenditure are depicted in the graph below:

Operating Expenditure



● Employee costs	39%
● Materials and services	37%
● Depreciation	17%
○ Amortisation – intangible assets	0%
○ Amortisation – right of use assets	0%
● Bad and doubtful debts	1%
● Borrowing costs	1%
○ Finance costs – leases	0%
○ Fair value adjustment	0%
● Other	5%

Employee costs (\$106.37 million) –

Comprises employee and labour costs including salary on-costs such as WorkCover premium, provision for employee entitlements and Council's superannuation contributions on behalf of employees.

Materials and services (\$101.53 million) –

Included in this category are the following major costs relating to:

	2024–25 \$ million
Waste management	20.73
Parks maintenance	11.31
Other contract payments	10.10
Consultants and professional services	7.40
Cleaning services	7.31
Educator services	7.09
General maintenance	6.70
Office administration	6.28
Utilities	6.08
Information technology	5.93
Building maintenance	3.43
Insurance	2.36
Security services	2.25

Depreciation (\$47.64 million) – The depreciation expense reflects the diminution in the value of assets due to wear and tear and obsolescence. It has no impact on the cash position of Council. Cash flow is impacted only at the time of purchase and sale of assets.

Amortisation – intangible assets (\$20,000) –

This expense item reflects the amortisation of computer software assets.

Depreciation – right of use assets (\$661,000) –

This expense item reflects the depreciation of leased (right of use) assets. Refer note 5.8 of Financial Report for further breakdown.

Allowance for impairment losses

(\$2.74 million) – Mainly relates to provisions recognised for bad and doubtful debts during the year for parking fine debtors (\$1.92 million) and other debtors (\$771,000). The provision for doubtful debts is recognised on an expected credit loss model. This model considers both historical and forward-looking information in determining the level of impairment.

Borrowing costs (\$2.67 million) – Represents interest on Council's long-term borrowings.

Finance costs – leases (\$28,000) – Relates to the interest on lease liabilities.

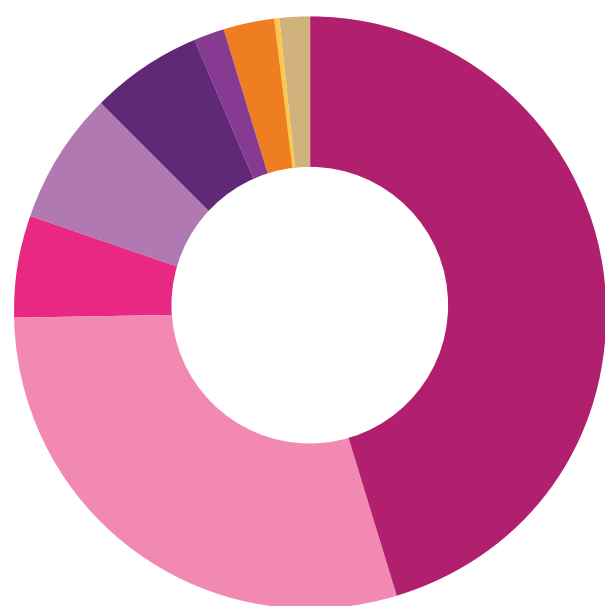
Fair value adjustment for investment property

(\$175,000) – This is a non-cash item and relates to several land and building assets classified as 'Investment property' as they are held primarily to earn rental income. Australian Accounting Standards require any revaluation of these assets to fair value to be recognised in the Comprehensive Income Statement, rather than in the Asset Revaluation Reserve like other fixed assets held at fair value by Council.

Capital Expenditure (as per the Capital Works Statement)

Council spent \$60.69 million on capital expenditure during the year. This comprises upgrade (\$7.08 million), renewal (\$24.71 million) and new asset expenditure (\$28.90 million).

Capital expenditure by asset class is depicted in the chart below:



● Buildings	45.44%
○ Intangibles – software	0%
● Roads and bridges	29.36%
● Parks, open space and streetscapes	5.68%
● Plant and equipment	7.11%
● Recreational, leisure and community facilities	6.05%
● Footpaths and cycleways	1.83%
● Drainage	2.77%
● Off street car parks	0.10%
○ Investment property	0%
● Land	1.66%

Balance Sheet

The Balance Sheet discloses Council's net worth and clearly defines what the Council owns as assets and what it owes as liabilities. Assets and liabilities are further separated into current and non-current categories. Current assets or current liabilities are those which will fall due in the next 12 months or cannot be deferred for greater than 12 months.

Net assets or total equity represents Council's accumulated net worth and includes many infrastructure and community assets such as land, buildings, parks, roads and drains.

The components of the Balance Sheet include:

Current and non-current assets

- Cash and cash equivalents include cash and investments, i.e., cash held in the bank and in petty cash and the market value of Council's investments (where the maturity term is less than 90 days).
- Trade and other receivables are monies owed to Council by ratepayers and others.
- Other financial assets relate to term deposits held by Council with original maturity greater than 90 days.
- Other assets are prepayments of next year's expenses and monies owed to Council, other than from trading, that is not yet received, combined with any inventory or stock on hand at balance date.
- Property, infrastructure, plant and equipment is the largest component of Council's worth and represents the value of all the land, buildings, roads, vehicles, equipment, etc. which has been built up by Council over many years.
- Investment property represents land and building assets that are held for the primary purpose of earning rental income.
- Right-of-use assets represent leased assets. Includes property, fleet, IT and office equipment that have been leased under ordinary lease arrangements.
- Intangible assets represent computer software assets.

Current and non-current liabilities

- Trade and other payables are the value to which Council owes money as at 30 June.
- Trust funds and deposits represent monies held in trust by Council.
- Contract and other liabilities (unearned income) relates to revenue transactions where Council provides services or goods under contractual arrangements with specific performance obligations which have not been satisfied at balance date. This comprises mainly Development Contribution Plan contributions and grant agreements.
- Provisions include leave entitlements and landfill restoration works.
- Lease liabilities represent the lease repayment obligations for leased (right of use) assets and are classified as current and non-current based on when the obligation is expected to occur. Includes repayments for property, fleet, IT and office equipment that have been leased under ordinary lease arrangements.

Net assets

This term is used to describe the difference between the value of total assets and the value of total liabilities. It represents the net worth of Council as at 30 June.

Total equity

This always equals net assets. It is made up of the following components:

- Accumulated surplus: this is the value of the Council, other than the asset revaluation reserve and other reserves that has been accumulated over time.

- Reserves: this includes asset revaluation reserve and other reserves. Asset revaluation reserve is the value by which the purchase cost of assets has changed over the years and arises as assets valued at fair value are revalued to their replacement cost from time to time. Other reserves include both statutory reserves and discretionary reserves. The statutory reserves apply where funds are gained from the application of legislative requirements to contribute – and where expenditure of the funds is not entirely discretionary (i.e., the funds need to be used for certain expenditure only). These funds are held for future expenditure.

Council's financial position increased by \$403.67 million during the year, made up of a surplus of \$30.91 million and net asset revaluation increments of \$372.76 million. The difference between the assets and liabilities amounting to \$3.13 billion is the net worth of the Council to its ratepayers and community (\$2.72 billion in 2023-24).

Council's borrowings at 30 June 2025 was \$48.37 million, which is 27% of rates and charges revenue (Government prudential limit is 80%). Loan repayments of \$34.54 million are forecast over the next five years under Council's borrowing strategy, as Council intends to draw down an additional \$68.85 million in new borrowings over the next two years to fund the Dandenong Wellbeing Centre major capital project. Council will retire existing debts through cash flows generated from operations and a reduction in the capital program will fund the debt servicing costs of the new borrowings.

Council's consolidated assets (what Council and its wholly owned entities own) comprise:

Assets	30-Jun-25	
	\$'000	%
Land	1,408,961	42.82
Roads and bridges	499,434	15.18
Drainage	504,490	15.33
Buildings (including leasehold improvements)	319,507	9.71
Cash and other assets	255,021	7.75
Footpaths and cycleways	110,617	3.36
Works in progress	74,159	2.25
Parks, open space and streetscapes	38,746	1.18
Recreational, leisure and community facilities	42,602	1.29
Off street car parks	16,264	0.49
Plant and equipment	12,561	0.38
Investment property	6,895	0.21
Right-of-use assets	680	0.02
Other non-current assets	183	0.01
Intangible assets	19	0.00
	3,290,109	100.00

Council's consolidated liabilities (what Council and its wholly owned entities owe) comprise:

Liabilities	30-Jun-25	
	\$'000	%
Unearned income	54,103	33.46
Borrowings	48,371	29.91
Creditors	27,545	17.03
Provisions	23,934	14.80
Trust funds	6,718	4.15
Lease liabilities	738	0.46
Other interest-bearing liabilities	300	0.19
	161,709	100.00

Statement of Changes in Equity

During the course of the year the value of total equity, as set out in the Balance Sheet, changes. This Statement shows the values of such changes and how these changes arose. The main reasons for a change in equity stem from:

- Net asset revaluation movement reflects the change in the replacement value of assets.
- The surplus for the year is the value that income exceeded operating costs as described in the Comprehensive Income Statement.
- Transfers to or from Council's reserves reflect funds withdrawn for use during the year or allocated for future expenditure.

Cash Flow Statement

The Cash Flow Statement summarises Council's cash payments and cash receipts for the year. This Statement is presented according to a very specific Australian Accounting Standard and needs some care in analysis. It excludes non-cash expenses such as depreciation but includes payments in relation to capital works projects, proceeds from assets sales and movements in cash that Council may hold as a result of holding trust deposits. The values may differ from those shown in the Comprehensive Income Statement as it is prepared on an accrual accounting basis and the Cash Flow Statement is based on the timing of cash receipts and payments.

Council's cash arises from, and is used in, three main areas:

Cash flows from operating activities

All cash received into Council's bank account from ratepayers and others who owed money to Council.

- Receipts include the interest earnings from Council's cash investments and movement in trust deposits taken. It does not include the costs associated with the sale of assets.
- Payments include all cash paid by Council from its bank account to staff, creditors and other persons. Also includes the movement in trust monies repaid. It does not include the costs associated with the creation of assets.

Cash flows from investing activities

Cash flows from investing activities show the cash invested in the creation or purchase of property, infrastructure, plant and equipment assets, the cash received from the sale of these assets or property held for resale and proceeds from investments.

Cash flows from financing activities

Cash flows from financing activities includes proceeds from borrowing, the repayment of loans and lease liabilities.

During the 2024-25 financial year Council repaid \$3.93 million of its long-term debt.

The bottom line of the Statement of Cash Flows represents cash at the end of the financial year. This cash, combined with the cash invested and classified as 'other financial assets', shows the capacity of Council to meet its cash debts and other liabilities. This overall cash balance is allocated for specific future purposes by Council to cover several items including employee provisions, unearned income, reserves and carry forward budgets to 2025-26. For further details, refer to Note 5.1 of the Financial Report.

Glossary of Financial Terms

- *Surplus*: When income exceeds expenses.
- *Depreciation*: Reduction in value of assets over time due to use or aging.
- *Asset Revaluation*: Adjustment of asset values to reflect current market or replacement costs.
- *Capital Grants*: Funds received for specific infrastructure projects.
- *Unearned Income*: Income received for services not yet delivered.

Note: – *The above financial report summary does not form part of statutory reporting and hence is not subject to audit certification. It has been written to assist the Greater Dandenong community in better understanding the financial operations and financial position of their Council. Commentary must be read in conjunction with the Financial Report.*