



# **AGENDA ORDINARY COUNCIL MEETING 19 DECEMBER 2016**

## **MEMBERSHIP:**

Mr M Kneipp (Administrator).

The meeting is scheduled to commence at 5.30pm.

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Page

## **PRAYER:**

O God, Grant that by the knowledge of thy will, all we may resolve shall work together for good, we pray through Jesus Christ our Lord. Amen!

## **ACKNOWLEDGEMENT OF COUNTRY:**

"I would like to acknowledge the Wiradjuri People who are the Traditional Custodians of the Land. I would also like to pay respect to the Elders both past and present of the Wiradjuri Nation and extend that respect to other Aboriginal people who are present".

**CCL16/222 CONFIRMATION OF MINUTES (ID16/2320) 5**  
Confirmation of the minutes of the proceedings of Dubbo Regional Council meeting held on 28 November 2016 and Extraordinary meeting held on 12 December 2016.

**CCL16/223 LEAVE OF ABSENCE (ID16/2317)**

**CCL16/224 PUBLIC FORUM (ID16/2318)**

## **ADMINISTRATOR MINUTES:**

**CCL16/225 ADMINISTRATOR APPOINTMENTS (ID16/2311) 18**  
The Council had before it the Administrator Minute regarding Administrator Appointments.

- CCL16/226    COMPENSATION CONSIDERATION ARISING FROM THE BOIL WATER INCIDENT IN DUBBO 7 TO 15 NOVEMBER 2016 (ID16/2303)** 21

The Council had before it the Administrator Minute regarding Compensation Consideration Arising From the Boil Water Incident in Dubbo 7 to 15 November 2016.

- CCL16/226(a) PRESENTATION OF THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2015 TO 12 MAY 2016 – FORMER WELLINGTON COUNCIL**

The Council had before it the Administrator Minute including the report of the Manager of Financial Accounting Services dated 16 December 2016 regarding the presentation of the Financial Statements for the period 1 July 2015 to 12 May 2016 for the former Wellington Council. The Council will be addressed by Council's External Auditor, Mr Jeff Shanks of Luka Group, regarding this matter. The financial statements shall be tabled at the Ordinary Council meeting.

**MATTERS CONSIDERED BY COMMITTEES:**

- CCL16/227    REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE - MEETING 13 DECEMBER 2016 (ID16/2332)** 29

The Council had before it the report of the Audit and Risk Management Committee meeting held 13 December 2016.

- AUD16/5      PRESENTATION OF THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY 2015 TO 12 MAY 2016**

The Council had before it the report dated 6 December 2016 from the Manager Financial Accounting Services regarding presentation of the Financial Statements for the period 1 July 2015 to 12 May 2016. The Council will be addressed by Council's External Auditor, Mr Jeff Shanks of Luka Group, regarding this matter.

- CCL16/228    REPORT OF THE PLANNING AND DEVELOPMENT COMMITTEE - MEETING 12 DECEMBER 2016 (ID16/2323)** 36

The Council had before it the report of the Planning and Development Committee meeting held 12 December 2016.

- PDC16/9**      **DEVELOPMENT APPLICATION D16-5: DETACHED DUAL OCCUPANCY - LOT 18 SECTION 54A DP 1600 AND LOT A DP 393090, 85 PIERCE STREET, WELLINGTON**  
**APPLICANT: MR E SMITH**  
**OWNER: MR G & MRS E FRENCH**  
**LODGED: 25 FEBRUARY 2016 (ID16/2187)**  
The Council had before it the report dated 7 December 2016 from the Senior Planner 2 regarding Development Application D16-5: Detached Dual Occupancy - Lot 18 Section 54A DP 1600 and Lot A DP 393090, 85 Pierce Street, Wellington.
- PDC16/10**      **DEVELOPMENT APPLICATION D16-4: TWO (2) LOT COMMUNITY TITLE SUBDIVISION - LOT 18 SECTION 54A DP 1600 AND LOT A DP 393090, 85 PIERCE STREET, WELLINGTON**  
**APPLICANT: MR E SMITH**  
**OWNER: MR & MRS G AND E FRENCH**  
**LODGED: 25 FEBRUARY 2016 (ID16/2233)**  
The Council had before it the report dated 7 December 2016 from the Senior Planner 2 regarding Development Application D16-4: Two (2) Lot Community Title Subdivision - Lot 18 Section 54A DP 1600 and Lot A DP 393090, 85 Pierce Street, Wellington.
- PDC16/11**      **DEVELOPMENT APPLICATION D16-366: TWO (2) LOT SUBDIVISION LOT 62 DP 596342, 24 TAMWORTH STREET, DUBBO**  
**APPLICANT: MR N O'CONNOR**  
**OWNER: MR N AND MS J O'CONNOR**  
**LODGED: 11 AUGUST 2016 (ID16/2251)**  
The Council had before it the report dated 6 December 2016 from the Planner regarding Development Application D16-366: Two (2) Lot Subdivision Lot 62 DP 596342, 24 Tamworth Street, Dubbo.
- CCL16/229**      **REPORT OF THE WORKS AND SERVICES COMMITTEE - MEETING 12 DECEMBER 2016 (ID16/2322)**      41  
The Council had before it the report of the Works and Services Committee meeting held 12 December 2016.
- CCL16/230**      **REPORT OF THE FINANCE AND POLICY COMMITTEE - MEETING 12 DECEMBER 2016 (ID16/2321)**      51  
The Council had before it the report of the Finance and Policy Committee meeting held 12 December 2016.

**REPORTS FROM STAFF:**

- |                  |   |     |
|------------------|---|-----|
| <b>CCL16/231</b> | <b>PROGRESS ON COUNCIL MERGER PROJECTS (ID16/2314)</b><br>The Council had before it the report dated 13 December 2016 from the Interim General Manager regarding Progress on Council Merger Projects.   | 58  |
| <b>CCL16/232</b> | <b>SUCCESSFUL PROJECTS UNDER THE STRONGER COMMUNITIES MAJOR PROJECT ROUND (ID16/2324)</b><br>The Council had before it the report dated 13 December 2016 from the Transition Project Leader regarding Successful Projects under the Stronger Communities Major Project Round. | 62  |
| <b>CCL16/233</b> | <b>DUBBO STREET TREE MASTER PLAN (ID16/2306)</b><br>The Council had before it the report dated 12 December 2016 from the Director Parks and Landcare Services regarding Dubbo Street Tree Master Plan.  | 75  |
| <b>CCL16/234</b> | <b>DUBBO REGIONAL SPORTS COUNCIL (ID16/2309)</b><br>The Council had before it the report dated 12 December 2016 from the Manager Recreation Planning and Programs regarding Dubbo Regional Sports Council.  | 118 |
| <b>CCL16/235</b> | <b>WELLINGTON POOL - DEVELOPMENT OF MASTER PLAN (ID16/2304)</b><br>The Council had before it the report dated 10 December 2016 from the Director Parks and Landcare Services regarding Wellington Pool - Development of Master Plan.  | 123 |
| <b>CCL16/236</b> | <b>ECONOMIC DEVELOPMENT STRATEGY QUARTER ONE REPORT (ID16/2307)</b><br>The Council had before it the report dated 12 December 2016 from the Director Corporate Development regarding Economic Development Strategy Quarter One Report.  | 127 |
| <b>CCL16/237</b> | <b>COMMENTS AND MATTERS OF URGENCY (ID16/2319)</b>  |     |
| <b>CCL16/238</b> | <b>COMMITTEE OF THE WHOLE</b>   |     |





## Confirmation of Minutes

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The Council had before it the report of the Ordinary meeting of Council held on 28 November 2016 and the Extraordinary meeting of Council held on 12 December 2016.

### RECOMMENDATION

**The Council recommends that the minutes of the proceedings of the Ordinary meeting of Council held on 28 November 2016 comprising pages 6, 7, 8 and 9 and the Extraordinary Council meeting held 12 December 2016 comprising pages 12, 13 and 14 be taken as read and confirmed as correct minutes.**

#### Appendices:

- 1 Minutes - Ordinary Council Meeting - 28/11/2016
- 2 Minutes - Committee of the Whole - 28/11/2016
- 3 Minutes - Extraordinary Council Meeting - 12/12/2016
- 4 Minutes - Committee of the Whole - 12/12/2016



## **REPORT ORDINARY COUNCIL MEETING 28 NOVEMBER 2016**

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### **PRESENT:**

Mr M Kneipp (Administrator).

### **ALSO IN ATTENDANCE:**

The Interim General Manager, the Director Organisational Services, the Manager Governance and Risk, the Director Corporate Development, the Corporate Communications Supervisor (K Matts), the Director Technical Services, the Manager Works Services, the Director Environmental Services, the Director Community Services, the Director Parks and Landcare Services and the Transition Project Leader.

Mr M Kneipp (Administrator) assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5:30pm with a prayer for Divine Guidance to the Council in its deliberations and activities. The acknowledgement of country was also read by the Administrator Mr M Kneipp.

### **CCL16/208 CONFIRMATION OF MINUTES (ID16/2141)**

Confirmation of the minutes of the proceedings of the Ordinary Council meeting held on 24 October 2016 and the Extraordinary Council Meeting held 27 October 2016.

Moved by Mr M Kneipp (Administrator)

### **MOTION**

**That the minutes of the proceedings of the Dubbo Regional Council Ordinary Meeting of Council held on 24 October 2016 comprising pages 4, 5, 6, 7, 8, 9, 10 and 11 and the Extraordinary Council Meeting held 27 October 2016 comprising pages 12 and 13 of the series be taken as read and confirmed as correct minutes and signed by the Administrator and the Interim General Manager.**

**CARRIED**

**CCL16/209 LEAVE OF ABSENCE (ID16/2142)**

There were no requests for leave of absence recorded.

**CCL16/210 PUBLIC FORUM (ID16/2143)**

There were no speakers during public forum.

**ADMINISTRATOR MINUTES:**

**CCL16/211 ADMINISTRATOR APPOINTMENTS (ID16/1953)**

The Council had before it the Administrator Minute regarding Administrator Appointments

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The information contained in the Administrator Minute, dated 21 October 2016 be noted.**

**CARRIED**

**MATTERS CONSIDERED BY COMMITTEES:**

**CCL16/212 REPORT OF THE WORKS AND SERVICES COMMITTEE - MEETING 21 NOVEMBER 2016 (ID16/2145)**

The Council had before it the report of the Works and Services Committee meeting held 21 November 2016.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**That the report of the Works and Services Committee meeting held on 21 November 2016, be adopted.**

**CARRIED**

**CCL16/213 REPORT OF THE FINANCE AND POLICY COMMITTEE - MEETING 21 NOVEMBER 2016 (ID16/2146)**

The Council had before it the report of the Finance and Policy Committee meeting held 21 November 2016.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**That the report of the Finance and Policy Committee meeting held on 21 November 2016, be adopted.**

**CARRIED**

**REPORTS FROM STAFF:****CCL16/214 PROGRESS ON MERGER PROJECTS (ID16/2137)**

The Council had before it the report dated 21 November 2016 from the Interim General Manager regarding Progress on Merger Projects.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**That the information contained within this report of Interim General Manager, dated 21 November 2016 be noted.**

**CARRIED**

**CCL16/215 SUBDIVISION OF WHYLANDRA WASTE DEPOT TO CREATE ONE ADDITIONAL LOT FOR LEASE PURPOSES RELATED TO ORGANICS PROCESSING (ID16/2128)**

The Council had before it the report dated 17 November 2016 from the Manager Commercial Facilities regarding Subdivision of Whylandra Waste Depot to create one additional Lot for lease purposes related to organics processing.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**That any documentation in relation to the subdivision of land at Whylandra Waste Depot for the purposes of organics waste processing be executed under common seal.**

**CARRIED**

**CCL16/216 COMMENTS AND MATTERS OF URGENCY (ID16/2144)**

There were no matters recorded under this clause.

At this junction it was moved by Mr M Kneipp (Administrator) that the Council resolves into the Committee of the Whole Council, the time being 5:38pm.

The meeting resumed at 5:40pm.

**CCL16/217 COMMITTEE OF THE WHOLE (ID16/2147)**

The Director Organisational Services read to the meeting the Report of Committee of the Whole Council held on 28 November 2016.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**That the report of the meeting of Committee of the Whole Council held on 28 November 2016 be adopted.**

**CARRIED**

The meeting closed at 5:41pm.

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CHAIRMAN



## **REPORT CONFIDENTIAL COMMITTEE OF THE WHOLE MEETING 28 NOVEMBER 2016**

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**PRESENT:**

Mr M Kneipp (Administrator).

**ALSO IN ATTENDANCE:**

The Interim General Manager, the Director Organisational Services, the Manager Governance and Risk, the Director Corporate Development, the Corporate Communications Supervisor (K Matts), the Director Technical Services, the Manager Works Services, the Director Environmental Services, the Director Community Services, the Director Parks and Landcare Services and the Transition Project Leader.

Mr M Kneipp (Administrator) assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5:38pm.

**CW16/4 TENDER FOR THE CONSTRUCTION OF KESWICK TRUNK DRAINAGE CHANNEL (ID16/2136)**

The Committee has before it the report dated 21 November 2016 from the Manager Works Services regarding Tender for the Construction of Keswick Trunk Drainage Channel .

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that members of the press and public be excluded from the meeting during consideration of this item, the reason being that the matter concerned information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).**

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the contract for the Construction of Keswick Trunk Drainage Channel be awarded to Maas Civil Pty Ltd for the amount of \$445,534.20 (GST exclusive).**
- 2. That any necessary documents in regard to this matter be executed under the Common Seal of Council.**
- 3. That the documents and considerations in regard to this matter remain confidential to Council.**

**CARRIED**

The meeting closed at 5:40pm.

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CHAIRMAN



## **REPORT EXTRAORDINARY COUNCIL MEETING 12 DECEMBER 2016**

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**PRESENT:**

Mr M Kneipp (Administrator).

**ALSO IN ATTENDANCE:**

The Interim General Manager, the Director Organisational Services (M Ferguson), the Supervisor Governance, the Director Corporate Development, the Corporate Communications Supervisor, the Director Technical Services, the Manager Fleet Management Services, the Director Environmental Services, the Manager Building and Development Services, the Director Community Services and the Director Parks and Landcare Services.

Mr M Kneipp (administrator) assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.18 pm with a prayer for Divine Guidance to the Council in its deliberations and activities. The acknowledgement of country was also read by the Administrator Mr M Kneipp.

**CCL16/218 LEAVE OF ABSENCE (ID16/2275)**

There were no requests for leave of absence recorded.

**CCL16/219 PUBLIC FORUM (ID16/2276)**

There were no speakers during public forum.



**REPORTS FROM STAFF:**

**CCL16/220 2016/2017 FINANCIAL ASSISTANCE PROGRAMME (ID16/2094)**

The Council had before it the report dated 2 December 2016 from the Director Community Services regarding 2016/2017 Financial Assistance Programme.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**That financial assistance totalling \$15,000 be provided to the following applicants for the amounts indicated:**

<b>Akela Place Playgroup</b>	<b>\$500</b>
<b>Australian Decorative and Fine Arts Society</b>	<b>\$500</b>
<b>Young Life Dubbo</b>	<b>\$500</b>
<b>Onelife Community Church</b>	<b>\$500</b>
<b>Dubbo Model Railway Club</b>	<b>\$500</b>
<b>Wiradjuri Wellington Aboriginal Town Common Corporation</b>	<b>\$1,500</b>
<b>Orana Early Intervention and Education Project Inc.</b>	<b>\$1,550</b>
<b>Wellington Amateur Theatrical Society</b>	<b>\$500</b>
<b>Wellington Information and Neighbourhood Centre</b>	<b>\$1,200</b>
<b>Stuart Town Advancement Association</b>	<b>\$500</b>
<b>Mumbil District Progress Association</b>	<b>\$500</b>
<b>Wellington Branch CWA</b>	<b>\$1,000</b>
<b>1<sup>st</sup> Wellington Scout Group</b>	<b>\$1,000</b>
<b>Mid Macquarie Landcare Wellington</b>	<b>\$750</b>
<b>Australian Breastfeeding Association (Dubbo)</b>	<b>\$500</b>
<b>Wellington Multi Service Centre</b>	<b>\$1,000</b>
<b>Binjang Community Radio</b>	<b>\$500</b>
<b>PCYC Wellington</b>	<b>\$2,000</b>

**CARRIED**

At this junction it was moved by Mr M Kneipp (Administrator) that the Council resolves into the Committee of the Whole Council, the time being 5.20pm.

The meeting resumed at 5.25pm.

**CCL16/221 COMMITTEE OF THE WHOLE COUNCIL (ID16/2277)**

The Director Organisational Services (M Ferguson) read to the meeting of the Report of Committee of the Whole held on 12 December 2016.

Moved by Mr M Kneipp (Administrator)

**MOTION**

That the report of the meeting of the Committee of the Whole held on 12 December 2016 be adopted.

**CARRIED**

The meeting closed at 5.30pm.

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CHAIRMAN



## **REPORT COMMITTEE OF THE WHOLE COUNCIL 12 DECEMBER 2016**

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### **PRESENT:**

Mr M Kneipp (Administrator).

### **ALSO IN ATTENDANCE:**

The Interim General Manager, the Director Organisational Services (M Ferguson), the Supervisor Governance, the Director Corporate Development, the Corporate Communications Supervisor, the Director Technical Services, the Manager Fleet Management Services, the Director Environmental Services, the Manager Building and Development Services, the Director Community Services and the Director Parks and Landcare Services.

Mr M Kneipp (Administrator) assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.20pm.

### **CW16/5 SALE OF LAND FOR UNPAID RATES AND CHARGES - FORMER DUBBO CITY COUNCIL (ID16/2248)**

The Committee had before it the report dated 1 December 2016 from the Revenue Accountant regarding Sale of Land for Unpaid Rates and Charges - Former Dubbo City Council.

Moved by Mr M Kneipp (Administrator)

### **MOTION**

**The Committee recommends that members of the press and public be excluded from the meeting during consideration of this item, the reason being that the matter concerned the personal hardship of any resident or ratepayer (Section 10A(2)(b)).**

**CARRIED**

Moved by Mr M Kneipp (Administrator)

#### **MOTION**

**The Committee recommends:**

- 1. That the various sale prices achieved for the sale of land for unpaid rates by way of public auction held on 29 November 2016, as identified in this report, be noted.**
- 2. That Council accept the following offers as submitted by the highest bidder on the auction night following negotiations, in respect of three allotments passed in:  
5-7 Nardoo Street, Ballimore. Offer \$70,000 (GST Inclusive).  
2 Moonul Street, Eumungerie. Offer \$20,000 (GST Inclusive).  
13 Nardoo Street, Ballimore. Offer \$41,000 (GST Inclusive).**
- 3. That the documents and considerations in regard to this matter remain confidential to Council.**
- 4. That any necessary documents be executed under the Common Seal of the Council.**

**CARRIED**

#### **CW16/6 SALE OF LAND FOR UNPAID RATES AND CHARGES - FORMER WELLINGTON COUNCIL (ID16/2255)**

The Committee had before it the report dated 5 December 2016 from the Revenue Accountant regarding Sale of Land for Unpaid Rates and Charges - Former Wellington Council.

Moved by Mr M Kneipp (Administrator)

#### **MOTION**

**The Committee recommends that members of the press and public be excluded from the meeting during consideration of this item, the reason being that the matter concerned the personal hardship of any resident or ratepayer (Section 10A(2)(b)).**

**CARRIED**

Moved by Mr M Kneipp (Administrator)

## MOTION

The Committee recommends:

1. That the balances of unpaid rates and charges remaining outstanding totalling \$50,038.04 after applying the proceeds from the Sale of each property be written off as provided by Section 719 of the Act as follows:
  - Assessment 5504, 83 Farnham Road, Farnham \$311.46
  - Assessment 45237, 80 Zouch Street, Wellington \$34,726.56
  - Assessment 51094, 3263 Twelve Mile Road, Twelve Mile \$7,147.14
  - Assessment 53090, 632 Curra Creek Road, Curra Creek \$7,852.88
2. That excess funds generated as a result of the sale of land for unpaid rates totalling \$133,975.89 be transferred to Council's Trust Fund as follows:
  - Assessment 1792, 54 Arthur Street, Wellington \$56,024.90
  - Assessment 21287, 33 Parkes Street, Wellington \$26,821.35
  - Assessment 31153, 17 Nubrigyn Street, Euchareena \$2,461.80
  - Assessment 38323, 217 Tarrawingee Road, Mumbil \$31,751.90
  - Assessment 54080, 1 Tallawonga Road, Elong Elong \$16,915.94
3. That as appropriate the excess funds generated on each property as a result of the sale of land for unpaid rates be transferred to persons who are clearly entitled under Section 720 of the Local Government Act to receive the surplus funds.
4. That the land acquired by Council at the public auction for the sale of land for unpaid rates being Lot 62 DP 756866 known as 83 Farnham Road, Farnham NSW 2820 be classified as Operational Land in accordance with Section 31(2) of the Local Government Act.
5. That a separate report be prepared and submitted to the Finance and Policy Committee meeting in February, 2017 in relation to the two properties being 1 Larmer Street, Neurea and 18 Alexander Street, Stuart Town which have yet to settle.
6. That the documents and considerations in regard to this matter remain confidential to Council.

**CARRIED**

The meeting closed at 5.25pm.

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CHAIRMAN



## **ADMINISTRATOR MINUTE: Administrator Appointments**

**AUTHOR:** Administrator  
**REPORT DATE:** 12 December 2016  
**TRIM REFERENCE:** ID16/2311

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To the Council  
Ladies and Gentlemen

Office of the Administrator  
Civic Administration Building  
Church Street, Dubbo

### **21 November 2016**

- Attended meeting with Wellington resident.
- Attended meeting with Wellington resident to discuss a possible free camping area for Wellington.
- Attended briefing for the Extraordinary Council and Committee Meetings.
- Attended the Planning and Development Committee, Works and Services Committee and the Finance and Policy Committee meetings.

### **22 November 2016**

- Attended meeting and dinner for the Alkane Community Consultative Committee at Toongi.

### **23 November 2016**

- Radio Interview – 2DU.
- Attended the TAFE Western NSW Driving Business Growth event.
- Attended the Dubbo Day Awards Presentation Ceremony with Interim General Manager Mark Riley, Council's Director Community Services David Dwyer, the Director Technical Services Stewart McLeod and the Director Parks and Landcare Services Ian McAlister.

### **24 November 2016**

- Attended Dubbo Buslines, Group Manager's Conference and presented opening message.
- Attended Dubbo Health Council meeting as Invited Member at Dubbo Hospital.
- Attended meeting together with Director Corporate Development, Ken Rogers, and Manager Airport Operation's Natalie Nissen, for discussions regarding Australian Indigenous Aviation Foundation for possible aviation flying schools at Wellington and

Dubbo. Also in attendance: Foundation Chair David Hicks, Committee Secretary Marcia Atchison, David Charlton from the Royal Flying Doctor Service and Mike Higgins, CEO of Regional Aviation Association Australia.

**27 November 2016**

- Attended the launch of the Dubbo Regional Theatre 2017 Season along with Director Community Services, David Dwyer.

**28 November 2016**

- Radio Interview – DCFM.
- Attended a meeting with Wellington resident.
- Attended a Wellington Bicentenary meeting to discuss progress of the event.
- Attended briefing for the Ordinary meeting of Council.
- Attended the Ordinary meeting of Council.

**29 November 2016**

- Attended along with Council's Acting Manager Water Supply & Sewerage, Steve Carter and Client Services Supervisor, Kathryn McAlister, a meeting with Dubbo resident regarding the Boil Water Notice.
- Attended along with Member for Dubbo Hon. Troy Grant, MP and Interim General Manager Mark Riley a meeting with Minister for Local Government, the then Mr P Toole, MP.
- Attended a photo opportunity for Wujiang Christmas card and message.

**30 November 2016**

- Attended along with Council's Interim General Manager a photo opportunity for the Annual Report.
- Media interview – Daily Liberal.
- Attended a meeting with Dubbo based developers to discuss development opportunities.

**1 December 2016**

- Travelled with Interim General Manager, Mark Riley to Bourke for the Orana Regional Organisation of Councils meeting.

**2 December 2016**

- Attended along with Council's Interim General Manager, Mark Riley, the Orana Regional Organisation of Councils Board Meeting and Annual General Meeting.

**5 December 2016**

- Attended the 'Smile, it's Christmas!' launch with Council's Interim General Manager, Mark Riley, along with other Council staff.
- Attended meeting with Chamber of Commerce representative to discuss monthly update.
- Attended along with Interim General Manager Mark Riley a meeting with developers to discuss potential development.

- Attended the Wellington Australia Day Committee meeting to discuss event progress.

**6 December 2016**

- Attended the official opening of the Savannah Safari Experience at Taronga Western Plains Zoo.
- Media interview – Prime 7 News.
- Attended meeting with a resident to discuss a Burrendong Recreation Area issue.
- Attended together with Interim General Manager, Mark Riley, the Dubbo RSL Club President’s Christmas Party.

**7 December 2016**

- Attended the Chamber of Commerce CEO Series breakfast; guest presenter Mr R Murray of JB Hifi.
- Attended the Daily Liberal Open Day.
- Attended and presented at the General Manager’s Forum for Council staff.
- Attended St Mary’s Catholic School Wellington presentation evening.

**9 December 2016**

- Attended the Charles Sturt University graduation ceremony.
- Attended the launch of the Wellington Community Christmas Tree.
- Attended the Dubbo Staff Christmas Function.
- Attended and presented Year 11 and 12 Academic Awards at the Macquarie Anglican Grammar School presentation evening.

**10 December 2016**

- Attended the Official Opening by Member for Parkes the Hon. Mark Coulton, MP of the Extensions to Bracken House.

**RECOMMENDATION**

**The information contained in the Administrator Minute be noted.**

*Michael Kneipp*  
Administrator





## **ADMINISTRATOR MINUTE: Compensation Consideration Arising From the Boil Water Incident in Dubbo 7 to 15 November 2016**

**AUTHOR:** Administrator  
**REPORT DATE:** 9 December 2016  
**TRIM REFERENCE:** ID16/2303

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To the Council  
Ladies and Gentlemen

Office of the Administrator  
Civic Administration Building  
Church Street, Dubbo

Dubbo Regional Council issued a boil water notice on 7 November 2016 following elevated E. coli results from regular water quality samples collected in the North Dubbo area. The water supplied to North Dubbo in the days leading up to 7 November 2016 was sourced from both the Newtown and Myall Street reservoir zones. The incident continued through until 15 November 2016, although the Newtown Zone boil water notice was lifted earlier than that on 10 November 2016. There were approximately 3,300 properties affected at some time during the incident.

Attached to this Administrator Minute as **Appendix 1** is a report from Council's Director Technical Services which outlines the course of the boil water incident, its likely causes and Council's responses thereto. This Administrator Minute covers the issue of whether customers need to be, or should be, compensated for the inconvenience caused to them by the boil water notification.

Firstly, I note from the report of the Director Technical Services that:

- Council has a Drinking Water Quality Management Plan (DWQMP) that outlines the policies and procedures that Council has in place to supply safe drinking water to the community. In addition, NSW Health and Council undertakes a regular testing program of the reticulation system to review the system integrity and to ensure the water supplied to customers is safe and of good quality.
- During the whole incident, and before and since the incident, the John Gilbert Water Treatment Plant continued to operate effectively and produce treated water that met the required standards for safe water. Various locations throughout the reticulation zone were regularly sampled and tested for E. Coli and chlorine disinfection residual levels.
- During the incident the community was regularly kept up to date with the progress of

the investigation via media releases and information on the Council's website.

- A debrief meeting was held at Dubbo on 6 December to assess the incident, discuss the incident response and performance and suggest short and long-term actions that would prevent a recurrence of the incident or improve the incident response. When complete, the report will be submitted to DPI Water and NSW Health, both of whom were well represented at the debrief meeting.

There are no statutory obligations on a water utility or a Council to compensate customers or other affected parties for events such as a boil water notice. Such events are a normal part of water utility operations and represent a very effective management tool as part of an adopted Drinking Water Quality Management Plan. Council complied with all normal protocols pertaining to the discovery of E. coli organisms in the drinking water supply and did so at all times in the lead-up and during the incident in full consultation with relevant NSW Health and NSW DPI Water personnel.

There is certainly no suggestion of negligence on the part of Council or staff. Proper due diligence can be demonstrated by Council, in that reservoir inspections were carried out in both February 2015 and February 2016 which resulted in additional maintenance of bird-proofing being undertaken. I am advised that the most recent documented comment from an independent inspector from NSW Public Works in February 2016 stated at the end of that inspection/repair cycle "no further evidence of birds in reservoir identified, likely fixed when panel was replaced".

There has only ever been one other previous boil water incident in Dubbo. This was in 2007 centred on the Standpipe Reservoir in the Newtown High level Zone. Council did not pay any compensation on that occasion. A precedent was set then by the Council of the day and I see no reason for deviating from that precedent now and in the process creating a new one.

Council's Interim General Manager, Mark Riley, has undertaken some calculations as to what the quantum of compensation might be if, say, Council were to waive one month of Availability Charges for the water supply connection customers in the affected zones. Based on the number of connections (approximately 3,300) the estimated sum involved would be \$98,000. This is a substantial sum of money which I don't believe the remaining water supply customers of Council should be expected to fund.

There would be considerable administrative and computer programming issues involved in adjusting the Availability Charges to waive one month (or any period really) of Availability Charges for just these 3,300 customers. These behind the scenes adjustments and the unavoidable re-issuing of statutory Supplementary Service Adjustment notices would likely be at a substantial cost themselves, and potentially generate additional unforeseen anomalies and inconsistencies not obvious at first glance.

Council's Water Fund has incurred expenses in excess of \$60,000 according to the Director Technical Services' accompanying report. This includes over \$22,000 worth of bottled water supplied to schools and other critical/needy customers. I consider this "emergency" compensation measure adopted by Council within minutes of the boil water alert being issued on Monday 7 November 2016 to have been both timely and appropriate, and sufficient in my mind to cover off on Council's reasonable obligations to customers.

In summary I do not consider it reasonable or prudent for Council to provide compensation for customers as a result of this recent boil water incident, and therefore recommend accordingly.

**RECOMMENDATION**

- 1. That the contents of the report of the Director Technical Services be noted.**
- 2. That no claims for compensation as a result of the Boil Water Incident that occurred between 7 and 15 November 2016 in North and Central Dubbo be accepted.**

*Michael Kneipp*  
Administrator

Appendices:

- 1** Report of Director Technical Services - Boil Water Alert

ORDINARY COUNCIL MEETING  
19 DECEMBER 2016

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## **REPORT: Boil Water Incident in Dubbo 7 to 15 November 2016**

**AUTHOR:** Director Technical Services  
**REPORT DATE:** 9 December 2016  
**TRIM REFERENCE:** ID16/2293

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### **EXECUTIVE SUMMARY**

Dubbo Regional Council issued a boil water notice on 7 November 2016 following elevated E. coli results from regular water quality samples collected in the North Dubbo area. The water supplied to North Dubbo in the days leading up to 7 November 2016 was sourced from both the Newtown and Myall Street reservoir zones. There were approximately 3,300 properties affected by the notice.

The presence of E. coli is an indicator that water could be contaminated with other microbiological hazards, so Council enacted previously prepared incident response protocols to investigate the cause of the elevated E. coli levels. The response included re-testing, increased sampling, mains flushing and increased chlorine disinfection as well as regular consultation with NSW Health and other expert parties.

The area covered by the boil water notice was reduced on 10 November 2016 to the Myall Street reservoir zone only following isolation of the Newtown zone from the Myall Street zone on the morning of 7 November 2016, and extensive inspection and cleaning activities were undertaken. During subsequent inspection and cleaning of the Myall Street reservoirs, a small number of roosting sparrows and nests were found in one reservoir and removed. This was determined to be the most likely source of the contamination. Following further consultation with NSW Health and other experts, it was agreed on 15 November 2016 that the boil water notice could be lifted and the community was notified that day.

An all-party incident de-brief meeting was held in Dubbo on 6 December 2016. The de-brief meeting was Chaired by an expert drinking water quality practitioner from consultants Hunter H2O who is currently preparing a detailed incident report which will document the response to the incident and identify corrective actions that can be put in place to reduce the likelihood of this type of incident occurring in the future. It will document performance and suggest short and long-term actions that will reduce the risk of recurrence of similar incidents and/or improve future incident response.

**ORDINARY COUNCIL MEETING  
19 DECEMBER 2016**

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**FINANCIAL IMPLICATIONS**

The full costs of the Boil Water Incident have not been calculated in detail. Some additional overtime costs were incurred over the weekends of 5 and 6 and 12 and 13 November 2016 for operational staff. Council purchased in excess of 25,000 units of bottled water for distribution to identified critical/needy customers at a cost of \$22,587 excluding GST. Council has also incurred costs currently totalling \$23,965 excluding GST for technical and professional assistance from Hunter H2O during the course of the incident and during the debrief process. Council has also incurred costs currently estimated at \$16,000 from a specialist reservoir cleaning and repair contractor from Queensland, Water Infrastructure Services Pty Ltd, who assisted Council at minimal notice with the inspection, cleaning and further bird-proofing of Myall Street Reservoir No. 2.

**POLICY IMPLICATIONS**

There are no corporate Policy implications arising from this report, but as a result of the Incident Debrief and the detailed incident report still to be received, operational policies and procedures with respect to reservoir inspection and maintenance practices will be modified as necessary.

**RECOMMENDATION**

**That the contents of the report of the Director Technical Services be noted.**

*Stewart McLeod*  
Director Technical Services

**ORDINARY COUNCIL MEETING  
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**BACKGROUND**

Dubbo Regional Council (DRC) supplies drinking water to approximately 38,000 customers in the Dubbo city area and surrounding suburbs. Water is sourced from the Macquarie River as well as borefields and treated at the John Gilbert Water Treatment Plant (JGWTP) before distribution to the community via 10 discrete supply zones.

Council has a Drinking Water Quality Management Plan (DWQMP) that outlines the policies and procedures that Council has in place to supply safe drinking water to the community. In addition, NSW Health and Council undertakes a regular testing program of the reticulation system to review the system integrity and to ensure the water supplied to customers is safe and of good quality.

**REPORT**

A regular routine water quality sample in the Myall Street reservoirs zone that was collected on 1 November 2016 was reported on 3 November 2016 to contain a low level detection of the indicator micro-organism E. Coli. Any detections of E.coli indicate potential contamination of the drinking water, so, in line with the Australian Drinking Water Guidelines and advice from NSW Health, a repeat sample was collected on 3 November 2016 (note that results are not typically available for at least 2 days after sample collection because of the laboratory testing procedure which requires a culture from the sample to be grown in an incubator chamber).

In addition to the re-test, Council initiated on-going reticulation system flushing in a number of locations, modifications were made to the Myall Street reservoirs' feed configuration to improve the turnover of water in the reservoirs, the Newton and Myall Street reservoirs had additional chlorine tablets regularly added to increase the chlorine disinfection residuals and a visual check of the surface of the reservoirs was undertaken. Council also initiated additional sampling and E. coli testing by our own laboratory at the JGWTP.

The sample from 3 November 2016 was also reported on 5 November 2016 to have a low level detection of E. coli. Council staff were in regular contact over the weekend of 5 and 6 November 2016 with staff from NSW Health jointly reviewing E. coli and chlorine residual results, and reporting on the flushing and disinfection activities being undertaken by Council staff, including a teleconference on Sunday 6 November 2016 at which a time was set for a further teleconference on Monday morning 7 November 2016.

Following the Monday morning teleconference a boil water notice was issued on 7 November 2016 covering residents in the Newtown and Myall Street water supply zones. The notice was provided to the community through the local media, posted on Council's website and distributed via a letter-box drop. Also, previously identified critical customers such as the hospital, pre-schools, nursing homes, food outlets and schools were contacted individually and bottled water supplied to these customers.

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Investigations to identify the source of the contamination were ongoing during the incident. In order to assist in pinpointing the contamination source, the sampling as well as disinfection residual monitoring throughout the Newton and Myall Street zones was expanded and results regularly communicated to NSW Health. On 7 November 2016 the Newtown and Myall Street zones were isolated from each other and the following day more detailed inspections of the Myall Street reservoirs were undertaken.

Evidence of bird life in the Myall St Reservoir No. 2 (steel construction) was observed and this was suspected as the most likely source of the contamination. The Council organised for additional chlorine to be added to all of the affected reservoirs so that the increased disinfection residual levels in the reservoirs and across the distribution zone would counteract the contamination until such time as it could be eradicated.

Since there had been zero E. coli detections in the Newtown zone since the beginning of the incident and the Newtown zone and Myall Street zones had been isolated from each other from 7 November 2016, NSW Health was consulted and after three days it was agreed that the Newtown zone could be removed from the boil water notice area. On 10 November 2016, a boundary change notice was issued to the community.

On Thursday the 10 November 2016 additional chlorine was added to Myall Street Reservoir No. 1 (concrete construction) and on Friday 11 November 2016 Reservoir No. 2 (steel construction) was taken offline and isolated. Council was able to organise for one of the contracting companies who undertake the scheduled inspections and cleaning of its reservoirs to re-prioritise their work schedule and come to Dubbo on 14 November 2016. The company uses divers to inspect and clean reservoirs while they are full of water. During the inspection of the Myall Street reservoirs the divers found evidence of sparrows roosting in Reservoir No. 2. Reservoir No. 1 was found to be free of contamination. During 14 and 15 November 2016 both reservoirs were cleaned and the sparrows, nests and leaf matter removed from Reservoir No. 2.

Once the reservoirs were inspected and cleaned, NSW Health and other experts were consulted. It was agreed by all parties on 15 November 2016 that the source of the contamination had been identified and effectively treated and managed. Also, since there had been no E. coli detections since 8 November 2016 and chlorine residuals throughout the reticulation zone were maintained at acceptable levels, this provided evidence that the contaminated water has been cleared from the distribution system. It was therefore agreed that it was appropriate to remove the boil water notice, effective from 15 November 2016.

The Myall Street Reservoir No. 2 would remain off-line until all the cleaning work was completed and repairs made to prevent birds from accessing the reservoir. This work was undertaken on subsequent days and included the tying together with electrical cable ties of any sheets of bird and vermin netting which may have become misaligned from neighbouring sheets and the installation of 800 moulded plastic inserts into the corrugations at the ends of roof sheeting, which although very small, can be accessed by a determined small bird like a sparrow.

**ORDINARY COUNCIL MEETING  
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During the whole incident, and before and since the incident, the JGWTP continued to operate effectively and produce treated water that met the required standards for safe water. Various locations throughout the reticulation zone were regularly sampled and tested for E. Coli and chlorine disinfection residual levels. Also, during the incident the community was regularly kept up to date with the progress of the investigation via media releases and information on the Council's website.

**Further Actions**

In line with the Australian Drinking Water Guidelines a report into the incident is being prepared. The report will consider the root causes of the contamination and identify actions that can be put in place to prevent this type of incident from occurring again in the future. The investigation will consider what worked well, what needs to be improved or changed, and include all staff and agencies involved in the incident response.

A debrief meeting was held at Dubbo on 6 December 2016 to assess the incident, discuss the incident response and performance and suggest short and long-term actions that would prevent a recurrence of the incident or improve the incident response. When complete, the report will be submitted to DPI Water and NSW Health, both of whom were well represented at the debrief meeting.

**Compensation Considerations**

In regard to the issue of potential compensation payable by Council to those people affected by the Boil Water Alert, I do advise that there is no statutory requirement for Council to pay compensation. Notwithstanding the issue has been considered by the Administrator and he has reported accordingly.





## **ADMINISTRATOR MINUTE: Presentation of the former Wellington Council's Financial Statements for 2015/2016**

**AUTHOR: Administrator**  
**REPORT DATE: 14 December 2016**  
**TRIM REFERENCE: ID16/2329**

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To the Council  
Ladies and Gentlemen

Office of the Administrator  
Civic Administration Building  
Church Street, Dubbo

The Annual Financial Statements for the period ending 12 May 2016 in respect of the former Wellington Council have now been audited and in this regard attached herewith is a report from Council's Manager Financial Accounting Services dated 19 December 2016 regarding this matter.

The Annual Financial Statements for the period ending 12 May 2016 and the unqualified auditors' certificates in respect of the former Wellington are now provided for determination by Council.

### **RECOMMENDATION**

- 1. That the Annual Financial Statements for the former Wellington Council for the period ended 12 May 2016, as attached to the report of the Manager Financial Accounting Services dated 19 December 2016, be accepted.**
- 2. That the Financial Accounting Services staff be thanked for their efforts in preparing the 2015/2016 Financial Statements.**

*Michael Kneipp*  
Administrator

Appendices:

- 1 Report of Manager Financial Accounting Services - Presentation of Former Dubbo City Council Annual Financial Statements**



## **REPORT: Presentation of the Financial Statements for the Former Wellington Council for the Period 1 July 2015 to 12 May 2016**

**AUTHOR: Manager Financial Accounting Services**

**REPORT DATE: 19 December 2016**

**TRIM REFERENCE: ID16/2336**

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### **EXECUTIVE SUMMARY**

The Local Government Act 1993 requires that Council prepare financial statements annually and must meet specific requirements in preparing and presenting the annual financial statements.

Section 413 of the Local Government Act 1993, provides as follows:

- 413 (1) *A Council must prepare financial reports for each year, and must refer them for audit as soon as practicable (having regard to the requirements of section 416(1)) after the end of that year.*
- (2) *A council's financial reports must include:*
- (a) a general purpose financial report: and*
  - (b) any other matter prescribed by the regulations, and*
  - (c) a statement in the approved form by the Council as to its opinion on the general purpose financial report.*
- (3) *The general purpose financial report must be prepared in accordance with this Act [Local Government Act 1993] and the regulations, and requirements of:*
- (a) the publications issued by the Australian Accounting Standards Board, as in force for the time being, subject to the regulations, and*
  - (b) such other standards as may be prescribed by the regulations.*

Clause 214 of the Local Government (General) Regulation 2005 imposes additional requirements for preparation of a Council's financial reports.

- (1) *For the purpose of Section 413(2)(b) of the Act, any matters required by the Code [Local Government Code of Accounting Practice and Financial Reporting] or the Manual [Local Government Asset Accounting Manual] to be included in Council's financial reports are prescribed matters.*

- (2) *For the purpose of section 413(3)(b) of the Act, the Code and the Manual are prescribed standards.*

Section 416(1) of the Local Government Act 1993 requires that: "A Council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year".

**FINANCIAL IMPLICATIONS**

The financial statements show the former Wellington Council to be in a sound financial position as at 12 May 2016.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the Financial Statements including Audit Reports for the period 1 July 2015 to 12 May 2016 for the former Wellington Council be accepted by the Council.**

*Wayne Sonneman*  
Manager Financial Accounting Services

**REPORT**

The proclamation amalgamating the former Dubbo City and Wellington councils on 12 May 2016 required that Financial Statements for each former Council be prepared for the period 1 July 2015 to 12 May 2016 (the date of the proclamation).

The General Purpose Financial Statements of the former Wellington Council for the period ended 12 May 2016 have been completed in accordance with the above requirements. The Statement required by Section 413(2)(c) and the Auditor's Reports are attached to the General Purpose Financial Statements.

Council's Auditors have issued unqualified Audit Certificates in relation to both the General Purpose Financial Statements and the Special Purpose Financial Statements.

In regard to preparation, the financial reports were prepared within the time frame prescribed by the merger proclamation, being 31 December 2016.

As required by the Australian Accounting Standard AASB 101, the General Purpose Financial Statements are prepared on a consolidated basis and include all entities of the Council as well as Council's interest in the Macquarie Regional Library Joint Venture. The following entities are included in the general purpose financial reports:

- General Purpose Operations
- Water Supply
- Sewerage
- Macquarie Regional Library Joint Venture

The General Purpose Financial Statements consist of an Income Statement which provides information on the changes in net assets resulting from operations, a Statement of Comprehensive Income which includes transfers to and from Revaluation Reserves, Statement of Financial Position, which shows the assets and liabilities of the Council at the end of the year, Statement of Changes in Equity which shows the movement in equity for the year and Statement of Cash Flows which provides information on inflows and outflows of cash for the year, Notes to the General Purpose Financial Statements which provide more detail on items appearing in the statements. The statements also consist of Special Schedules which are required by the Code of Accounting Practice and provide further detail on cost of services and other statistical information required by special purpose users such as the Office of Local Government and the Office of Environment and Heritage, and Special Purpose Financial Statements designed to meet National Competition Policy reporting requirements for Category 1 and 2 businesses.

**ORDINARY COUNCIL MEETING  
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In regard to the financial results for the period, the Income Statement shows the change in net assets resulting from operations for the period to be a \$5.223m surplus. Significant items relating to the Income statement are as follows.

1. Depreciation charges for the period amounted to \$5.904m. This was a decrease of \$1.122m over the previous year. This occurred due to review of the Road Infrastructure and Stormwater asset useful lives, and also the recognition of residual values inherent in these assets at the end of their useful lives.
2. Capital Grants and Contributions amounted to \$2.633m.
3. Interest on Investments revenue for the period amounted to \$792,000. The return from interest on investments decreased by \$163,000 from the previous year due to decreasing interest rates during the reporting period, and the shorter reporting period for 2016.

Expenditure on the acquisition of infrastructure assets such as roads, water and sewer infrastructure, parks, gardens, plant and equipment were funded from cash flows from operating activities and amounted to \$5.16m.

The Statement of Financial Position indicates that the former Wellington Council was in a sound financial position as at 12 May 2016 with Net Current Assets of \$19.031m.

Cash and Investments total \$33.686m, which is significant, however, it should be noted that there are restrictions on the future use of these funds as follows. As per the details on Note 6, the following restrictions have been imposed by legislation or other externally imposed requirements:

	\$'000
Developer Contributions Section 94 (EP & A Act) and Section 64 (Local Government Act)	643
Unexpended Grants	3,181
Water & Sewer Services (The assets of these Funds can only be used for the purposes of the fund)	6,861
Domestic Waste Management Services (The assets can only be used for Domestic Waste purposes)	3,289
Stormwater Drainage (The assets can only be used for Stormwater purposes)	255
<b>Total External Restrictions</b>	<b>\$14,429</b>

**ORDINARY COUNCIL MEETING  
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As also detailed on Note 6, Council has previously resolved to set aside funds in the form of specific cash or investments for future long term purposes with these internally restricted assets totalling \$15.970m.

In terms of available funds, the balance at 12 May 2016 was \$3.287m disclosed as the unrestricted cash after internal and external restrictions have been deducted from total cash held.

In the reporting period ending 12 May 2016, the former Wellington Council was required by the Code of Accounting Practice to revalue its Water and Sewer infrastructure assets by indexation only. As a result of this revaluation, the value of these classes of assets increased by \$522,000.

Other asset classes revalued included Land Improvements Depreciable, \$444,000, Swimming Pools \$388,000, and Other Open Space Recreational Assets \$752,000.

As previously indicated the Notes to the Financial Statements are designed to provide users with additional information on items appearing in the Income Statement and Balance Sheet and are self-explanatory. Special Schedule 1 provides details of expenses and revenues for functions and activities of the Council within prescribed statistical categories. It should be noted that the Net Cost of Services shown on Special Schedule 1 is the Surplus from Ordinary Activities and does not include funds expended as a result of acquisition of assets.

Section 413(1) requires Council to prepare Financial Reports for each year and refer them for audit as soon as practicable (having regard to the requirements of Section 416(1)). Section 415(1) provides that the Council's auditor must audit the Council's Financial Reports as soon as practicable (having regard to the requirements of Section 416(1)) after they are referred for audit. Section 417 details the requirements of the Auditors Reports. A Council's auditor must prepare two (2) reports:

- a report on the General Purpose Financial Statements
- a report on the conduct of the audit.

These reports must include statements by the Auditor as to his opinion on various matters including the keeping of accounting records, preparation of the Financial Statements and any information relevant to the conduct of the audit.

The Financial Statements and Audit Certificates for the former Wellington Council will be presented at the December 2016 Ordinary Meeting of Council by an Administrator Minute.

Section 418 provides that as soon as practicable after the Council receives a copy of the Auditor's report:

- (a) it must fix a date for the meeting at which it proposes to present its audited Financial Statements, together with the Auditors reports to the public: and
- (b) it must give public notice of the date so fixed.

**ORDINARY COUNCIL MEETING**  
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The date fixed for the meeting must be at least seven (7) days after the date on which the notice is given but not more than five (5) weeks after the Auditor's reports are given to the Council. Section 419 requires that Council must present its audited financial reports, together with the Auditor's reports at a meeting of the Council held on the date fixed for the meeting and Council's Auditor may, and if so required in writing by the Council, must attend the meeting at which the Financial Reports are presented. The required Public Notice has been given by advertisement in the Daily Liberal on Monday 12 December 2016. The Public Notice advises that the Council will present its audited financial statements, together with the Auditor's reports, to the public at its Ordinary meeting to be held on Monday 19 December 2016.

It should also be noted that Section 420 provides that any person may make submissions to the Council with respect to the Council's audited Annual financial statements or with respect to the Auditors reports. A submission must be in writing and must be lodged with the Council within seven (7) days after the date on which those reports are presented to the public. The Council must ensure that copies of all submissions received by it are referred to the Auditor. The Council may take such action as it considers appropriate with respect to any such submission, including the giving of notice to the Director-General of any matter that appears to require amendment of the Council's financial reports.

Appendices:

- 1 The former Wellington Council Financial Statements 2015-16
- 2 Auditor Statements - Former Wellington Council 2015-2016

# The former Wellington Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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*“...a safe, vibrant, progressive community,  
which is renowned for its beauty and character.”*





## The former Wellington Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for the former Wellington Council.
- (ii) The former Wellington Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the Local Government Act 1993 (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Dubbo Regional Council on 12 December 2016. Council has the power to amend and reissue these financial statements.
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## The former Wellington Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

## Understanding Council's financial statements

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### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the reporting period 1/7/15 to 12/5/16.

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

### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the period, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

#### 1. The Income Statement

This statement summarises Council's financial performance for the period, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### 2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

#### 3. The Statement of Financial Position

This statement is an end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

#### 4. The Statement of Changes in Equity

The overall change for the reporting period (in dollars) of Council's 'net wealth'.

#### 5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

### Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

### More information

A review of Council's financial performance and position for the current (and past) reporting period/s can be found at Note 28 of the financial statements.

## The former Wellington Council

### General Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

### Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

**The attached General Purpose Financial Statements have been prepared in accordance with:**

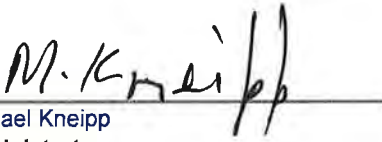
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

**To the best of our knowledge and belief, these financial statements:**

- present fairly the Council's operating result and financial position for the period, and
- accord with Council's accounting and other records.

**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Dubbo Regional Council made on 28 November 2016.**



Michael Kneipp  
Administrator



Mark Riley  
Interim General Manager



Craig Griffin  
Responsible Accounting Officer

## The former Wellington Council

### Income Statement

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup>			Actual	Actual
1/7/15			1/7/15	1/7/14
to 30/6/16	\$ '000	Notes	to 12/5/16	to 30/6/15
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
n/a	Rates and annual charges	3a	8,464 <sup>2</sup>	8,757
n/a	User charges and fees	3b	5,376	5,901
n/a	Interest and investment revenue	3c	792	955
n/a	Other revenues	3d	341	656
n/a	Grants and contributions provided for operating purposes	3e,f	7,611 <sup>3</sup>	6,607
n/a	Grants and contributions provided for capital purposes	3e,f	2,633	5,554
<b>Other income:</b>				
n/a	Net gains from the disposal of assets	5	145	388
n/a	Net share of interests in joint ventures and associates using the equity method	19	4	3
n/a	<b>Total income from continuing operations</b>		<b>25,366</b>	<b>28,821</b>
<b>Expenses from continuing operations</b>				
n/a	Employee benefits and on-costs	4a	6,588	7,602
n/a	Borrowing costs	4b	558	666
n/a	Materials and contracts	4c	5,009	4,951
n/a	Depreciation and amortisation	4d	5,904	7,026
n/a	Impairment	4d	–	–
n/a	Other expenses	4e	2,084	2,474
n/a	<b>Total expenses from continuing operations</b>		<b>20,143</b>	<b>22,719</b>
n/a	<b>Operating result from continuing operations</b>		<b>5,223</b>	<b>6,102</b>
<b>Discontinued operations</b>				
n/a	Net profit/(loss) from discontinued operations	24	–	–
n/a	<b>Net operating result for the period</b>		<b>5,223</b>	<b>6,102</b>
n/a	<b>Net operating result attributable to Council</b>		<b>5,223</b>	<b>6,102</b>
n/a	<b>Net operating result attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>
n/a	<b>Net operating result for the period before grants and contributions provided for capital purposes</b>		<b>2,590</b>	<b>548</b>

<sup>1</sup> Original budget as approved by Council is not required for these financial statements

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

<sup>3</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

## The former Wellington Council

### Statement of Comprehensive Income for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Net operating result for the period</b> (as per Income Statement)		<b>5,223</b>	<b>6,102</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,771	36,204
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>1,771</b>	<b>36,204</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves (Asset Disposal)	20b (ii)	(2,742)	–
<b>Total items which will be reclassified subsequently to the operating result when specific conditions are met</b>		<b>(2,742)</b>	<b>–</b>
<b>Total other comprehensive income for the period</b>		<b>(971)</b>	<b>36,204</b>
<b>Total comprehensive income for the period</b>		<b>4,252</b>	<b>42,306</b>
<b>Total comprehensive income attributable to Council</b>		<b>4,252</b>	<b>42,306</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## The former Wellington Council

Statement of Financial Position  
as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	11,088	9,850
Investments	6b	7,805	8,682
Receivables	7	4,398	4,258
Inventories	8	456	482
Other	8	273	128
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>24,020</b>	<b>23,400</b>
<b>Non-current assets</b>			
Investments	6b	14,793	9,090
Receivables	7	272	393
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	315,337	317,446
Investments accounted for using the equity method	19	242	238
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>330,644</b>	<b>327,167</b>
<b>TOTAL ASSETS</b>		<b>354,664</b>	<b>350,567</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,822	1,687
Borrowings	10	388	406
Provisions	10	2,779	2,755
<b>Total current liabilities</b>		<b>4,989</b>	<b>4,848</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	8,923	9,267
Provisions	10	1,577	1,529
<b>Total non-current liabilities</b>		<b>10,500</b>	<b>10,796</b>
<b>TOTAL LIABILITIES</b>		<b>15,489</b>	<b>15,644</b>
<b>Net assets</b>		<b>339,175</b>	<b>334,923</b>
<b>EQUITY</b>			
Retained earnings	20	182,242	177,019
Revaluation reserves	20	156,933	157,904
<b>Council equity interest</b>		<b>339,175</b>	<b>334,923</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>339,175</b>	<b>334,923</b>

## The former Wellington Council

### Statement of Changes in Equity for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
<b>1/7/15 to 12/5/16</b>						
<b>Opening balance</b> (as per last year's audited accounts)		177,019	157,904	334,923	–	334,923
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/15)		<b>177,019</b>	<b>157,904</b>	<b>334,923</b>	<b>–</b>	<b>334,923</b>
<b>c. Net operating result for the period</b>		<b>5,223</b>	<b>–</b>	<b>5,223</b>	<b>–</b>	<b>5,223</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	1,771	1,771	–	1,771
– Asset Disposal	20b (ii)	–	(2,742)	(2,742)	–	(2,742)
<b>Other comprehensive income</b>		<b>–</b>	<b>(971)</b>	<b>(971)</b>	<b>–</b>	<b>(971)</b>
<b>Total comprehensive income</b> (c&d)		<b>5,223</b>	<b>(971)</b>	<b>4,252</b>	<b>–</b>	<b>4,252</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>182,242</b>	<b>156,933</b>	<b>339,175</b>	<b>–</b>	<b>339,175</b>

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
<b>1/7/14 to 30/6/15</b>						
<b>Opening balance</b> (as per last year's audited accounts)		170,917	121,700	292,617	–	292,617
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/14)		<b>170,917</b>	<b>121,700</b>	<b>292,617</b>	<b>–</b>	<b>292,617</b>
<b>c. Net operating result for the year</b>		<b>6,102</b>	<b>–</b>	<b>6,102</b>	<b>–</b>	<b>6,102</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	36,204	36,204	–	36,204
<b>Other comprehensive income</b>		<b>–</b>	<b>36,204</b>	<b>36,204</b>	<b>–</b>	<b>36,204</b>
<b>Total comprehensive income</b> (c&d)		<b>6,102</b>	<b>36,204</b>	<b>42,306</b>	<b>–</b>	<b>42,306</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the year</b>		<b>177,019</b>	<b>157,904</b>	<b>334,923</b>	<b>–</b>	<b>334,923</b>

## The former Wellington Council

## Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup> 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
n/a	Rates and annual charges		6,716	8,693
n/a	User charges and fees		5,788	6,154
n/a	Investment and interest revenue received		842	905
n/a	Grants and contributions		9,878	10,947
n/a	Other		2,902	1,270
<b>Payments:</b>				
n/a	Employee benefits and on-costs		(6,583)	(7,709)
n/a	Materials and contracts		(5,508)	(5,569)
n/a	Borrowing costs		(593)	(619)
n/a	Other		(2,820)	(3,000)
n/a	<b>Net cash provided (or used in) operating activities</b>	11b	<b>10,622</b>	<b>11,072</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
n/a	Sale of investment securities		8,682	11,262
n/a	Sale of infrastructure, property, plant and equipment		1,010	1,136
<b>Payments:</b>				
n/a	Purchase of investment securities		(13,554)	(11,182)
n/a	Purchase of infrastructure, property, plant and equipment		(5,160)	(5,034)
n/a	Other investing activity payments		–	–
n/a	<b>Net cash provided (or used in) investing activities</b>		<b>(9,022)</b>	<b>(3,818)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
n/a	Repayment of borrowings and advances		(362)	(383)
n/a	<b>Net cash flow provided (used in) financing activities</b>		<b>(362)</b>	<b>(383)</b>
n/a	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,238</b>	<b>6,871</b>
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	9,850	2,979
n/a	<b>Cash and cash equivalents – end of reporting period</b>	11a	<b>11,088</b>	<b>9,850</b>
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	22,598	17,772
	<b>Total cash, cash equivalents and investments</b>		<b>33,686</b>	<b>27,622</b>

<sup>1</sup> The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

###### (iii) New and amended standards adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the periods presented, unless otherwise stated.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### (vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

##### (i) Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Wellington Council has been amalgamated into Dubbo Regional Council from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Dubbo Regional Council
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:

- all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils

- new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties

- any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.

- The former Wellington Council has not been liquidated nor has trading ceased.

(ii) Estimated fair values of investment properties

(iii) Estimated fair values of infrastructure, property, plant and equipment,

(iv) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

##### (b) Revenue recognition

##### Income recognition as a result of Council's amalgamation

The former Wellington Council was amalgamated on 12 May 2016 into Dubbo Regional Council.

In accordance with the Australian Accounting Standards the former Wellington Council has had to recognise 100% of the rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or where earlier upon receipt of the rates.

The former Wellington Council has also recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

As a consequence these financial statements include all the rates and FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016.

Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of Dubbo Regional Council.

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

#### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Rates are recognised as revenue for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been

secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current period.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed note relating to developer contributions can be found at Note 17.

#### **User charges, fees and other Income**

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

##### **Sale of infrastructure, property, plant and equipment**

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

##### **Interest and rents**

Rental income is accounted for on a straight-line basis over the lease term.

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

##### **Dividend income**

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

##### **Other Income**

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

#### **(c) Principles of consolidation**

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

##### **(i) The Consolidated Fund**

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- *General Purpose Operations*
- *Water Supply*
- *Sewerage Service*

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- *Sports Advisory & Facilities Committee*
- *Fowler Steam Engine Committee*
- *Community Services Committee*
- *Heritage Cultural Committee*
- *Traffic Committee*
- *Showground Advisory Committee*
- *Crime Prevention Committee*
- *Senior Citizens & Access Advisory Committee*
- *MR353 Committee*
- *Australia Day Committee*
- *Caves Advisory Committee*
- *Reserves Committee*
- *Burrendong State Park Trust*
- *Macquarie Regional Library*
- *Country Public Libraries Association*
- *Central West Regional Group of Councils*
- *NSW Flood Mitigation Authority, LGSA Water Supply Committee & LG Water Resources Committee*
- *"C" Division Shires Association*
- *Mount Arthur Reserve Trust*
- *Burrendong Arboretum Trust*
- *Cudgegong River Caravan Park Trust*
- *Burrendong Volunteer Rescue Squad*
- *Local Emergency Management Committee*
- *Central West District Emergency Management Committee*
- *Wellington Local Fire Management Committee & Wellington Fire District Liaison Committee*
- *CENTROC Weight of Loads Group*
- *Macquarie Valley Plants Eradication Advisory Committee*
- *WBC Strategic Alliance Committee*
- *Wellington Community Aboriginal Working Party*
- *Wellington Learning Community*
- *Wellington Correctional Committee*
- *Joint Regional Planning Panel*
- *Bushfire Management Committee*
- *Rural Fire Service Captains & Group Captains Committee*
- *Rural Fire Service Wellington Liaison Committee*
- *Corrective Services NSW South Western Region Community Consultative Committee*



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

- *Wellington Community Services Interagency Committee*
- *Binjang Community Radio*
- *Regional Governing Committee*
- *WINS*

#### (ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

#### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

##### Associates

Council has no interest in any associates.

##### County councils

Council is not a member of any county councils.

##### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

#### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

##### Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

##### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

#### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Statement of Cash Flows.

#### (f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

#### Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### General accounting and measurement of financial instruments:

##### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

##### (ii) Subsequent measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables** and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

#### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### (g) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

##### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### (i) Inventories

##### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### (ii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, property, plant and equipment (I,PP&E)

##### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (internal valuation)
- **Land improvements**  
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**  
(external valuation)
- **Other structures** (external valuation)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks** (internal valuation)
- **Stormwater drainage** (internal valuation)
- **Water and sewerage networks** (internal valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets**  
(external valuation)
- **Other assets**  
(as approximated by depreciated historical cost)

Due to the proclamation date of 12 May 2016, the Council had not completed revaluations for the 2015 / 2016 reporting period and therefore the following assets have not been revalued for these financial statements:

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

- **Community Land**

Council has assessed the current carrying values of the above Asset Classes and do not believe that (at balance date) it is materially different from their fair value.

##### Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,

- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided by DPI Water.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

##### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

<b>Plant and Equipment</b>	
Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant and Equipment	100% Capitalised

<b>Buildings and Land Improvements</b>	
Park Furniture and Equipment	> \$5,000
Building	
- construction/extensions	> \$5,000
- renovations	> \$5,000
Other Structures	> \$5,000

<b>Water and Sewer Assets</b>	
Reticulation extensions	> \$5,000
Other	> \$5,000

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Stormwater Assets

Drains and Culverts	> \$10,000
Other	> \$10,000

##### Transport Assets

Road construction and reconstruction	> \$10,000
Reseal/Re-sheet and major repairs:	> \$10,000
Bridge construction and reconstruction	> \$10,000

##### Other Infrastructure Assets

Swimming Pools	> \$5,000
Other Open Space/Recreational Assets	> \$5,000

##### Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	5 to 50 years
- Other Open Space/ Recreational Assets	15 to 80 years

#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PPandE include:

##### Plant and Equipment

- Office Equipment	1 to 8 years
- Office furniture	1 to 8 years
- Computer Equipment	1 to 8 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

##### Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

##### Buildings

- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

##### Stormwater Drainage

- Drains	80 to 200 years
- Culverts	50 to 100 years

##### Transportation Assets

- Sealed Roads: Structure	15 years
- Unsealed roads	10 to 15 years
- Bridges	100 years
- Road Pavements	60 years
- Kerb, Gutter and Paths	40 to 200 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

#### Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

#### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

#### (l) Land under roads

Land under roads is land under roadways and road reserves, including land under footpaths, nature strips and median strips.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

##### (m) Intangible assets

Council has not classified any assets as intangible.

##### (n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### (o) Rural fire service assets

Under section 119 of the *Rural Fires Act 1997*, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the

assets, their values and depreciation charges within these financial statements.

##### (p) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Council has no investment property.

##### (q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

#### **(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 12 May and the replacement assets were already purchased and accounted for as at 12 May.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

##### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of reporting period that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

##### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

#### **(x) Employee benefits**

##### **(i) Short-term obligations**

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

##### **(ii) Other long-term obligations**

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### **(iii) Retirement benefit obligations**

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### **Defined benefit plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/02/16 and covers the period ended 30/06/16.

However the position is monitored annually and the actuary has estimated that as at 12 May 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the period ending 12 May 2016 was \$ 290,658.

The amount of additional contributions included in the total employer contribution advised above is \$152,921.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 255,179 as at 12 May 2016.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

#### Defined contribution plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iv) Employee benefit on-costs

Council has recognised at period end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

#### (y) Self-insurance

Council does not self-insure.

#### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

##### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Statement of Financial Position.

Operating cash flows within the Statement of Cash Flows are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

##### (ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

##### **AASB 9 – Financial Instruments**

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

##### **AASB 15 – Revenue from Contracts with Customers and associated amending standards**

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

#### **AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

#### **AASB16 – Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined

to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

#### **AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

#### **AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

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sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

#### **(ac) Rounding of amounts**

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

#### **(ad) Comparative figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Governance	n/a	–	–	n/a	1,130	1,200	n/a	(1,130)	(1,200)	–	–	–	–
Administration	n/a	369	831	n/a	1,296	1,602	n/a	(927)	(771)	–	–	20,587	17,610
Public order and safety	n/a	305	698	n/a	822	896	n/a	(517)	(198)	275	607	4,945	5,124
Health	n/a	2	5	n/a	(3)	59	n/a	5	(54)	–	–	–	–
Environment	n/a	1,432	1,792	n/a	1,586	1,640	n/a	(154)	152	95	167	12,119	11,832
Community services and education	n/a	320	284	n/a	419	406	n/a	(99)	(122)	308	270	827	984
Housing and community amenities	n/a	230	269	n/a	531	640	n/a	(301)	(371)	45	74	4,033	3,995
Water supplies	n/a	2,740	2,898	n/a	2,161	2,388	n/a	579	510	29	40	24,543	23,650
Sewerage services	n/a	1,858	2,141	n/a	1,803	2,082	n/a	55	59	34	36	25,175	24,997
Recreation and culture	n/a	927	377	n/a	2,214	2,033	n/a	(1,287)	(1,656)	788	179	12,700	11,348
Mining, manufacturing and construction	n/a	54	86	n/a	64	79	n/a	(10)	7	–	–	161	167
Transport and communication	n/a	5,637	8,282	n/a	6,967	7,845	n/a	(1,330)	437	1,796	760	243,077	241,900
Economic affairs	n/a	1,165	848	n/a	1,152	1,849	n/a	13	(1,001)	528	41	5,408	8,453
<b>Total functions and activities</b>	<b>n/a</b>	<b>15,039</b>	<b>18,511</b>	<b>n/a</b>	<b>20,142</b>	<b>22,719</b>	<b>n/a</b>	<b>(5,103)</b>	<b>(4,208)</b>	<b>3,898</b>	<b>2,174</b>	<b>353,575</b>	<b>350,060</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	n/a	4	3	n/a	–	–	n/a	4	3	–	–	242	238
General purpose income <sup>2</sup>	n/a	10,323	10,307	n/a	–	–	n/a	10,323	10,307	3,848	3,829	847	269
<b>Operating result from continuing operations</b>	<b>n/a</b>	<b>25,366</b>	<b>28,821</b>	<b>n/a</b>	<b>20,143</b>	<b>22,719</b>	<b>n/a</b>	<b>5,224</b>	<b>6,102</b>	<b>7,746</b>	<b>6,003</b>	<b>354,664</b>	<b>350,567</b>

1. Original Budget disclosures are not required for these financial statements.

2. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(b). Council functions/activities – component descriptions

**Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:**

##### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's' services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries; museums; community centres and halls, including public halls; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; and other business undertakings.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
<b>(a) Rates and annual charges</b> <sup>1,2</sup>			
<b>Ordinary rates</b>			
Residential		2,087	2,086
Farmland		3,482	3,374
Mining		2	2
Business		331	290
<b>Total ordinary rates</b>		<b>5,902</b>	<b>5,752</b>
<b>Special rates</b>			
Sewerage services		1,379	1,626
Emergency services		137	133
<b>Total special rates</b>		<b>1,516</b>	<b>1,759</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		739	896
Stormwater management services		27	31
Waste management services (non-domestic)		280	319
<b>Total annual charges</b>		<b>1,046</b>	<b>1,246</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>8,464</b>	<b>8,757</b>

<sup>1</sup> Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		90	88
Water supply services		2,551	2,712
Sewerage services		330	350
Waste management services (non-domestic)		45	137
<b>Total user charges</b>		<b>3,016</b>	<b>3,287</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		81	133
Private works – section 67		52	37
Registration fees		13	16
Section 149 certificates (EPA Act)		26	33
Section 603 certificates		17	17
Other		6	14
<b>Total fees and charges – statutory/regulatory</b>		<b>195</b>	<b>250</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Caravan park		175	227
Caves entry fees		329	360
Cemeteries		121	101
Leaseback fees – Council vehicles		45	56
Multipurpose centre		16	24
Park rents		41	47
RMS (formerly RTA) charges (state roads not controlled by Council)		1,353	1,461
Swimming centres		79	78
Other		6	10
<b>Total fees and charges – other</b>		<b>2,165</b>	<b>2,364</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>5,376</b>	<b>5,901</b>



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		26	26
– Interest earned on investments (interest and coupon payment income)		812	873
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (other)		(46)	56
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>792</b>	<b>955</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		26	26
General Council cash and investments		100	5
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		7	9
– Section 64		10	12
Water fund operations		90	79
Sewerage fund operations		91	106
Domestic waste management operations		146	140
Unexpended grants		95	13
Other externally restricted assets		8	8
<b>Restricted investments/funds – internal:</b>			
Internally restricted assets		219	557
<b>Total interest and investment revenue recognised</b>		<b>792</b>	<b>955</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		38	89
Legal fees recovery – rates and charges (extra charges)		77	48
Legal fees recovery – other		–	1
Caves / caravan park kiosk – sales		100	106
Commissions and agency fees		2	7
Insurance claim recoveries		38	25
OH&S training		28	86
Rebates		46	174
Sales – general		5	77
Other		7	43
<b>TOTAL OTHER REVENUE</b>		<b>341</b>	<b>656</b>

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,498 <sup>1</sup>	2,474	–	–
Financial assistance – local roads component	1,276 <sup>1</sup>	1,281	–	–
Pensioners' rates subsidies – general component	74	74	–	–
<b>Total general purpose</b>	<b>3,848</b>	<b>3,829</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	29	40	–	–
– Sewerage	34	36	–	–
– Domestic waste management	31	36	–	–
Community care	308	270	–	–
Economic development	–	14	528	27
Environmental protection	–	13	–	–
Heritage and cultural	–	4	4	5
Library – per capita	37	36	–	–
Library – special projects	–	16	–	–
Noxious weeds	64	73	–	–
NSW rural fire services	197	195	79	412
Public halls	–	20	8	11
Recreation and culture	11	–	732	95
Street lighting	41	46	–	–
Transport (roads to recovery)	1,735	614	–	–
Transport (other roads and bridges funding)	–	–	41	116
Waste management	–	45	–	–
Other	19	50	–	–
<b>Total specific purpose</b>	<b>2,506</b>	<b>1,508</b>	<b>1,392</b>	<b>666</b>
<b>Total grants</b>	<b>6,354</b>	<b>5,337</b>	<b>1,392</b>	<b>666</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,509	4,369	–	–
– State funding	845	968	1,392	666
	<b>6,354</b>	<b>5,337</b>	<b>1,392</b>	<b>666</b>

<sup>1</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	13	–
S 94A – fixed development consent levies	–	–	9	14
S 64 – water supply contributions	–	–	7	5
S 64 – sewerage service contributions	–	–	2	2
S 64 – stormwater contributions	–	–	3	2
<b>Total developer contributions</b>	17 <u>–</u>	<u>–</u>	<u>34</u>	<u>23</u>
<b>Other contributions:</b>				
Roads and bridges	–	–	273	4,398
RMS contributions (regional roads, block grant)	1,160	1,185	934	417
Other	97	85	–	50
<b>Total other contributions</b>	<u>1,257</u>	<u>1,270</u>	<u>1,207</u>	<u>4,865</u>
<b>Total contributions</b>	<u>1,257</u>	<u>1,270</u>	<u>1,241</u>	<u>4,888</u>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<u>7,611</u>	<u>6,607</u>	<u>2,633</u>	<u>5,554</u>

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	1,028	1,221
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	3,363	183
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(567)	(376)
<b>Net increase (decrease) in restricted assets during the period</b>	<u>2,796</u>	<u>(193)</u>
<b>Unexpended and held as restricted assets</b>	<u>3,824</u>	<u>1,028</u>
<b>Comprising:</b>		
– Specific purpose unexpended grants	3,181	381
– Developer contributions	643	647
	<u>3,824</u>	<u>1,028</u>

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		5,339	6,532
Employee termination costs (where material – other than vested leave paid)		63	59
Travel expenses		–	2
Employee leave entitlements (ELE)		772	774
Superannuation		754	916
Workers' compensation insurance		197	206
Fringe benefit tax (FBT)		18	18
Payroll tax		48	55
Training costs (other than salaries and wages)		53	44
<b>Total employee costs</b>		<b>7,244</b>	<b>8,606</b>
Less: capitalised costs		(656)	(1,004)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>6,588</b>	<b>7,602</b>
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		<b>122</b>	<b>106</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		511	612
<b>Total interest bearing liability costs expensed</b>		<b>511</b>	<b>612</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	47	54
<b>Total other borrowing costs</b>		<b>47</b>	<b>54</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>558</b>	<b>666</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,321	2,618
Contractor and consultancy costs		2,464	2,215
Auditors remuneration <sup>(1)</sup>		43	44
Legal expenses:			
– Legal expenses: planning and development		27	–
– Legal expenses: debt recovery		80	46
– Legal expenses: other		61	15
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		13	13
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>5,009</b>	<b>4,951</b>
(continued on the next page...)			

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
<b>(i) Audit and other assurance services</b>			
		43	37
		–	7
		<b>43</b>	<b>44</b>
<b>Remuneration for audit and other assurance services</b>			
		<b>43</b>	<b>44</b>
<b>Total Auditor remuneration</b>			
<b>2. Operating lease payments are attributable to:</b>			
Other		13	13
		<b>13</b>	<b>13</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	551	720
Office equipment		–	–	59	106
Furniture and fittings		–	–	3	3
Land improvements (depreciable)		–	–	114	132
Infrastructure:					
– Buildings – non-specialised		–	–	133	421
– Buildings – specialised		–	–	268	294
– Other structures		–	–	56	71
– Roads		–	–	2,972	3,321
– Bridges		–	–	176	217
– Footpaths		–	–	87	105
– Stormwater drainage		–	–	84	89
– Water supply network		–	–	480	524
– Sewerage network		–	–	634	698
– Swimming pools		–	–	48	52
– Other open space/recreational assets		–	–	126	143
Asset reinstatement costs	9 & 26	–	–	113	130
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>5,904</b>	<b>7,026</b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(e) Other expenses</b>			
Other expenses for the period include the following:			
Advertising		48	82
Bad and doubtful debts		6	–
Bank charges		29	34
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		285	255
– Strategic Alliance Activities		22	61
– Other contributions/levies		131	143
Councillor expenses – mayoral fee		20	23
Councillor expenses – councillors' fees		79	97
Councillors' expenses (incl. mayor) – other (excluding fees above)		21	35
Donations, contributions and assistance to other organisations (Section 356)			
– Macquarie Regional Library		230	241
– Other		162	224
Electricity and heating		372	508
Insurance		347	430
Printing and stationery		18	23
Street lighting		137	159
Telephone and communications		81	85
Other		96	74
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,084</u></b>	<b><u>2,474</u></b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		789	170
Less: carrying amount of property assets sold/written off		(486)	(114)
<b>Net gain/(loss) on disposal</b>		<b>303</b>	<b>56</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		221	966
Less: carrying amount of plant and equipment assets sold/written off		(175)	(610)
<b>Net gain/(loss) on disposal</b>		<b>46</b>	<b>356</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(204)	(24)
<b>Net gain/(loss) on disposal</b>		<b>(204)</b>	<b>(24)</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		8,682	11,262
Less: carrying amount of financial assets sold/redeemed/matured		(8,682)	(11,262)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>145</b>	<b>388</b>

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		371	–	14	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		10,717	–	9,836	–
<b>Total cash and cash equivalents</b>		<b>11,088</b>	<b>–</b>	<b>9,850</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		5,800	–	8,675	–
– NCD's, FRN's (with maturities > 3 months)		2,000	14,793	–	9,090
– CDO's		5	–	7	–
<b>Total investments</b>		<b>7,805</b>	<b>14,793</b>	<b>8,682</b>	<b>9,090</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>18,893</b>	<b>14,793</b>	<b>18,532</b>	<b>9,090</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were classified at end of period in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'

<b>11,088</b>	<b>–</b>	<b>9,850</b>	<b>–</b>
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**Investments**

a. 'At fair value through the profit and loss'

– 'Held for trading'

6(b-i)

7,805	14,793	8,682	9,090
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Investments

<b>7,805</b>	<b>14,793</b>	<b>8,682</b>	<b>9,090</b>
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**Note 6(b-i)**

**Reconciliation of investments classified as 'at fair value through the profit and loss'**

Balance at beginning of period	8,682	9,090	11,262	6,534
Additions	5,805	5,703	8,682	2,556
Disposals (sales and redemptions)	(8,682)	–	(11,262)	–
Transfers between current/non-current	2,000	–	–	–
<b>Balance at end of period</b>	<b>7,805</b>	<b>14,793</b>	<b>8,682</b>	<b>9,090</b>

**Comprising:**

– NCD's, FRN's (with maturities > 3 months)	2,000	14,793	–	9,090
– CDO's	5	–	7	–
– Long term deposits	5,800	–	8,675	–
<b>Total</b>	<b>7,805</b>	<b>14,793</b>	<b>8,682</b>	<b>9,090</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Total cash, cash equivalents and investments</b>	<b>18,893</b>	<b>14,793</b>	<b>18,532</b>	<b>9,090</b>
<b>attributable to:</b>				
External restrictions (refer below)	1,412	13,017	1,877	8,130
Internal restrictions (refer below)	14,194	1,776	16,332	–
Unrestricted	3,287	–	323	960
	<b>18,893</b>	<b>14,793</b>	<b>18,532</b>	<b>9,090</b>

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
------------------------------	--------------------	------------------------------	--------------------------------	--------------------

#### Details of restrictions

##### External restrictions – included in liabilities

Nil

##### External restrictions – other

Developer contributions – general	(D)	296	33	(55)	274
Developer contributions – water fund	(D)	146	11	–	157
Developer contributions – sewer fund	(D)	205	7	–	212
Specific purpose unexpended grants	(F)	381	2,800	–	3,181
Water supplies	(G)	2,621	951	–	3,572
Sewerage services	(G)	3,250	239	–	3,489
Domestic waste management	(G)	2,880	409	–	3,289
Stormwater management	(G)	228	27	–	255
<b>External restrictions – other</b>		<b>10,007</b>	<b>4,477</b>	<b>(55)</b>	<b>14,429</b>
<b>Total external restrictions</b>		<b>10,007</b>	<b>4,477</b>	<b>(55)</b>	<b>14,429</b>

**D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

**F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

**G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 6c. Restricted cash, cash equivalents and investments – details (continued)

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	3,667	878	–	4,545
Infrastructure replacement	614	36	–	650
Employees leave entitlement	878	50	–	928
Administration charge	1,388	6	–	1,394
Asset management	6,170	–	(1,054)	5,116
Cemeteries – perpetual care	282	–	–	282
Economic development	82	–	–	82
Federal local roads funding	269	101	–	370
IT and office equipment	490	73	–	563
Local governments elections	75	10	–	85
Residential development	553	–	(145)	408
Risk management – state roads	735	–	(38)	697
Tourism and Wellington caves	36	–	–	36
Workers compensation	200	–	(21)	179
Other	893	–	(258)	635
<b>Total internal restrictions</b>	<b>16,332</b>	<b>1,154</b>	<b>(1,516)</b>	<b>15,970</b>
<b>TOTAL RESTRICTIONS</b>	<b>26,339</b>	<b>5,631</b>	<b>(1,571)</b>	<b>30,399</b>

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Purpose</b>					
Rates and annual charges		1,980 <sup>1</sup>	183 <sup>1</sup>	110	305
Interest and extra charges		33	4	17	12
User charges and fees		566	111	721	111
Private works		4	–	5	–
Accrued revenues					
– Interest on investments		132	–	144	–
Government grants and subsidies		1,407	–	938	–
Sundry debtors		276	42	2,323	33
<b>Total</b>		<b>4,398</b>	<b>340</b>	<b>4,258</b>	<b>461</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		–	(35)	–	(35)
Sundry debtors		–	(33)	–	(33)
<b>Total provision for impairment – receivables</b>		<b>–</b>	<b>(68)</b>	<b>–</b>	<b>(68)</b>
<b>TOTAL NET RECEIVABLES</b>		<b>4,398</b>	<b>272</b>	<b>4,258</b>	<b>393</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		184	7	39	–
– Other		570	101	731	101
<b>Sewerage services</b>					
– Rates and availability charges		275	29	34	41
– Other		102	10	137	10
<b>Domestic waste management</b>		233	31	30	41
<b>Stormwater management</b>		6	1	1	1
<b>Total external restrictions</b>		<b>1,370</b>	<b>179</b>	<b>972</b>	<b>194</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>3,028</b>	<b>93</b>	<b>3,286</b>	<b>199</b>
<b>TOTAL NET RECEIVABLES</b>		<b>4,398</b>	<b>272</b>	<b>4,258</b>	<b>393</b>

1. The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date.

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		157	–	157	–
Stores and materials		277	–	303	–
Trading stock		22	–	22	–
<b>Total inventories at cost</b>		<b>456</b>	<b>–</b>	<b>482</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>456</b>	<b>–</b>	<b>482</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		273	–	128	–
<b>TOTAL OTHER ASSETS</b>		<b>273</b>	<b>–</b>	<b>128</b>	<b>–</b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Stores and materials		29	–	27	–
Prepayments		13	–	–	–
<b>Total water</b>		<b>42</b>	<b>–</b>	<b>27</b>	<b>–</b>
<b>Sewerage</b>					
Stores and materials		2	–	2	–
Prepayments		9	–	–	–
<b>Total sewerage</b>		<b>11</b>	<b>–</b>	<b>2</b>	<b>–</b>
<b>Domestic waste management</b>					
Nil					
<b>Other</b>					
Nil					
<b>Total externally restricted assets</b>		<b>53</b>	<b>–</b>	<b>29</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>676</b>	<b>–</b>	<b>581</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>729</b>	<b>–</b>	<b>610</b>	<b>–</b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 8. Inventories and other assets (continued)

\$ '000	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	89	–	89	–
Industrial/commercial	68	–	68	–
<b>Total real estate for resale</b>	<b>157</b>	<b>–</b>	<b>157</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	89	–	89	–
Development costs	68	–	68	–
<b>Total costs</b>	<b>157</b>	<b>–</b>	<b>157</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>157</b>	<b>–</b>	<b>157</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of period	157	–	157	–
<b>Total real estate for resale</b>	<b>157</b>	<b>–</b>	<b>157</b>	<b>–</b>

#### (b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	12/5/16	30/6/15
Real estate for resale	157	157
	<b>157</b>	<b>157</b>

#### (c) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the period.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 12/5/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Revaluation decrements assets sold	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	150	–	–	–	150	58	3	–	–	–	–	–	211	–	–	–	211
Plant and equipment	–	16,303	9,847	–	6,456	311	–	(175)	(551)	–	–	–	–	16,133	10,092	–	6,041
Office equipment	–	216	106	–	110	–	–	–	(59)	–	–	–	–	216	165	–	51
Furniture and fittings	–	231	219	–	12	–	–	–	(3)	–	–	–	–	230	221	–	9
<b>Land:</b>																	
– Operational land	–	3,478	–	–	3,478	–	–	(145)	–	–	–	–	–	3,333	–	–	3,333
– Community land	–	3,543	–	–	3,543	–	–	–	–	–	–	–	–	3,543	–	–	3,543
Land improvements – depreciable	–	2,696	1,943	–	753	86	28	–	(114)	–	444	–	2,315	1,118	–	–	1,197
<b>Infrastructure:</b>																	
– Buildings – non-specialised	–	28,835	20,472	–	8,363	28	–	(341)	(133)	(2,742)	–	–	–	24,855	19,680	–	5,175
– Buildings – specialised	–	19,140	10,903	–	8,237	888	116	–	(268)	–	–	–	–	20,144	11,171	–	8,973
– Other structures	–	2,000	885	–	1,115	41	4	–	(56)	–	(335)	–	–	1,345	576	–	769
– Roads	–	145,713	34,803	–	110,910	3,433	–	(104)	(2,972)	–	–	–	–	148,752	37,485	–	111,267
– Bridges	–	21,840	5,284	–	16,556	–	–	–	(176)	–	–	–	–	21,207	4,827	–	16,380
– Footpaths	–	5,953	2,743	–	3,210	–	–	–	(87)	–	–	–	–	5,953	2,830	–	3,123
– Bulk earthworks (non-depreciable)	–	103,155	–	–	103,155	58	–	(3)	–	–	–	–	–	103,210	–	–	103,210
– Stormwater drainage	–	12,060	4,337	–	7,723	–	–	–	(84)	–	–	–	–	12,060	4,421	–	7,639
– Water supply network	–	35,838	16,107	–	19,731	378	–	(35)	(480)	–	255	–	–	36,578	16,729	–	19,849
– Sewerage network	–	36,643	15,596	–	21,047	101	–	–	(634)	–	267	–	–	37,222	16,441	–	20,781
– Swimming pools	–	2,311	1,589	–	722	–	–	–	(48)	–	388	–	–	3,556	2,494	–	1,062
– Other open space/recreational assets	–	3,683	2,236	–	1,447	98	–	(62)	(126)	–	752	–	–	5,714	3,605	–	2,109
<b>Other assets:</b>																	
– Library books	–	13	12	–	1	–	–	–	–	–	–	–	–	13	12	–	1
<b>Reinstatement, rehabilitation and restoration assets</b> (refer Note 26):																	
– Tip assets	–	1,123	498	–	625	–	–	–	(107)	–	–	–	–	1,123	605	–	518
– Quarry assets	–	126	24	–	102	–	–	–	(6)	–	–	–	–	126	30	–	96
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>150</b>	<b>444,900</b>	<b>127,604</b>	<b>–</b>	<b>317,446</b>	<b>5,480</b>	<b>151</b>	<b>(865)</b>	<b>(5,904)</b>	<b>(2,742)</b>	<b>(335)</b>	<b>2,106</b>	<b>211</b>	<b>447,628</b>	<b>132,502</b>	<b>–</b>	<b>315,337</b>

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## The former Wellington Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
Plant and equipment	–	308	207	<b>101</b>	–	335	217	<b>118</b>
Land								
– Operational land	–	245	–	<b>245</b>	–	245	–	<b>245</b>
– Community land	–	39	–	<b>39</b>	–	39	–	<b>39</b>
Buildings	–	5,539	1,899	<b>3,640</b>	–	5,468	1,805	<b>3,663</b>
Infrastructure	–	31,039	14,831	<b>16,208</b>	–	30,370	14,302	<b>16,068</b>
<b>Total water supply</b>	<b>–</b>	<b>37,170</b>	<b>16,937</b>	<b>20,233</b>	<b>–</b>	<b>36,457</b>	<b>16,324</b>	<b>20,133</b>
<b>Sewerage services</b>								
Plant and equipment	–	91	48	<b>43</b>	–	90	42	<b>48</b>
Land								
– Operational land	–	74	–	<b>74</b>	–	74	–	<b>74</b>
– Community land	–	149	–	<b>149</b>	–	149	–	<b>149</b>
Buildings	–	5,280	1,299	<b>3,981</b>	–	5,206	1,198	<b>4,008</b>
Infrastructure	–	31,943	15,143	<b>16,800</b>	–	31,437	14,398	<b>17,039</b>
<b>Total sewerage services</b>	<b>–</b>	<b>37,537</b>	<b>16,490</b>	<b>21,047</b>	<b>–</b>	<b>36,956</b>	<b>15,638</b>	<b>21,318</b>
<b>Domestic waste management</b>								
Plant and equipment	–	670	400	<b>270</b>	–	–	–	<b>–</b>
Land								
– Operational land	–	150	–	<b>150</b>	–	150	–	<b>150</b>
– Community land	–	35	–	<b>35</b>	–	35	–	<b>35</b>
– Improvements non-depreciable	–	–	–	<b>–</b>	–	52	24	<b>28</b>
– Improvements - depreciable	–	88	48	<b>40</b>	–	–	–	<b>–</b>
Buildings	–	484	65	<b>419</b>	–	484	57	<b>427</b>
Other assets	–	98	23	<b>75</b>	–	73	27	<b>46</b>
<b>Total DWM</b>	<b>–</b>	<b>1,525</b>	<b>536</b>	<b>989</b>	<b>–</b>	<b>794</b>	<b>108</b>	<b>686</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>76,232</b>	<b>33,963</b>	<b>42,269</b>	<b>–</b>	<b>74,207</b>	<b>32,070</b>	<b>42,137</b>

Note 9c. Infrastructure, property, plant and equipment – current period  
impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Payables</b>					
Goods and services – operating expenditure		1,195	–	1,219	–
Payments received in advance		515	–	274	–
Accrued expenses:					
– Borrowings		112	–	194	–
<b>Total payables</b>		<b>1,822</b>	<b>–</b>	<b>1,687</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		388	8,923	406	9,267
<b>Total borrowings</b>		<b>388</b>	<b>8,923</b>	<b>406</b>	<b>9,267</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		858	–	864	–
Long service leave		1,798	105	1,775	104
Other leave		123	–	116	–
Sub-total – aggregate employee benefits		2,779	105	2,755	104
Asset remediation/restoration (future works)	26	–	1,472	–	1,425
<b>Total provisions</b>		<b>2,779</b>	<b>1,577</b>	<b>2,755</b>	<b>1,529</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>4,989</b>	<b>10,500</b>	<b>4,848</b>	<b>10,796</b>
<b>(i) Liabilities relating to restricted assets</b>					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Externally restricted assets</b>					
Water		604	4,157	563	4,262
Sewer		303	3,910	333	4,068
Domestic waste management		76	1,583	166	1,539
Liabilities relating to externally restricted assets		983	9,650	1,062	9,869
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		983	9,650	1,062	9,869
<b>Total liabilities relating to unrestricted assets</b>		4,006	850	3,786	927
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>4,989</b>	<b>10,500</b>	<b>4,848</b>	<b>10,796</b>

<sup>1</sup>. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 12/5/16	Actual 30/6/15
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#### (ii) Current liabilities not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	1,179	1,687
	<u>1,179</u>	<u>1,687</u>

#### Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16				Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	864	322	(462)	134	–	858
Long service leave	1,879	76	(286)	234	–	1,903
Other leave	116	(16)	–	23	–	123
Asset remediation	1,425	47	–	–	–	1,472
<b>TOTAL</b>	<b>4,284</b>	<b>429</b>	<b>(748)</b>	<b>391</b>	<b>–</b>	<b>4,356</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	11,088	9,850
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>11,088</b>	<b>9,850</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>5,223</b>	<b>6,102</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,904	7,026
Net losses/(gains) on disposal of assets		(145)	(388)
Non-cash capital grants and contributions		(471)	(351)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		46	(56)
Unwinding of discount rates on reinstatement provisions		47	54
Share of net (profits) or losses of associates/joint ventures		(4)	(3)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(19)	(1,209)
Decrease/(increase) in inventories		26	14
Decrease/(increase) in other assets		(145)	24
Increase/(decrease) in payables		(24)	242
Increase/(decrease) in accrued interest payable		(82)	(7)
Increase/(decrease) in other liabilities		241	(290)
Increase/(decrease) in employee leave entitlements		25	(86)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>10,622</b>	<b>11,072</b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		61	351
Wellington Showground		410	–
<b>Total non-cash investing and financing activities</b>		<b>471</b>	<b>351</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		200	200
Credit cards/purchase cards		35	35
<b>Total financing arrangements</b>		<b>235</b>	<b>235</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		2	2
<b>Total financing arrangements utilised</b>		<b>2</b>	<b>2</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

#### **(ii) Secured loan liabilities**

Loans are secured by a mortgage over future years rate revenue only.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		596	–
Infrastructure		539	2,847
<b>Total commitments</b>		<b>1,135</b>	<b>2,847</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,135	2,847
<b>Total payable</b>		<b>1,135</b>	<b>2,847</b>
<b>Sources for funding of capital commitments:</b>			
Future grants and contributions		637	–
Unexpended grants		–	189
Externally restricted reserves		–	228
Internally restricted reserves		498	2,430
<b>Total sources of funding</b>		<b>1,135</b>	<b>2,847</b>
<b>Details of capital commitments</b>			
Commitments relate to the projects at Rygate Park and the Wellington Caves Complex			

#### (b) Finance lease commitments

Nil

#### (c) Operating lease commitments (non-cancellable)

##### a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	13	12
Later than one year and not later than 5 years	–	13
<b>Total non-cancellable operating lease commitments</b>	<b>13</b>	<b>25</b>

##### b. Non-cancellable operating leases include the following assets:

Photocopiers

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

##### Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

#### (d) Investment property commitments

Nil

## The former Wellington Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>2,487</u>	<b>10.99%</b>	0.44%	-16.14%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>22,630</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>15,019</u>	<b>59.45%</b>	57.14%	70.25%
Total continuing operating revenue <sup>(1)</sup>	<u>25,263</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>21,028</u>	<b>7.44x</b>	9.70x	8.33x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>2,827</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>8,949</u>	<b>9.73x</b>	7.43x	5.17x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>920</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>2,165</u>	<b>24.12%</b>	4.46%	3.79%
Rates, annual and extra charges collectible	<u>8,976</u>			
<b>6. Cash expense cover ratio</b>				
Current period's cash and cash equivalents plus all term deposits	<u>16,888</u>	<b>12.77 mths</b>	12.9 mths	9.8 mths
Payments from cash flow of operating and financing activities	<u>1,322</u>			

#### Notes

<sup>(1)</sup> Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

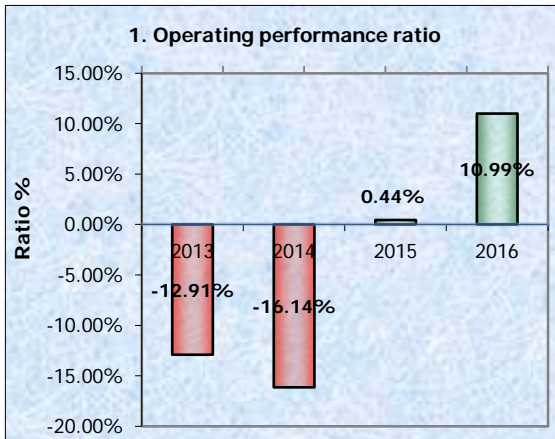
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# The former Wellington Council

## Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 12/5/16 result**

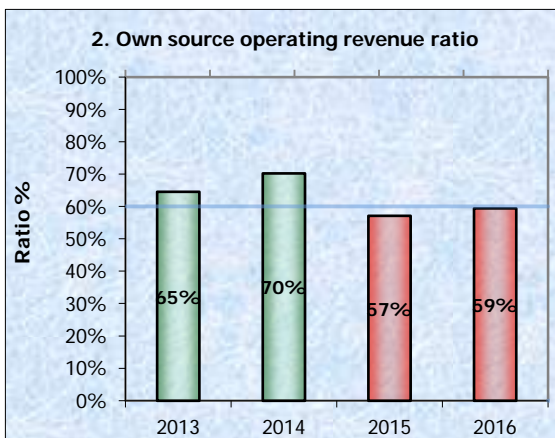
**12/5/16 ratio 10.99%**

Council continued its improvement in this ratio generating an operating profit before grants and contributions provided for capital purposes

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 12/5/16 result**

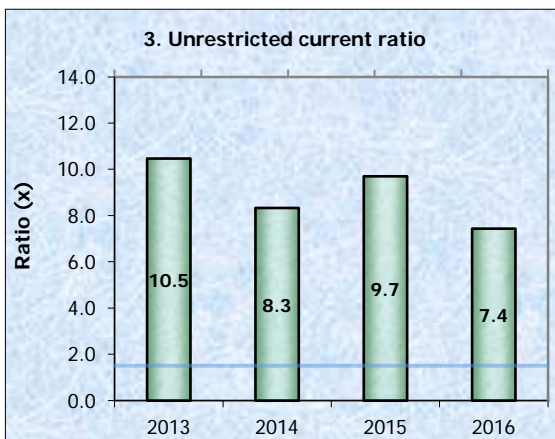
**12/5/16 ratio 59.45%**

Council is slightly under required benchmark of 60%

Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 12/5/16 result**

**12/5/16 ratio 7.44x**

Council continued to have a strong unrestricted current ratio and had excellent liquidity and could readily pay its debts as they fell due

Benchmark: ——— Minimum  $\geq 1.50$

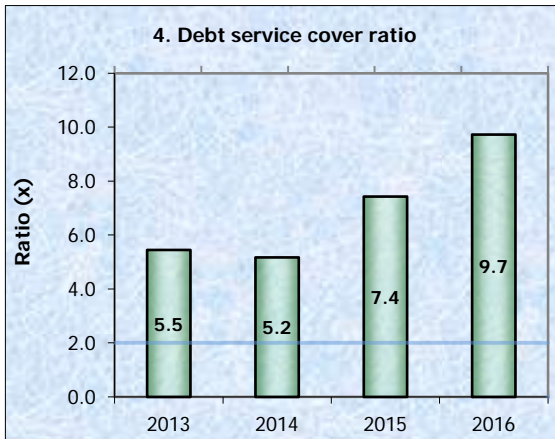
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

# The former Wellington Council

## Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of debt service cover ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments



**Commentary on 12/5/16 result**

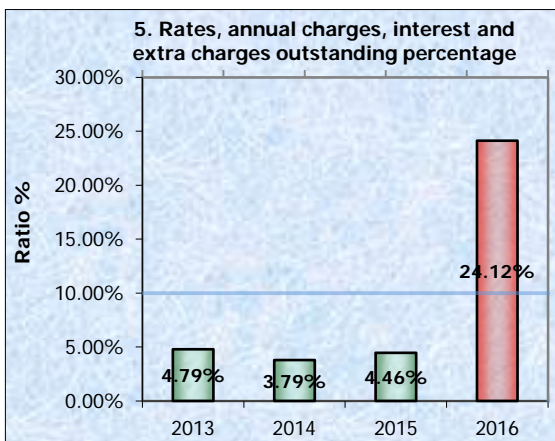
**12/5/16 ratio 9.73x**

Council continued to meet this benchmark which indicated it had sufficient operating cash to service its debts

Benchmark: ——— Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.



**Commentary on 12/5/16 result**

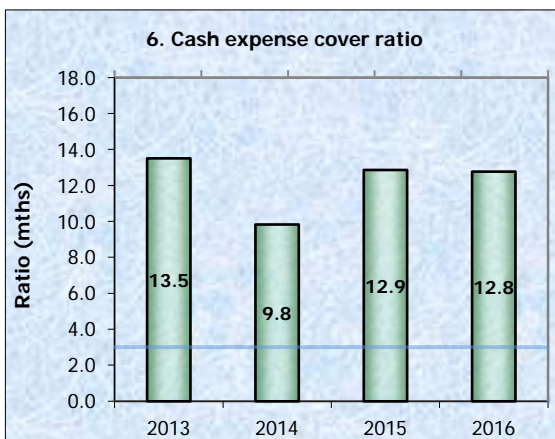
**12/5/16 ratio 24.12%**

Council has not met the benchmark this year due to the timing for completion of the financial statements required because of amalgamation and payment of the fourth quarterly rate instalment in 2015/16

Benchmark: ——— Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.



**Commentary on 12/5/16 result**

**12/5/16 ratio 12.77 mths**

Council continued to meet this benchmark of greater than three months

Benchmark: ——— Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 12/5/16	Sewer 12/5/16	General <sup>5</sup> 12/5/16
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>21.03%</b>	<b>5.08%</b>	<b>9.88%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 19.20%	4.86%	-3.65%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>98.87%</b>	<b>98.06%</b>	<b>49.80%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 98.81%	98.55%	47.20%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	<b>3.31x</b>	<b>3.73x</b>	<b>7.06x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 4.31x	2.81x	9.09x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>3.44x</b>	<b>2.28x</b>	<b>35.59x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 3.10x	2.37x	24.37x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>15.54%</b>	<b>20.81%</b>	<b>26.57%</b>
Rates, annual and extra charges collectible	prior period: 2.91%	5.39%	4.58%
<b>6. Cash expense cover ratio</b>			
<u>Current period's cash and cash equivalents plus all term deposits</u> x12	<b>5.84 mths</b>	<b>4.81 mths</b>	<b>14.59 mths</b>
Payments from cash flow of operating and financing activities	prior period: 7.66 mths	4.61 mths	14.55 mths

#### Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.



## The former Wellington Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

##### Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
<b>Financial assets</b>				
Cash and cash equivalents	11,088	9,850	11,088	9,850
Investments				
– 'Held for trading'	22,598	17,772	22,598	17,772
Receivables	4,670	4,651	4,670	4,651
<b>Total financial assets</b>	<b>38,356</b>	<b>32,273</b>	<b>38,356</b>	<b>32,273</b>
<b>Financial liabilities</b>				
Payables	1,307	1,413	1,307	1,413
Loans/advances	9,311	9,673	9,311	9,673
<b>Total financial liabilities</b>	<b>10,618</b>	<b>11,086</b>	<b>10,618</b>	<b>11,086</b>

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

#### (a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>1/7/15 to 12/5/16</b>				
Possible impact of a 1% movement in interest rates	333	333	(333)	(333)
<b>1/7/14 to 30/6/15</b>				
Possible impact of a 1% movement in interest rates	276	276	(276)	(276)

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	92%	94%	27%	96%
Overdue	8%	6%	73%	4%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	1,980	2,418	110	4,148
2 – 5 years overdue	183	–	305	–
> 5 years overdue	–	157	–	156
	<b>2,163</b>	<b>2,575</b>	<b>415</b>	<b>4,304</b>
<b>(iii) Movement in provision for impairment of receivables</b>			<b>12/5/16</b>	<b>30/6/15</b>
Balance at the beginning of the period			68	68
<b>Balance at the end of the period</b>			<b>68</b>	<b>68</b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>1/7/15 to 12/5/16</b>									
Trade/other payables	–	1,307	–	–	–	–	–	1,307	<b>1,307</b>
Loans and advances	–	910	899	842	841	841	11,532	15,865	<b>9,311</b>
<b>Total financial liabilities</b>	<b>–</b>	<b>2,217</b>	<b>899</b>	<b>842</b>	<b>841</b>	<b>841</b>	<b>11,532</b>	<b>17,172</b>	<b>10,618</b>
<b>1/7/14 to 30/6/15</b>									
Trade/other payables	–	1,413	–	–	–	–	–	1,413	<b>1,413</b>
Loans and advances	–	1,001	910	899	842	841	12,372	16,865	<b>9,673</b>
<b>Total financial liabilities</b>	<b>–</b>	<b>2,414</b>	<b>910</b>	<b>899</b>	<b>842</b>	<b>841</b>	<b>12,372</b>	<b>18,278</b>	<b>11,086</b>

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,307	0.00%	1,413	0.00%
Loans and advances – fixed interest rate	9,311	6.37%	9,673	6.50%
	<u>10,618</u>		<u>11,086</u>	

#### Note 16. Material budget variations

In accordance with the Supplementary Code 24(a), this note is not applicable for "former Councils".

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S94A levies – under a plan	14	9	–	–	(2)	–	21	–
<b>Total S94 revenue under plans</b>	<b>14</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>21</b>	<b>–</b>
S94 not under plans	282	16	–	7	(53)	–	252	–
S64 contributions	351	9	–	10	–	–	370	–
<b>Total contributions</b>	<b>647</b>	<b>34</b>	<b>–</b>	<b>17</b>	<b>(55)</b>	<b>–</b>	<b>643</b>	<b>–</b>

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94A LEVIES – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 2012

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Public order and safety	2	2	–	–	–	–	4	–
Community services and education	2	2	–	–	–	–	4	–
Household and community amenities	2	2	–	–	–	–	4	–
Recreation and culture	2	1	–	–	–	–	3	–
Transport and communication	3	1	–	–	(2)	–	2	–
Economic affairs	3	1	–	–	–	–	4	–
<b>Total</b>	<b>14</b>	<b>9</b>	<b>–</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>21</b>	<b>–</b>

## S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	58	3	–	1	–	–	62	–
Roads	154	10	–	3	(53)	–	114	–
Open space	32	1	–	1	–	–	34	–
Community facilities	7	1	–	1	–	–	9	–
Emergency services	31	1	–	1	–	–	33	–
<b>Total</b>	<b>282</b>	<b>16</b>	<b>–</b>	<b>7</b>	<b>(53)</b>	<b>–</b>	<b>252</b>	<b>–</b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

###### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 12/5/2016 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

###### (iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

###### (iv) Other guarantees

Council has provided no other guarantees other than those listed above.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

##### (i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

##### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

##### (iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

##### (iii) Potential land acquisitions due to planning restrictions imposed by Council (continued)

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

##### (iv) HIH Insurance

During the period 1995 - 1997, a portion of Council's Public Risk Insurance was either insured or re-insured with a member of the HIH Group of Companies. At reporting date, there are no known claims outstanding from that period.

##### ASSETS NOT RECOGNISED:

##### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

##### (ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at end of period, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

##### Controlled entities (subsidiaries)

*Note 19(a)*

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

##### Joint ventures and associates

*Note 19(b)*

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

##### Joint operations

*Note 19(c)*

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

##### Unconsolidated structured entities

*Note 19(d)*

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

##### Subsidiaries, joint arrangements and associates not recognised

*Note 19(e)*

#### Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 12/5/16	Actual 30/6/15
Joint ventures	4	3	242	238
Associates	—	—	—	—
<b>Total</b>	<b>4</b>	<b>3</b>	<b>242</b>	<b>238</b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities (continued)

\$ '000

##### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

##### (b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

##### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	12/5/16	30/6/15
Macquarie Regional Library	Joint venture		242	238
<b>Total carrying amounts – material joint ventures and associates</b>			<b>242</b>	<b>238</b>

##### (b) Details

Name of entity	Principal activity	Place of business
Macquarie Regional Library	Provision of library services	Dubbo

##### (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	12/5/16	30/6/15	2016	2015	2016	2015	2016	2015
Macquarie Regional Library	n/a	n/a	11%	10%	16%	16%	25%	25%

##### (d) Summarised financial information for joint ventures and associates

	Macquarie Regional Library	
	12/5/16	30/6/15
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,357	1,317
Other current assets	39	62
<b>Total current assets</b>	<b>1,396</b>	<b>1,379</b>
<b>Non-current assets</b>	<b>1,022</b>	<b>876</b>
<b>Current liabilities</b>		
Other current liabilities	826	689
<b>Total current liabilities</b>	<b>826</b>	<b>689</b>
<b>Non-current liabilities</b>	<b>30</b>	<b>37</b>
<b>Net assets</b>	<b>1,562</b>	<b>1,529</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	1,529	1,503
Profit/(loss) for the period	33	26
<b>Closing net assets</b>	<b>1,562</b>	<b>1,529</b>
<b>Council's share of net assets (%)</b>	<b>15.5%</b>	<b>15.6%</b>
<b>Council's share of net assets (\$)</b>	<b>242</b>	<b>238</b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities (continued)

\$ '000

##### (b) Joint ventures and associates (continued)

##### (d) Summarised financial information for joint ventures and associates (continued)

	<b>Macquarie Regional Library</b>	
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>Statement of comprehensive income</b>		
Income	2,642	2,534
Interest income	36	37
Depreciation and amortisation	(289)	(286)
Other expenses	(2,356)	(2,254)
<b>Profit/(loss) for period</b>	<b>33</b>	<b>31</b>
<b>Total comprehensive income</b>	<b>33</b>	<b>31</b>
<b>Share of income – Council (%)</b>	<b>11.0%</b>	<b>10.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>4</b>	<b>3</b>
<b>Total comprehensive income – Council (\$)</b>	<b>4</b>	<b>3</b>

##### (c) Joint operations

Council has no interest in any joint operations.

##### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

##### (e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of period (from previous year's audited accounts)		177,019	170,917
a. Net operating result for the period		5,223	6,102
<b>Balance at end of the reporting period</b>		<b>182,242</b>	<b>177,019</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		156,933	157,904
<b>Total</b>		<b>156,933</b>	<b>157,904</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		157,904	121,700
– Revaluations for the period	9(a)	1,771	36,204
– Asset Disposal		(2,742)	–
<b>– Balance at end of period</b>		<b>156,933</b>	<b>157,904</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>156,933</b>	<b>157,904</b>

#### (iii) Nature and purpose of reserves

##### Infrastructure, property, plant and equipment revaluation reserve

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

#### (c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

#### (d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the reporting period.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16
\$ '000			
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges <sup>2</sup>	1,174	1,380	5,910
User charges and fees	1,712	380	3,284
Interest and investment revenue	94	97	601
Other revenues	23	4	314
Grants and contributions provided for operating purposes	79	48	7,484
Grants and contributions provided for capital purposes	7	2	2,624
<b>Other income</b>			
Net gains from disposal of assets	–	–	145
Share of interests in joint ventures and associates using the equity method	–	–	4
<b>Total income from continuing operations</b>	<b>3,089</b>	<b>1,911</b>	<b>20,366</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	368	232	5,988
Borrowing costs	238	218	102
Materials and contracts	760	585	3,664
Depreciation and amortisation	490	640	4,774
Impairment	–	–	–
Other expenses	325	137	1,622
Net losses from the disposal of assets	31	–	(31)
<b>Total expenses from continuing operations</b>	<b>2,212</b>	<b>1,812</b>	<b>16,119</b>
<b>Operating result from continuing operations</b>	<b>877</b>	<b>99</b>	<b>4,247</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the period</b>	<b>877</b>	<b>99</b>	<b>4,247</b>
<b>Net operating result attributable to each council fund</b>	<b>877</b>	<b>99</b>	<b>4,247</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the period before grants and contributions provided for capital purposes</b>	<b>870</b>	<b>97</b>	<b>1,623</b>

<sup>1</sup> General fund refers to all Council's activities other than Water and Sewer.

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16.

No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

## The former Wellington Council

## Notes to the Financial Statements

as at 12 May 2016

## Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	883	529	9,676
Investments	–	–	7,805
Receivables	754	377	3,267
Inventories	29	2	425
Other	13	9	251
Non-current assets classified as 'held for sale'	–	–	–
<b>Total current assets</b>	<b>1,679</b>	<b>917</b>	<b>21,424</b>
<b>Non-current assets</b>			
Investments	2,846	3,172	8,775
Receivables	108	39	125
Inventories	–	–	–
Infrastructure, property, plant and equipment	20,233	21,047	274,057
Investments accounted for using the equity method	–	–	242
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>23,187</b>	<b>24,258</b>	<b>283,199</b>
<b>TOTAL ASSETS</b>	<b>24,866</b>	<b>25,175</b>	<b>304,623</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	347	68	1,407
Borrowings	132	159	97
Provisions	125	76	2,578
<b>Total current liabilities</b>	<b>604</b>	<b>303</b>	<b>4,082</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	4,154	3,906	863
Provisions	3	4	1,570
<b>Total non-current liabilities</b>	<b>4,157</b>	<b>3,910</b>	<b>2,433</b>
<b>TOTAL LIABILITIES</b>	<b>4,761</b>	<b>4,213</b>	<b>6,515</b>
<b>Net assets</b>	<b>20,105</b>	<b>20,962</b>	<b>298,108</b>
<b>EQUITY</b>			
Retained earnings	15,388	14,825	152,029
Revaluation reserves	4,717	6,137	146,079
<b>Total equity</b>	<b>20,105</b>	<b>20,962</b>	<b>298,108</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 22. 'Held for sale' non-current assets and disposal groups

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (12 May 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 12/12/16.

Events that occur after the reporting period represent one of two types:

**(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 12 May 2016.

**(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

**Council is aware of the following 'non-adjusting events' that merit disclosure:**

**Amalgamation of operations for the former Wellington Council to form Dubbo Regional Council**

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Wellington Council would be amalgamated with other Council/s to form the new council Dubbo Regional Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Wellington Council to Dubbo Regional Council on 13 May 2016.

The proclamation ensures that any reference in any document to the former Wellington Council is to be read as a reference to Dubbo Regional Council, and that anything done by the former Wellington Council before the amalgamation is taken to have been done by Dubbo Regional Council.

These proclamation clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts).

This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position as at 12 May 2016 of the former Wellington Council and its financial performance for the period 1 July 2015 to 12 May 2016.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 24. Discontinued operations

\$ '000

Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	Net Present Value of provision	
		12/5/16	30/6/15
Tip operations / assets	2018 to 2023	1,329	1,284
Quarry operations / assets	2018 to 2023	143	141
<b>Balance at end of the reporting period</b>	10(a)	<b>1,472</b>	<b>1,425</b>

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for the period:	12/5/16	30/6/15
Balance at beginning of period	1,425	1,371
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	47	54
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>1,472</b>	<b>1,425</b>



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:**

1/7/15 to 12/5/16	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading'	31/05/16	22,598	–	–	22,598
<b>Total financial assets</b>		<b>22,598</b>	<b>–</b>	<b>–</b>	<b>22,598</b>
<b>Financial liabilities</b>					
Loans/advances	12/05/16	9,311	–	–	9,311
Payables	12/05/16	2,496	–	–	2,496
<b>Total financial liabilities</b>		<b>11,807</b>	<b>–</b>	<b>–</b>	<b>11,807</b>

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

1/7/15 to 12/5/16	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Capital work in progress	12/05/16	–	–	211	211
Plant and equipment	12/05/16	6,041	–	–	6,041
Office equipment	12/05/16	51	–	–	51
Furniture and fittings	12/05/16	9	–	–	9
Operational land	30/06/13	3,333	–	–	3,333
Community land	30/06/11	–	–	3,543	3,543
Land improvements – depreciable	12/05/16	–	–	1,197	1,197
Buildings – non-specialised	1/07/15	5,175	–	–	5,175
Buildings – specialised	1/07/15	–	8,973	–	8,973
Other structures	12/05/16	–	–	769	769
Roads	30/06/15	–	–	111,267	111,267
Bridges	30/06/15	–	–	16,380	16,380
Footpaths	30/06/15	–	–	3,123	3,123
Bulk earthworks	30/06/15	–	–	103,210	103,210
Stormwater drainage	30/06/15	–	–	7,639	7,639
Water supply network	30/06/15	–	–	19,849	19,849
Sewerage network	30/06/15	–	–	20,781	20,781
Swimming pools	12/05/16	–	–	1,062	1,062
Open space/recreational assets	12/05/16	–	–	2,109	2,109
Library books	12/05/16	–	–	1	1
Tip assets	30/06/13	–	–	518	518
Quarry assets	30/06/13	–	–	96	96
<b>Total infrastructure, property, plant and equipment</b>		<b>14,609</b>	<b>8,973</b>	<b>291,755</b>	<b>315,337</b>

1/7/14 to 30/6/15	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments – ‘Held for trading’	30/06/15	17,772	–	–	17,772
<b>Total financial assets</b>		<b>17,772</b>	<b>–</b>	<b>–</b>	<b>17,772</b>
<b>Financial liabilities</b>					
Loans/advances	30/06/15	9,673	–	–	9,673
Payables	30/06/15	1,413	–	–	1,413
<b>Total financial liabilities</b>		<b>11,086</b>	<b>–</b>	<b>–</b>	<b>11,086</b>

## The former Wellington Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

1/7/14 to 30/6/15	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Capital work in progress	30/06/15	–	–	150	150
Plant and equipment	30/06/15	6,456	–	–	6,456
Office equipment	30/06/15	110	–	–	110
Furniture and fittings	30/06/15	12	–	–	12
Operational land	30/06/13	3,478	–	–	3,478
Community land	30/06/11	–	–	3,543	3,543
Land improvements – depreciable	30/06/09	–	–	753	753
Buildings – non-specialised	1/07/15	8,363	–	–	8,363
Buildings – specialised	1/07/15	–	8,237	–	8,237
Other structures	30/06/09	–	–	1,115	1,115
Roads	30/06/15	–	–	110,910	110,910
Bridges	30/06/15	–	–	16,556	16,556
Footpaths	30/06/15	–	–	3,210	3,210
Bulk earthworks	30/06/15	–	–	103,155	103,155
Stormwater drainage	30/06/15	–	–	7,723	7,723
Water supply network	30/06/12	–	–	19,731	19,731
Sewerage network	30/06/12	–	–	21,047	21,047
Swimming pools	30/06/09	–	–	722	722
Open space/recreational assets	30/06/09	–	–	1,447	1,447
Library books	30/06/15	–	–	1	1
Tip assets	30/06/13	–	–	625	625
Quarry assets	30/06/13	–	–	102	102
<b>Total infrastructure, property, plant and equipment</b>		<b>18,419</b>	<b>8,237</b>	<b>290,790</b>	<b>317,446</b>

## (2) Transfers between level 1 and level 2 fair value hierarchies

During the period, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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#### (3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

#### Infrastructure, property, plant and equipment (IPP&E)

##### Community Land

Assets within the "Community Land" class are:

- Council owned land and
- Care Control Management land (Crown) of which Council derives current and future economic benefits arising from the use of the land asset.

Council's Community Land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General. Currently all Council assets in this class are based on UCV, however, should Council have an asset in future for which an UCV is not provided, the replacement cost will be used. Replacement cost will be based on average unit rates for similar properties, land use, dimensions, land size and shape, which are not considered observable based on market evidence, therefore, placing the whole asset class in Level 3. Valuation techniques remained the same for this reporting period.

##### Land Improvements Depreciable

The Land Improvement asset class consists of fencing, paving, car parks and the Bodangora Airstrip.

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

##### Buildings - Specialised

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

Scott Fullerton Valuations Pty Ltd provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates have been derived from substantial analysis of construction costs from over one hundred (100) Councils throughout New South Wales and are continually updated in their database to reflect movements in construction costs.

Scott Fullerton Valuations Pty Ltd estimated the Total Life and Residual Life of each building/structure and, where the building was considered a complex asset, for each component, as they have useful lives different from those of the non-current assets to which they relate. In regard to componentisation, Paragraph 43 of AASB116 requires each part of the asset with a cost that is **significant** in relation to the asset be depreciated separately.

This asset class is categorised as Level 2. Valuation techniques remained the same for this reporting period.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

###### Other Structures

The Other Structures asset class consists of bus shelters, lighting, shelter sheds and weighbridge scales.

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

###### Roads & Bulk Earthworks

Road Infrastructure assets were valued by Council staff as at 30 June 2015. As per paragraph 43 of AASB116, Council's road infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb & Gutter
- Culverts

###### Roads, Pavement & Formation

Council's roads were inspected by Council staff to establish the length and extent of the network. Seal and Pavement widths and a full condition assessment of unsealed roads was conducted by Council staff, and sealed roads by ARRB Group in 2014.

Road pavements were assumed to be 2 metres wider than the seal on sealed roads, otherwise they were measured.

Unit Rates for formation, pavement and sealing were based on the costings obtained from Senoir Council staff. These rates were verified (where possible) against recent actual rates from Council's roadworks.

Formation width was determined as a multiple of the pavement width and confirmed by sample inspections.

###### Kerb & Gutter

The asset register was developed using a combination of GIS data and physical inspection. The bulk of Council's Kerb & Gutter network is concrete, however some is constructed from bluestone. The condition assessment was determined from inspection. The vast majority of this asset is in satisfactory condition, in that it is still able to function.

Unit Rates were established using estimates determined from council experience. The rate adopted for all concrete Kerb & Gutter was based on the rate for concrete. Unit Rates for Bluestone Gutters were also estimated, but is substantially higher than for concrete, due to the increasing difficulty in sourcing material.

Unit Rates for Kerb & Gutter are all based on "Greenfields" costs and do not include any allowance of the removal of existing failed sections.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

###### Culverts

The categories used to group culverts (by size) were determined as part of the development of the '*Wellington, Blayney, Cabonne and Central Tablelands Water Strategic Alliance (WBC Alliance) Joint Transport Asset Management Plan*'. Culverts of 450mm or less have not been valued separately due to their cost (purchase price and installation cost) and have been allowed for in the cubic metre rate for road formation.

Culverts do not include Bridge size (6m+) culverts, as these were valued in the Bridge Register. Of the remaining major culverts, these were valued at replacement cost, determined from *NSW Reference Rate Manual; Valuation of Water Supply, Sewerage and Stormwater Assets* and checked against estimated actual costs within Council.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

###### **Bridges**

Bridge assets were valued by Council staff as at 30 June 2015. Condition assessment for bridges was provided by in-house resources by inspections, which were based on observed defects, but does not include core sampling or tensile testing of any components.

Bridge values were determined on the basis of a square metre of deck rate, as estimated within Council and discussions with other regional councils.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

###### **Footpaths**

Footpath assets were valued by Council staff as at 30 June 2015. GIS imagery was used to calculate the length of Council's footpath/cycleway network combined with an extensive inspection program. In-house rates were developed using recent construction data providing a square metre rate which was then applied across the network. Condition data (captured through the inspection program) was then applied to each individual asset segment to provide a written down value.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

###### **Stormwater Drainage**

The asset register was developed using a combination of field observation, aerial imagery and old plans of Wellington's drainage system.

Unit Rates for stormwater pits, pipes etc. were taken from Office of Water; *NSW Reference Rates Manual; Valuation of Water Supply, Sewerage and Stormwater Assets and other sources*.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

###### Water Supply Network

Council's Sewer Network was valued by Council staff. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

###### Sewerage Network

Council's Sewer Network was valued by Council staff. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

###### Swimming Pools

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

###### Open Space/Recreational Assets

Council engaged the services of Scott Fullerton Valuations Pty Ltd in 2015 and complied with Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-01 and the NSW Department of Local Government Guidelines. "Fair Value" is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction".

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Infrastructure, property, plant and equipment (IPP&E) (continued)

##### Library Books

The Library Books are reported at Fair Value in the notes however, due to the nature of these items they are valued at cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets were based on invoices at the time of capitalisation.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.

##### Tip and Quarry Assets

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry assets. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuations are based on actual timing of costs and future environmental management requirements.

This asset class is categorised as Level 3. Valuation techniques remained the same for this reporting period.



## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

\$ '000

#### (4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Community land	Land improve- ments depreciable	Other structures	Roads	Total
<b>Opening balance – 1/7/14</b>	3,543	832	1,090	94,073	99,538
Transfers from/(to) another asset class	–	–	66	(3)	63
Purchases (GBV)	–	53	30	3,918	4,001
Depreciation and impairment	–	(132)	(71)	(3,321)	(3,524)
Revaluation increments	–	–	–	16,243	16,243
<b>Closing balance – 30/6/15</b>	<b>3,543</b>	<b>753</b>	<b>1,115</b>	<b>110,910</b>	<b>116,321</b>
Purchases (GBV)	–	114	45	3,433	3,592
Disposals (WDV)	–	–	–	(104)	(104)
Depreciation and impairment	–	(114)	(56)	(2,972)	(3,142)
Revaluation increments	–	444	–	–	444
Revaluation decrements	–	–	(335)	–	(335)
<b>Closing balance – 12/5/16</b>	<b>3,543</b>	<b>1,197</b>	<b>769</b>	<b>111,267</b>	<b>116,776</b>

	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Total
<b>Opening balance – 1/7/14</b>	12,293	3,204	85,548	6,809	107,854
Transfers from/(to) another asset class	3	–	–	–	3
Purchases (GBV)	18	67	–	41	126
Disposals (WDV)	–	–	–	(1)	(1)
Depreciation and impairment	(217)	(105)	–	(89)	(411)
Revaluation increments	4,459	44	17,607	963	23,073
<b>Closing balance – 30/6/15</b>	<b>16,556</b>	<b>3,210</b>	<b>103,155</b>	<b>7,723</b>	<b>130,644</b>
Purchases (GBV)	–	–	58	–	58
Disposals (WDV)	–	–	(3)	–	(3)
Depreciation and impairment	(176)	(87)	–	(84)	(347)
<b>Closing balance – 12/5/16</b>	<b>16,380</b>	<b>3,123</b>	<b>103,210</b>	<b>7,639</b>	<b>130,352</b>

## The former Wellington Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

\$ '000

#### (4). Fair value measurements using significant unobservable inputs (level 3) (continued)

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Water supply network	Sewerage network	Swimming pools	Open space recreational assets	Total
<b>Opening balance – 1/7/14</b>	18,885	20,115	757	1,625	41,382
Transfers from/(to) another asset class	–	–	–	(128)	(128)
Purchases (GBV)	93	254	17	101	465
Disposals (WDV)	(15)	–	–	(8)	(23)
Depreciation and impairment	(524)	(698)	(52)	(143)	(1,417)
Revaluation increments	1,292	1,376	–	–	2,668
<b>Closing balance – 30/6/15</b>	<b>19,731</b>	<b>21,047</b>	<b>722</b>	<b>1,447</b>	<b>42,947</b>
Purchases (GBV)	378	101	–	98	577
Disposals (WDV)	(35)	–	–	(62)	(97)
Depreciation and impairment	(480)	(634)	(48)	(126)	(1,288)
Revaluation increments	255	267	388	752	1,662
<b>Closing balance – 12/5/16</b>	<b>19,849</b>	<b>20,781</b>	<b>1,062</b>	<b>2,109</b>	<b>43,801</b>

	Library books	Tip	Quarry	Capital WIP	Total
<b>Opening balance – 1/7/14</b>	1	748	109	86	944
Transfers from/(to) another asset class	–	–	–	(87)	(87)
Purchases (GBV)	–	–	–	151	151
Depreciation and impairment	–	(123)	(7)	–	(130)
<b>Closing balance – 30/6/15</b>	<b>1</b>	<b>625</b>	<b>102</b>	<b>150</b>	<b>878</b>
Purchases (GBV)	–	–	–	61	61
Depreciation and impairment	–	(107)	(6)	–	(113)
<b>Closing balance – 12/5/16</b>	<b>1</b>	<b>518</b>	<b>96</b>	<b>211</b>	<b>826</b>

#### (5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

## The former Wellington Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 28. Financial review

\$ '000

#### Key financial figures of Council over the past 5 years

<b>Financial performance figures</b>	<b>12/5/16</b>	<b>30/6/15</b>	30/6/14	30/06/13	30/06/12
<b>Inflows:</b>					
Rates and annual charges revenue	<b>8,464</b>	8,757	8,471	8,184	7,825
User charges revenue	<b>5,376</b>	5,901	6,160	5,870	5,211
Interest and investment revenue (losses)	<b>792</b>	955	834	973	805
Grants income – operating and capital	<b>7,746</b>	6,003	4,263	5,659	6,386
Total income from continuing operations	<b>25,366</b>	28,821	22,814	24,169	24,254
Sale proceeds from I,PP&E	<b>1,010</b>	1,136	241	157	619
New loan borrowings and advances	<b>–</b>	–	–	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	<b>6,588</b>	7,602	8,229	8,797	8,472
Borrowing costs	<b>558</b>	666	685	667	709
Materials and contracts expenses	<b>5,009</b>	4,951	4,656	5,162	5,373
Total expenses from continuing operations	<b>20,143</b>	22,719	24,420	24,985	24,014
Total cash purchases of I,PP&E	<b>5,160</b>	5,034	4,790	5,545	7,188
Total loan repayments (incl. finance leases)	<b>362</b>	383	361	338	460
Operating surplus/(deficit) (excl. capital income)	<b>2,590</b>	548	(3,546)	(2,718)	(1,854)
<b>Financial position figures</b>	<b>12/5/16</b>	<b>30/6/15</b>	30/6/14	30/06/13	30/06/12
Current assets	<b>24,020</b>	23,400	17,978	23,230	20,864
Current liabilities	<b>4,989</b>	4,848	4,981	5,534	5,581
Net current assets	<b>19,031</b>	18,552	12,997	17,696	15,283
Available working capital (Unrestricted net current assets)	<b>5,995</b>	3,408	3,744	3,194	2,789
Cash and investments – unrestricted	<b>3,287</b>	1,283	1,777	1,614	583
Cash and investments – internal restrictions	<b>15,970</b>	16,332	10,876	12,000	11,841
Cash and investments – total	<b>33,686</b>	27,622	20,775	20,105	17,329
Total borrowings outstanding (Loans, advances and finance leases)	<b>9,311</b>	9,673	10,056	10,417	10,755
Total value of I,PP&E (excl. land and earthworks)	<b>337,753</b>	334,874	327,160	325,580	304,480
Total accumulated depreciation	<b>132,502</b>	127,604	136,098	131,264	119,656
Indicative remaining useful life (as a % of GBV)	61%	62%	58%	60%	61%

**Source:** published audited financial statements of Council (current period and prior year)

## The former Wellington Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 29. Council information and contact details

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**Principal place of business:**

Nanima Crescent  
WELLINGTON NSW 2820

**Contact details**

**Mailing address:**

PO Box 62  
WELLINGTON NSW 2820

**Opening hours:**

9am to 5pm  
Monday to Friday

**Telephone:** 02 6840 1700

**Facsimile:** 02 6840 1791

**Internet:** [www.wellington.nsw.gov.au](http://www.wellington.nsw.gov.au)

**Email:** [mail@wellington.nsw.gov.au](mailto:mail@wellington.nsw.gov.au)

**Officers**

**INTERIM GENERAL MANAGER**

Mark Riley

**Members**

**ADMINISTRATOR**

Michael Kneipp

**RESPONSIBLE ACCOUNTING OFFICER**

Craig Giffin

**PUBLIC OFFICER**

Craig Giffin

**AUDITORS**

Luka Group  
2 River Street  
Dubbo NSW 2830

**Other information**

**ABN:** 57 268 387 231

# The former Wellington Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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*“...a safe, vibrant, progressive community,  
which is renowned for its beauty and character.”*



## The former Wellington Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## The former Wellington Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

**The attached Special Purpose Financial Statements have been prepared in accordance with:**

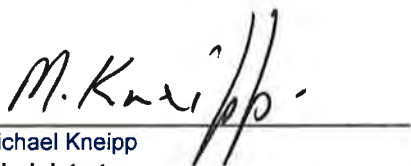
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

**To the best of our knowledge and belief, these financial statements:**

- present fairly the operating result and financial position for each of Council's declared business activities for the period, and
- accord with Council's accounting and other records.

**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Dubbo Regional Council made on 28 November 2016.**



Michael Kneipp  
Administrator



Mark Riley  
Interim General Manager



Craig Giffin  
Responsible Accounting Officer

## The former Wellington Council

### Income Statement of Council's Water Supply Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Income from continuing operations</b>		
Access charges	1,174	1,321
User charges	1,712	1,754
Fees	–	–
Interest	94	84
Grants and contributions provided for non-capital purposes	79	87
Other income	23	25
<b>Total income from continuing operations</b>	<b>3,082</b>	<b>3,271</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	368	392
Borrowing costs	238	283
Materials and contracts	760	832
Depreciation and impairment	490	537
Water purchase charges	47	65
Loss on sale of assets	31	(12)
Calculated taxation equivalents	222	213
Debt guarantee fee (if applicable)	129	132
Other expenses	278	333
<b>Total expenses from continuing operations</b>	<b>2,563</b>	<b>2,775</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>519</b>	<b>496</b>
Grants and contributions provided for capital purposes	7	5
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>526</b>	<b>501</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>526</b>	<b>501</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(156)	(149)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>370</b>	<b>352</b>
<b>Plus opening retained profits</b>	<b>14,511</b>	<b>13,665</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	222	213
– Debt guarantee fees	129	132
– Corporate taxation equivalent	156	149
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>15,388</b>	<b>14,511</b>
<b>Return on capital %</b>	<b>3.7%</b>	<b>3.9%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	370	352
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>370</b>	<b>352</b>
<b>Potential dividend calculated from surplus</b>	<b>185</b>	<b>176</b>



## The former Wellington Council

### Income Statement of Council's Sewerage Business Activity

for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Income from continuing operations</b>		
Access charges	1,380	1,322
User charges	360	387
Liquid trade waste charges	20	21
Fees	–	–
Interest	97	113
Grants and contributions provided for non-capital purposes	48	43
Other income	4	314
<b>Total income from continuing operations</b>	<b>1,909</b>	<b>2,200</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	232	306
Borrowing costs	218	259
Materials and contracts	585	679
Depreciation and impairment	640	705
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	122	126
Other expenses	137	144
<b>Total expenses from continuing operations</b>	<b>1,934</b>	<b>2,219</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(25)</b>	<b>(19)</b>
Grants and contributions provided for capital purposes	2	2
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(23)</b>	<b>(17)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(23)</b>	<b>(17)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(23)</b>	<b>(17)</b>
<b>Plus opening retained profits</b>	<b>14,726</b>	<b>14,617</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	122	126
– Corporate taxation equivalent	–	–
<b>Less:</b>		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
<b>Closing retained profits</b>	<b>14,825</b>	<b>14,726</b>
<b>Return on capital %</b>	<b>0.9%</b>	<b>1.1%</b>
<b>Subsidy from Council</b>	<b>293</b>	<b>404</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(23)	(17)
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## The former Wellington Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	883	1,290
Investments	–	–
Receivables	754	770
Inventories	29	27
Other	13	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>1,679</b>	<b>2,087</b>
<b>Non-current assets</b>		
Investments	2,846	1,477
Receivables	108	101
Inventories	–	–
Infrastructure, property, plant and equipment	20,233	20,133
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>23,187</b>	<b>21,711</b>
<b>TOTAL ASSETS</b>	<b>24,866</b>	<b>23,798</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	347	298
Borrowings	132	150
Provisions	125	115
<b>Total current liabilities</b>	<b>604</b>	<b>563</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	4,154	4,260
Provisions	3	2
<b>Total non-current liabilities</b>	<b>4,157</b>	<b>4,262</b>
<b>TOTAL LIABILITIES</b>	<b>4,761</b>	<b>4,825</b>
<b>NET ASSETS</b>	<b>20,105</b>	<b>18,973</b>
<b>EQUITY</b>		
Retained earnings	15,388	14,511
Revaluation reserves	4,717	4,462
Council equity interest	20,105	18,973
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>20,105</b>	<b>18,973</b>

## The former Wellington Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	529	587
Investments	–	–
Receivables	377	171
Inventories	2	2
Other	9	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>917</b>	<b>760</b>
<b>Non-current assets</b>		
Investments	3,172	2,868
Receivables	39	51
Inventories	–	–
Infrastructure, property, plant and equipment	21,047	21,318
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>24,258</b>	<b>24,237</b>
<b>TOTAL ASSETS</b>	<b>25,175</b>	<b>24,997</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	68	112
Borrowings	159	147
Provisions	76	74
<b>Total current liabilities</b>	<b>303</b>	<b>333</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	3,906	4,065
Provisions	4	3
<b>Total non-current liabilities</b>	<b>3,910</b>	<b>4,068</b>
<b>TOTAL LIABILITIES</b>	<b>4,213</b>	<b>4,401</b>
<b>NET ASSETS</b>	<b>20,962</b>	<b>20,596</b>
<b>EQUITY</b>		
Retained earnings	14,825	14,726
Revaluation reserves	6,137	5,870
Council equity interest	20,962	20,596
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>20,962</b>	<b>20,596</b>

## The former Wellington Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
2	Water Supply Business Best-Practice Management disclosure requirements	11
3	Sewerage Business Best-Practice Management disclosure requirements	13

## The former Wellington Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

The *Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality*, issued by the Office of Local Government in July 1997, has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

##### Category 1

(where gross operating turnover is over \$2 million)

##### a. Wellington Council Combined Water Supplies

Comprising the whole of the water supply operations and net assets servicing the town of Wellington and villages of Geurie, Mumbil and North Yeoval.

##### Category 2

(where gross operating turnover is less than \$2 million)

##### a. Wellington Council Sewerage Service

Comprising the whole of the sewerage reticulation & treatment operations and net assets servicing the town of Wellington and the villages of Geurie and Mumbil.

#### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

## The former Wellington Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies (continued)

##### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved.

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the period.

##### Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

##### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

## The former Wellington Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies (continued)

##### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

##### (iii) Return on investments (rate of return)

The policy statement requires that councils with category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The rate of return on capital is calculated as follows:

**Operating result before capital income + interest expense**

**Written down value of I,PP&E as at 12 May**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

##### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 12 May 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## The former Wellington Council

### Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

12/5/16

##### 1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	351,000
(ii)	Number of assessments multiplied by \$3/assessment	9,054
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	9,054
(iv)	Amounts actually paid for tax equivalents	–

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	185,150
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	81,486
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	935,600

2016 Surplus	370,300	2015 Surplus	352,200	2014 Surplus	213,100
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	81,486
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES



## The former Wellington Council

### Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 12/5/16

##### National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	2,956
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	53.39%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	20,132
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	1,391
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	390
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	5.57%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## The former Wellington Council

### Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

12/5/16

##### 1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	122,000
(ii)	Number of assessments multiplied by \$3/assessment	8,106
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	8,106
(iv)	Amounts actually paid for tax equivalents	–

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	72,954
(iii)	Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(509,000)

2016 Surplus	(23,000)	2015 Surplus	(17,000)	2014 Surplus	(469,000)
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

## The former Wellington Council

### Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

12/5/16

##### National Water Initiative (NWI) financial performance indicators

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,807
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	21,004
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	904
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	102
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.31%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

##### National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	4,796
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.19%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	492
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	3.40%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## The former Wellington Council

### Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

12/5/16

#### National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	2.24%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: Interest expense (w4a + s4a) – interest income (w9 + s10)		-
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	976
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	57

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

# The former Wellington Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

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*“...a safe, vibrant, progressive community,  
which is renowned for its beauty and character.”*



## The former Wellington Council

### Special Schedules

for the period 1 July 2015 to 12 May 2016

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<sup>1</sup> Special Schedules are not audited.

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### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## The former Wellington Council

Special Schedule 1 – Net Cost of Services  
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,130</b>	<b>–</b>	<b>–</b>	<b>(1,130)</b>
<b>Administration</b>	<b>1,296</b>	<b>360</b>	<b>9</b>	<b>(927)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	664	198	79	(387)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	158	28	–	(130)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>822</b>	<b>226</b>	<b>79</b>	<b>(517)</b>
<b>Health</b>	<b>(3)</b>	<b>1</b>	<b>–</b>	<b>4</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	171	64	–	(107)
Other environmental protection	110	–	–	(110)
Solid waste management	1,154	1,336	–	182
Street cleaning	120	–	–	(120)
Drainage	31	–	–	(31)
Stormwater management	–	29	3	32
<b>Total environment</b>	<b>1,586</b>	<b>1,429</b>	<b>3</b>	<b>(154)</b>
<b>Community services and education</b>				
Administration and education	–	–	–	–
Social protection (welfare)	82	–	–	(82)
Aged persons and disabled	175	164	–	(11)
Children's services	162	156	–	(6)
<b>Total community services and education</b>	<b>419</b>	<b>320</b>	<b>–</b>	<b>(99)</b>
<b>Housing and community amenities</b>				
Public cemeteries	177	128	4	(45)
Public conveniences	116	–	–	(116)
Street lighting	138	41	–	(97)
Town planning	64	57	–	(7)
Other community amenities	36	–	–	(36)
<b>Total housing and community amenities</b>	<b>531</b>	<b>226</b>	<b>4</b>	<b>(301)</b>
<b>Water supplies</b>	<b>2,161</b>	<b>2,733</b>	<b>7</b>	<b>579</b>
<b>Sewerage services</b>	<b>1,803</b>	<b>1,856</b>	<b>2</b>	<b>55</b>

## The former Wellington Council

Special Schedule 1 – Net Cost of Services (continued)  
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	301	37	–	(264)
Museums	29	–	–	(29)
Art galleries	–	–	–	–
Community centres and halls	118	16	8	(94)
Performing arts venues	–	–	–	–
Other performing arts	15	–	–	(15)
Other cultural services	–	–	–	–
Sporting grounds and venues	399	15	312	(72)
Swimming pools	437	83	–	(354)
Parks and gardens (lakes)	756	13	12	(731)
Other sport and recreation	159	21	410	272
<b>Total recreation and culture</b>	<b>2,214</b>	<b>185</b>	<b>742</b>	<b>(1,287)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	56	54	–	(2)
Other mining, manufacturing and construction	8	–	–	(8)
<b>Total mining, manufacturing and const.</b>	<b>64</b>	<b>54</b>	<b>–</b>	<b>(10)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	692	982	37	327
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	787	380	484	77
Sealed rural roads (SRR) – regional	1,497	1,160	578	241
Unsealed rural roads (URR) – local	1,493	395	156	(942)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	63	–	–	(63)
Bridges on SRR – local	250	33	–	(217)
Bridges on URR – local	63	–	–	(63)
Bridges on regional roads	157	–	4	(153)
Parking areas	33	–	–	(33)
Footpaths	112	–	–	(112)
Aerodromes	134	4	–	(130)
Other transport and communication	1,686	1,424	–	(262)
<b>Total transport and communication</b>	<b>6,967</b>	<b>4,378</b>	<b>1,259</b>	<b>(1,330)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	441	282	528	369
Other economic affairs	711	355	–	(356)
<b>Total economic affairs</b>	<b>1,152</b>	<b>637</b>	<b>528</b>	<b>13</b>
<b>Totals – functions</b>	<b>20,142</b>	<b>12,405</b>	<b>2,633</b>	<b>(5,104)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>10,323</b>		<b>10,323</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>4</b>		<b>4</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>20,143</b>	<b>22,733</b>	<b>2,633</b>	<b>5,223</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As per the Income Statement



## The former Wellington Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	11	14	25	–	11	–	–	2	11	3	14
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	395	9,253	9,648	–	351	–	–	509	377	8,920	9,297
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>406</b>	<b>9,267</b>	<b>9,673</b>	<b>–</b>	<b>362</b>	<b>–</b>	<b>–</b>	<b>511</b>	<b>388</b>	<b>8,923</b>	<b>9,311</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>406</b>	<b>9,267</b>	<b>9,673</b>	<b>–</b>	<b>362</b>	<b>–</b>	<b>–</b>	<b>511</b>	<b>388</b>	<b>8,923</b>	<b>9,311</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which is reported in the GPFS).

## The former Wellington Council

### Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	332	314
b. Engineering and supervision	292	268
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	12	8
d. Maintenance expenses	199	229
– <b>Reservoirs</b>		
e. Operation expenses	–	–
f. Maintenance expenses	6	15
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	43	56
i. Maintenance expenses	39	30
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	358	437
k. Chemical costs	63	98
l. Maintenance expenses	–	–
– <b>Other</b>		
m. Operation expenses	–	–
n. Maintenance expenses	–	–
o. Purchase of water	47	65
<b>3. Depreciation expenses</b>		
a. System assets	480	524
b. Plant and equipment	10	13
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	238	283
b. Revaluation decrements	–	–
c. Other expenses	62	78
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>2,181</b>	<b>2,418</b>

## The former Wellington Council

### Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	927	905
b. Usage charges	1,062	1,093
<b>7. Non-residential charges</b>		
a. Access (including rates)	247	416
b. Usage charges	650	661
<b>8. Extra charges</b>	12	11
<b>9. Interest income</b>	82	73
<b>10. Other income</b>	23	25
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	51	53
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	27	34
c. Other grants	1	–
<b>12. Contributions</b>		
a. Developer charges	7	5
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>13. Total income</b>	<b>3,089</b>	<b>3,276</b>
<b>14. Gain (or loss) on disposal of assets</b>	(31)	(12)
<b>15. Operating result</b>	<b>877</b>	<b>846</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	877	846

## The former Wellington Council

### Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	378	93
d. Plant and equipment	12	–
<b>17. Repayment of debt</b>	124	141
<b>18. Totals</b>	<b>514</b>	<b>234</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	23	16
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>23</b>	<b>16</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	2,495	2,497
b. Residential (unoccupied, ie. vacant lot)	134	132
c. Non-residential (occupied)	369	322
d. Non-residential (unoccupied, ie. vacant lot)	20	21
<b>23. Number of ETs for which developer charges were received</b>	2 ET	1 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 50,000	\$ 59,000

## The former Wellington Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	157	157
b. Special purpose grants	–	–	–
c. Accrued leave	–	92	92
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	883	2,597	3,480
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	184	7	191
c. User charges	570	101	671
d. Other	–	–	–
<b>27. Inventories</b>	29	–	29
<b>28. Property, plant and equipment</b>			
a. System assets	–	20,132	20,132
b. Plant and equipment	–	101	101
<b>29. Other assets</b>	13	–	13
<b>30. Total assets</b>	<b>1,679</b>	<b>23,187</b>	<b>24,866</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	347	–	347
<b>33. Borrowings</b>	132	4,154	4,286
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	125	3	128
<b>35. Total liabilities</b>	<b>604</b>	<b>4,157</b>	<b>4,761</b>
<b>36. NET ASSETS COMMITTED</b>	<b>1,075</b>	<b>19,030</b>	<b>20,105</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			15,388
<b>38. Asset revaluation reserve</b>			4,717
<b>39. TOTAL EQUITY</b>			<b>20,105</b>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			36,862
<b>41. Accumulated current cost</b> depreciation of system assets			(16,730)
<b>42. Written down current cost</b> of system assets			20,132

## The former Wellington Council

### Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	168	225
b. Engineering and supervision	198	251
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	–	–
b. Maintenance expenses	103	129
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	19	19
e. Maintenance expenses	42	67
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	267	271
g. Chemical costs	47	43
h. Energy costs	60	67
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	–	–
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	634	698
b. Plant and equipment	6	7
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	218	259
b. Revaluation decrements	–	–
c. Other expenses	50	57
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>1,812</b>	<b>2,093</b>

## The former Wellington Council

### Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,380	1,322
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	360	387
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	20	21
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	6	6
<b>10. Interest income</b>	91	107
<b>11. Other income</b>	4	314
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	13	13
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	30	30
c. Other grants	5	–
<b>13. Contributions</b>		
a. Developer charges	2	2
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<u>1,911</u>	<u>2,202</u>
<b>15. Gain (or loss) on disposal of assets</b>	–	–
<b>16. Operating result</b>	<u>99</u>	<u>109</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	99	109

## The former Wellington Council

### Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	101	254
d. Plant and equipment	1	–
<b>18. Repayment of debt</b>	147	139
<b>19. Totals</b>	<b>249</b>	<b>393</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	2,222	2,224
b. Residential (unoccupied, ie. vacant lot)	141	139
c. Non-residential (occupied)	322	322
d. Non-residential (unoccupied, ie. vacant lot)	17	18
<b>24. Number of ETs for which developer charges were received</b>	2 ET	1 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 54,000	\$ 54,000



## The former Wellington Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	212	212
b. Special purpose grants	–	–	–
c. Accrued leave	–	81	81
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	529	2,879	3,408
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	275	29	304
c. User charges	102	10	112
d. Other	–	–	–
<b>28. Inventories</b>	2	–	2
<b>29. Property, plant and equipment</b>			
a. System assets	–	21,004	21,004
b. Plant and equipment	–	43	43
<b>30. Other assets</b>	9	–	9
<b>31. Total assets</b>	<b>917</b>	<b>24,258</b>	<b>25,175</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	68	–	68
<b>34. Borrowings</b>	159	3,906	4,065
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	76	4	80
<b>36. Total liabilities</b>	<b>303</b>	<b>3,910</b>	<b>4,213</b>
<b>37. NET ASSETS COMMITTED</b>	<b>614</b>	<b>20,348</b>	<b>20,962</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			14,825
<b>39. Asset revaluation reserve</b>			6,137
<b>40. TOTAL EQUITY</b>			<b>20,962</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			37,445
<b>42. Accumulated current cost</b> depreciation of system assets			(16,441)
<b>43. Written down current cost</b> of system assets			<b>21,004</b>

## The former Wellington Council

### Notes to Special Schedules 3 and 5 for the period 1 July 2015 to 12 May 2016

#### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## The former Wellington Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	1,701	866	705	152	14,148	44,643	1%	15%	61%	19%	4%
	<b>Sub-total</b>	<b>1,701</b>	<b>866</b>	<b>705</b>	<b>152</b>	<b>14,148</b>	<b>44,643</b>	<b>1.0%</b>	<b>15.0%</b>	<b>61.0%</b>	<b>19.0%</b>	<b>4.0%</b>
<b>Other structures</b>	Other structures	43	7	60	51	769	1,647	25%	23%	29%	22%	1%
	<b>Sub-total</b>	<b>43</b>	<b>7</b>	<b>60</b>	<b>51</b>	<b>769</b>	<b>1,647</b>	<b>25.0%</b>	<b>23.0%</b>	<b>29.0%</b>	<b>22.0%</b>	<b>1.0%</b>
<b>Roads</b>	Sealed roads	627	514	1,500	1,491	163,432	110,043	20%	68%	10%	1%	1%
	Unsealed roads	199	56	1,000	706	36,650	10,208	7%	45%	33%	14%	1%
	Bridges	569	464	310	101	16,380	21,227	50%	26%	15%	5%	4%
	Footpaths	70	15	45	10	3,123	5,952	9%	8%	73%	9%	1%
	Kerb & Gutter	203	5	20	6	7,657	15,170	9%	2%	76%	13%	0%
	Culverts	174	100	50	22	6,681	14,824	3%	0%	91%	5%	1%
	Town Entrance Signs	–	–	–	–	57	67	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>1,842</b>	<b>1,154</b>	<b>2,925</b>	<b>2,336</b>	<b>233,980</b>	<b>177,491</b>	<b>20.1%</b>	<b>48.3%</b>	<b>26.4%</b>	<b>3.9%</b>	<b>1.3%</b>

## The former Wellington Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	986	89	700	500	19,849	36,757	7%	26%	42%	24%	1%
	<b>Sub-total</b>	<b>986</b>	<b>89</b>	<b>700</b>	<b>500</b>	<b>19,849</b>	<b>36,757</b>	<b>7.0%</b>	<b>26.0%</b>	<b>42.0%</b>	<b>24.0%</b>	<b>1.0%</b>
Sewerage network	Sewerage network	1,358	694	500	411	20,781	36,716	14%	27%	38%	18%	3%
	<b>Sub-total</b>	<b>1,358</b>	<b>694</b>	<b>500</b>	<b>411</b>	<b>20,781</b>	<b>36,716</b>	<b>14.0%</b>	<b>27.0%</b>	<b>38.0%</b>	<b>18.0%</b>	<b>3.0%</b>
Stormwater drainage	Stormwater drainage	393	368	110	31	7,639	12,061	3%	55%	34%	2%	6%
	<b>Sub-total</b>	<b>393</b>	<b>368</b>	<b>110</b>	<b>31</b>	<b>7,639</b>	<b>12,061</b>	<b>3.0%</b>	<b>55.0%</b>	<b>34.0%</b>	<b>2.0%</b>	<b>6.0%</b>
Open space/recreational assets	Swimming pools	266	58	150	100	1,062	1,058	0%	0%	38%	59%	3%
	Other Open Space Assets	632	512	700	585	2,109	6,174	3%	16%	45%	19%	17%
	<b>Sub-total</b>	<b>898</b>	<b>570</b>	<b>850</b>	<b>685</b>	<b>3,171</b>	<b>7,232</b>	<b>2.6%</b>	<b>13.7%</b>	<b>44.0%</b>	<b>24.9%</b>	<b>15.0%</b>
Other infrastructure assets	Land Improvements	–	–	350	343	1,197	1,911	0%	22%	78%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>350</b>	<b>343</b>	<b>1,197</b>	<b>1,911</b>	<b>0.0%</b>	<b>22.0%</b>	<b>78.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>7,221</b>	<b>3,748</b>	<b>6,200</b>	<b>4,509</b>	<b>301,534</b>	<b>318,458</b>	<b>14.1%</b>	<b>37.8%</b>	<b>35.4%</b>	<b>10.4%</b>	<b>2.3%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b> No work required (normal maintenance)
2	<b>Good</b> Only minor maintenance work required
3	<b>Average</b> Maintenance work required

4	<b>Poor</b> Renewal required
5	<b>Very poor</b> Urgent renewal/upgrading required

## The former Wellington Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>5,190</u>	<b>102.49%</b>	87.45%	63.53%
Depreciation, amortisation and impairment	<u>5,064</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>7,221</u>	<b>3.64%</b>	3.65%	7.94%
Carrying value of infrastructure assets	<u>198,324</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>4,509</u>	<b>0.73</b>	1.13	0.65
Required asset maintenance	<u>6,200</u>			

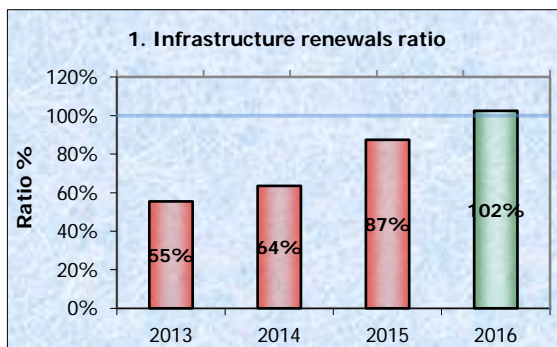
#### Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## The former Wellington Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



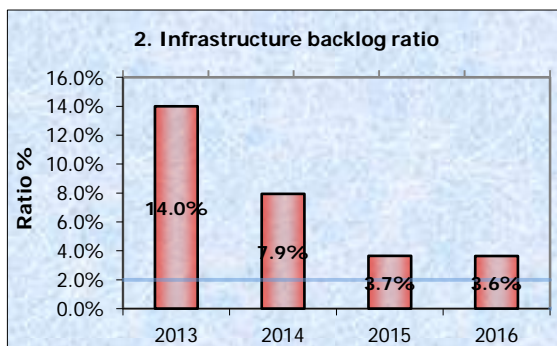
#### Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**12/5/16 ratio 102.49%**

Benchmark: Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



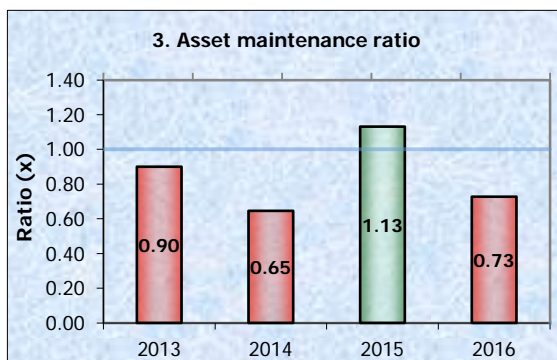
#### Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**12/5/16 ratio 3.64%**

Benchmark: Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



#### Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

**12/5/16 ratio 0.73 x**

Benchmark: Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

## The former Wellington Council

### Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Water 12/5/16	Sewer 12/5/16	General <sup>(1)</sup> 12/5/16
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>205.42%</b>	<b>214.20%</b>	<b>72.05%</b>
Depreciation, amortisation and impairment			
prior period:	17.75%	36.39%	102.76%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>4.97%</b>	<b>6.53%</b>	<b>3.09%</b>
Carrying value of infrastructure assets			
prior period:	4.93%	6.40%	3.13%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>0.71</b>	<b>0.82</b>	<b>0.72</b>
Required asset maintenance			
prior period:	0.79	0.93	1.23

#### Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.





**INDEPENDENT AUDITOR'S REPORT  
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF  
THE FORMER WELLINGTON COUNCIL**

**Report on the Financial Statements**

We have audited the accompanying general purpose financial statements of the former Wellington Council for the financial period 1 July 2015 to 12 May 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the projected revenue and expenditure of developer contributions reported in Note 17 and accordingly, we express no opinion on them.

**Council's Responsibility for the Financial Statements**

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)



### Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Wellington Council for the period 1 July 2015 to 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of these statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

### Audit Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
  - (i) has been prepared in accordance with the requirements of this Division;
  - (ii) is consistent with the Council's accounting records;
  - (iii) presents fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) is in accordance with applicable Australian Accounting Standards, and other mandatory professional reporting requirements.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



LUKA GROUP

2 River Street  
Dubbo  
Dated: 19 December 2016



JM SHANKS  
PARTNER

# Luka Group

ACCOUNTANTS & ADVISORS

19 December 2016

The Administrator  
Michael Kneipp  
Dubbo Regional Council  
PO Box 81  
DUBBO NSW 2830

Dear Michael,

## INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT – Section 417 FORMER WELLINGTON COUNCIL

We have audited the financial statements of the former Wellington Council for the financial period 1 July 2015 to 12 May 2016. The financial statements include the general purpose consolidated accounts of the economic entity comprising the Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at reporting date. The contents of both of these statements include the Council's Certificate as required by section 413(2)(c) of the Local Government Act 1993. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. Our audit resulted in the issuing of an unmodified audit report for both the general purpose financial statements and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of the former Wellington Council for the period 1 July 2015 to 12 May 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

### Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.



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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The following comments are provided in accordance with Section 415(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (general) Regulation 2005 to assist in the understanding of the financial statements and our reports.

#### *Review of the Financial Statements*

In May 2016, Wellington Council was advised that it was merging with Dubbo City Council to form the new Dubbo Regional Council. As a result, the financial statements cover the period 1 July 2015 to 12 May 2016.

For preparation of the financial statements, the Office of Local Government advised as follows:

- Rates are recognised as revenue at the commencement of the rating year for the period 1 July 2015 to 30 June 2016. No adjustments have been made for rates not earned during the period 13 May 2016 to 30 June 2016.
- Financial assistance grants are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenues from the financial assistance grant includes the last quarter payment which was received on 17 May 2016.
- No budget figures are required for the Income Statement, Statement of Cash Flows, Note 2 and Note 16 as budgets were prepared for a full year ended 30 June 2016.
- The comparative year is for the full financial year of 1 July 2014 to 30 June 2015.

#### (a) Result from Continuing Operations

As disclosed in Council's Income Statement the operations for the period 1 July 2015 to 12 May 2016 resulted in a surplus from continuing operations after capital amounts of \$5,223,000 (2015 - \$6,102,000). Some items of note in the income statement include:

- The operating surplus from continuing operations *before* capital amounts was \$2,590,000 (2015 - \$548,000).
- Rates and annual charges decreased by \$293,000 to \$8,464,000 (2015 - \$8,757,000). Ordinary rates increased by \$150,000 to \$5,902,000 which is consistent with the approved variation increase for general rates and movement in land values. Special rates charges decreased by \$243,000 to \$1,516,000 due to sewerage services decreasing by \$247,000 to \$1,379,000 due to debt being forgiven by DUES which has been outstanding for the last 10 years in the prior year. Annual charges decreased by \$200,000 to \$1,046,000. Domestic waste management services decreased by \$157,000 to \$739,000 and waste management services (non-domestic) decreased by \$39,000 to \$280,000 due to the early cut off period.
- User charges and fees decreased by \$525,000 to \$5,376,000 (2015 - \$5,901,000) and were impacted by the early cut off period. Water supply user charges decreased by \$161,000 to \$2,551,000, but there was a 3.5% increase in charges and higher water consumption as a result of seasonal conditions. Waste management services (non-domestic) decreased by \$92,000 to \$45,000 due to the fall in steel prices and Council not selling as much steel this year. RMS charges - State Roads decreased by \$108,000 to \$1,353,000 due to less work orders on state roads being performed up to 12 May 2016 compared to the full year for the prior year.
- Interest and investment revenue decreased by \$163,000 to \$792,000 (2015 - \$955,000) and is impacted by the early cut off period. Council's cash and cash equivalents at 12 May 2016 were \$6,064,000 higher than the previous year.
- Grant and contributions provided for operating purposes increased by \$1,004,000 to \$7,611,000 (2015 - \$6,607,000). The financial assistance grant increased by \$19,000 to \$3,774,000. Transport - roads to recovery increased by \$1,121,000 to \$1,735,000 due to the commencement of a new program and additional funding provided by the Department of Transport.

- Grants and contributions provided for capital purposes decreased by \$2,921,000 to \$2,633,000 [2015 - \$2,633,000]. Capital grants increased by \$726,000 to \$1,392,000. Economic development increased by \$501,000 to \$528,000 due to funding for redevelopment works undertaken at the Wellington Caves Complex. NSW rural fire services decreased by \$333,000 to \$79,000 due to less new equipment being received this year compared to the prior year. Recreation and culture increased by \$637,000 to \$732,000 due to funding for redevelopment works undertaken at Rygate Park for new lighting and a new surface. Capital contributions decreased by \$3,658,000 to \$1,241,000. Roads and bridges decreased by \$4,125,000 to \$273,000 due to a contribution in the prior year from Cobbora holding company for works on Cobbora road. RMS contributions increased by \$517,000 to \$934,000 due to an increase in funding for local and regional roads.
- Other revenues decreased by \$315,000 to \$341,000 [2015 - \$656,000]. Rental income decreased by \$51,000 to \$38,000 due to the early cut off period and the sale of rental properties during the year. OH&S training decreased by \$58,000 to \$28,000 due to less contractual training with other bodies being performed this year. Rebates decreased by \$128,000 to \$46,000 due to a large insurance rebate being received in the prior year.
- Gain on the disposal of assets decreased by \$243,000 to \$145,000 [2015 - \$388,000]. Gain on property sales was \$303,000 [2015 - \$56,000], gain on plant and equipment was \$46,000 [2015 - \$356,000] and loss on infrastructure assets was \$204,000 [2015 - 24,000].
- Employee costs decreased by \$1,014,000 to \$6,588,000 [2015 - \$7,602,000] and was impacted by the early cut off period. Salary and wages decreased by \$1,193,000 to \$5,339,000 and superannuation decreased by \$162,000 to \$754,000 due to the early cut off period and a reduction in senior staff during the year. Conversely capitalised employee costs decreased by \$348,000 to \$656,000.
- Materials and contracts increased by \$58,000 to \$5,009,000 [2015 - \$4,951,000]. Raw materials and consumables decreased by \$297,000 to \$2,321,000 and contractor and consultancy costs increased by \$249,000 to \$2,464,000. These movements are impacted by the timing and extent of various projects during the year and the early cut off period.
- Depreciation and amortisation decreased by \$1,122,000 to \$5,904,000 [2015 - \$7,026,000] and was impacted by the early cut off period. Depreciation on plant and equipment decreased by \$169,000 to \$551,000 as a result of review of carrying values and remaining useful lives and the introduction of residual values to assets resulted in a reduction in depreciation. Buildings - non-specialised decreased by \$288,000 to \$133,000 due to a change in depreciation methodology. Roads decreased by \$349,000 to \$2,972,000 due to the first year of depreciation after the prior year's revaluation.
- Other expenses decreased by \$390,000 to \$2,084,000 [2015 - \$2,474,000]. Electricity and heating decreased by \$136,000 to \$372,000 due to the early cut off period and renegotiation of electricity contracts and power saving practices. Insurances decreased by \$83,000 to \$347,000 due to the early cut off period.

#### (b) Financial Position

The Statement of Financial Position disclosed that for the period ended 12 May 2016 Council's net assets stood at \$339,175,000 [2015 - \$334,923,000] which represents an increase of \$4,252,000 being the surplus from continuing operations after capital amounts of \$5,223,000, the revaluation of infrastructure assets of \$1,771,000 and the disposal of revalued assets for \$2,742,000.

To assess the appropriateness or otherwise of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised as follows:-

	12/5/16 \$'000	30/6/15 \$'000
Net current assets	19,031	18,552
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(2,835)	(2,878)
Less: Council internally imposed restrictions (refer Notes 6 & 7 of financial statements)	(14,194)	(16,332)
Add: Applicable liabilities (refer Note 10) matched by a current cash restriction		
- Water	604	563
- Sewerage	303	333
- Waste Management	76	166
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	1,179	1,687
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(157)	(157)
Unrestricted net current asset surplus/(deficit)	<u>4,007</u>	<u>1,934</u>
<i>Unrestricted Current Assets</i>		
Cash and investments	3,287	323
Receivables	3,028	3,286
Inventories	425	453
Other assets	<u>251</u>	<u>128</u>
Less:	6,991	4,190
<i>Unrestricted Current Liabilities</i>		
Payables	(1,331)	(1,111)
Provisions	(2,578)	(2,566)
Borrowings	<u>(97)</u>	<u>(109)</u>
	(4,006)	(3,786)
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	1,179	1,687
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(157)	(157)
Unrestricted net current asset surplus/(deficit)	<u>4,007</u>	<u>1,934</u>

Council has a surplus of unrestricted net assets of \$4,007,000 compared to a surplus of \$1,934,000 in the prior year. Coupled with Council's strong level of internal restrictions, Council is in a sound position.

#### Liquidity

Note 6 to the accounts discloses total cash and investments of \$33,686,000 (2015 - \$27,622,000). Of this amount \$14,429,000 (2015 - \$10,007,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$15,970,000 (2015 - \$16,332,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their management plan.

The unrestricted balance of \$3,287,000 (2015 - \$1,283,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.

Council is in a strong financial position to fulfil the objectives attached to its internally restricted funds as part of its long term development plans and at the same time has created a strong unrestricted cash position.

**(c) Performance Indicators**

Note 13 to the Financial Statements provides a measure of Council's performance using a number of selected ratios as follows:

***Operating Performance Ratio***

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of a surplus of 10.99% (2015 – 0.44%) is above the benchmark of 0% for the second year in a row.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water, Sewer, etc.) may vary significantly.

***Own source operating revenue***

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 59.45% (2015 – 57.14%) is marginally below the benchmark of 60% and indicates Council is reliant on government grants and contributions to provide services to the community. This ratio is very difficult for a low rate base rural Council to achieve.

***Unrestricted Current Ratio***

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 7.44:1 (2015 – 9.70:1) is considered very strong. The benchmark is a minimum of 1.5:1. Council has been consistently well above this benchmark.

***Debt Service Cover Ratio***

The debt service cover ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

Council's ratio of 9.73:1 (2015 – 7.43:1) is considered sound, as the benchmark is a minimum of 2:1. This result means that Council has \$9.73 of cash to meet every \$1 of debt. It indicates that Council has the ability to borrow further if required.

***Rates and Annual Charges Outstanding Ratio***

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

The former Wellington Council's rates and annual charges outstanding percentage of 24.12% (2015 – 4.46%) has been adversely impacted by early period close date of 12 May 2016. The final instalment of rates for ratepayers was not due until 31 May 2016. As a result, rates debtors at 12 May 2016 were still very high. If these subsequent rate payments were taken into account, Council's rates and annual charges outstanding ratio would range from 4% to 5% as has traditionally been the case for many years.

***Cash Expense Cover Ratio***

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Council's ratio of 12.77 months (2015 – 12.86 months) is well above the minimum benchmark of 3 months and indicates that Council is in a very strong cash and investment position.

**(d) Statement of Cash Flows**

The Statement of Cash Flows reports a net increase in cash assets held of \$1,238,000 (2015 - \$6,871,000) as follows:

	12/5/16 \$'000	30/6/15 \$'000	Movement \$'000
<b>Cash flow provided by / (used in)</b>			
Operating activities	10,622	11,072	(450)
Investing activities	(9,022)	(3,818)	(5,204)
Financing activities	(362)	(383)	21
<b>Net increase / (decrease) in cash held during the year</b>	<b>1,238</b>	<b>6,871</b>	<b>(5,633)</b>

***Cash Flows from Operating Activities***

The net cash flow provided by operating activities totalled \$10,622,000 (2015 - \$11,072,000). The significant movements were rates and annual charges receipts decreased by \$1,977,000, user charges and fees receipts decreased by \$366,000, grants and contributions receipts decreased \$1,069,000, employee cost payments decrease by \$1,126,000 and materials and contracts payments decreased by \$61,000.

***Cash Flows from Investing Activities***

The net cash flow used in investing activities totalled \$9,022,000 (2015 - \$3,818,000). The significant movements relate to the outflow movement of investments of \$4,872,000 (2015 - inflow of \$80,000), sale of infrastructure, property, plant and equipment of \$1,010,000 (2015 - \$1,136,000) and the acquisition of infrastructure, property, plant and equipment of \$5,160,000 (2015 - \$5,034,000). The major areas of asset acquisition were \$3,433,000 on roads, \$1,004,000 on specialised buildings and \$378,000 on water supply network.

***Cash Flows from Financing Activities***

The net cash flow used in financing activities was \$362,000 (2015 - \$383,000). There were no new borrowings during the year (2015 - \$nil). Repayments during the year were in line with the requirements of the loans.

**(e) Comparison of Actual and Budgeted Performance**

There is no comparison of actual to budgeted performance for Council, as the budgets were developed over a full financial year, whereas Council operated for the period 1 July 2015 to 12 May 2016.

As a result, Council was not required to report budgeted figures and Note 16 is not required.

***Other Matters*****(a) National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, the former Wellington Council has prepared special purpose financial statements on its business units for the period ended 12 May 2016. Council has determined that it has two business units within its operations: Water and Sewerage.

The Office of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

An unmodified audit report on the special purpose statements for the period ended 12 May 2016 has been issued.

**(b) Management Letters**

A management letter will be issued within the next few weeks.

**(c) Legislative Compliance**

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial reports that have come to our attention during the conduct of the audit and that the former Wellington Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

**(d) Matters Relating to the Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial statements of the former Wellington Council for the period ended 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

**Conclusion**

- (a) The former Wellington Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of this report;
- (b) The former Wellington Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of this report; and
- (c) all information relevant to the conduct of the audit has been obtained.

  
LUKA GROUP

2 River Street  
Dubbo  
Dated: 19 December 2016

  
JM SHANKS  
PARTNER





**INDEPENDENT AUDITOR'S REPORT  
ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF  
THE FORMER WELLINGTON COUNCIL**

**Report on the Financial Statements**

We have audited the special purpose financial statements of the former Wellington Council for the period 1 July 2015 to 12 May 2016, comprising the Statement by Councillors and Management, Income Statement by Business Activities, Statement of Financial Position by Business Activities and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

**Council's Responsibility for the Financial Statements**

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

### Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Wellington Council for the period 1 July 2015 to 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial statements presented on this web site.

### Audit Opinion

In our opinion, the special purpose financial statements of the former Wellington Council is presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

### Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.



LUKA GROUP

2 River Street  
Dubbo

Dated: 19 December 2016



JM SHANKS  
PARTNER



## **Report of the Audit and Risk Management Committee - Meeting 13 December 2016**

**AUTHOR:** Manager Governance and Risk Services

**REPORT DATE:** 14 December 2016

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The Council had before it the report of the Audit and Risk Management Committee meeting held 13 December 2016.

### **RECOMMENDATION**

**That the report of the Audit and Risk Management Committee meeting held on 13 December 2016, be adopted.**



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## **REPORT**

### **AUDIT AND RISK MANAGEMENT COMMITTEE**

### **13 DECEMBER 2016**

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**PRESENT:**

**Core Members (Voting):**

Mr Michael Kneipp, Administrator; Mr A Fletcher (Independent Member) and Mr J Walkom (Independent Member).

**Attendees (Non-Voting):**

Mr S Bassett (Community Representative), the Interim General Manager, the Internal Auditor, the Acting Director Organisational Services (J Bassingthwaighte), the Director Corporate Development, the Manager Governance and Risk, Manager Financial Accounting Services and the External Auditor.

Mr Michael Kneipp (Administrator) assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 11:00am.

**WELCOME**

**AUD16/1 ELECTION OF CHAIRPERSON (ID16/2273)**

Mr John Walkom was elected Chairperson of the Audit and Risk Management Committee for the period until the next Mayoral election.

Mr John Walkom assumed chairmanship of the meeting.

**AUD16/2 LEAVE OF ABSENCE (ID16/2252)**

There were no requests for leave of absence recorded.

**AUD16/3 DECLARATIONS OF INTERESTS (ID16/2253)**

There were no declarations of interests recorded.

**AUD16/4 REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE - MEETING 26  
FEBRUARY 2016 (ID16/2254)**

The Committee had before it the report of the Audit and Risk Management Committee meeting held 26 February 2016.

Moved by A Fletcher and seconded by M Kneipp

**RECOMMENDATION**

**That the report of the Audit and Risk Management Committee meeting held on 26 February 2016, be adopted.**

**CARRIED**

**AUD16/5 PRESENTATION OF THE FINANCIAL STATEMENTS FOR THE PERIOD 1 JULY  
2015 TO 12 MAY 2016 (ID16/2262)**

The Committee had before it the report dated 6 December 2016 from the Manager Financial Accounting Services regarding Presentation of the Financial Statements for the Period 1 July 2015 to 12 May 2016.

Moved by A Fletcher and seconded by J Walkom

**RECOMMENDATION**

- 1. That the information provided in the report from the Manager Financial Accounting Services dated 6 December 2016 on the Financial Statements for 2015/2016 in respect of the former Dubbo City Council, be noted.**
- 2. That it be noted that the Audit and Risk Management Committee is not aware of any issues that would preclude the Dubbo Regional Council from adopting the Financial Statements for the year ended 12 May 2016 as presented and audited by the External Auditor in respect of the former Dubbo City Council. The Audit and Risk Management Committee has reviewed and discussed the audit process and received confirmation from the External Auditor that:
  - (i) They have been provided access to all necessary records.**
  - (ii) The Auditor staff are suitably qualified to conduct the audit.**
  - (iii) They have had sufficient time to complete.**
  - (iv) Items identified have been resolved to their satisfaction.****
- 3. That the Audit Reports for the General Purpose Financial Statements, and the Audit Reports for the Special Purpose Financial Statements for both the former Dubbo City and Wellington councils, be tabled at the December 2016 Ordinary Meeting of Council.**
- 4. That the Committee acknowledge the efforts of staff in the preparation of the Financial Statements and the achievements of Council in the end of year result.**

**CARRIED**

**AUD16/6 INTERNAL AUDIT PROGRAMME STATUS REPORT (ID16/2180)**

The Committee had before it the report dated 29 November 2016 from the Internal Auditor regarding Internal Audit Programme Status Report.

Moved by A Fletcher and seconded by M Kneipp

**RECOMMENDATION**

**That the information contained in this report be noted.**

**CARRIED**

**AUD16/7 DATA ANALYTICS SOFTWARE SYSTEMS (ID16/2167)**

The Committee had before it the report dated 28 November 2016 from the Internal Auditor regarding Data Analytics Software Systems.

Moved by A Fletcher and seconded by M Kneipp

**RECOMMENDATION**

- 1. That the purchase of ACL software system and related training sessions be approved.**
- 2. That the Interim General Manager be requested to make contact with the General Managers of Bathurst and Orange Councils with a view to a coordinated approach to the purchase of and training in respect of this software.**

**CARRIED**

**AUD16/8 INTERNAL AUDIT REVIEW REPORT - ACCOUNTS RECEIVABLE PROCESS (ID16/2224)**

The Committee had before it the report dated 30 November 2016 from the Internal Auditor regarding Internal Audit Review Report - Accounts Receivable Process.

Moved by A Fletcher and seconded by M Kneipp

**RECOMMENDATION**

**That the information contained within this report be noted.**

**CARRIED**

**AUD16/9 ARMC ACTION LIST AS AT NOVEMBER 2016 (ID16/2199)**

The Committee had before it the report dated 30 November 2016 from the Internal Auditor regarding ARMC Action List as at November 2016.

Moved by A Fletcher and seconded by M Kneipp

**RECOMMENDATION**

1. That the information contained within this report be noted.
2. That all items marked as completed be deleted from the list.
3. That Action Item 2016-126/2/16 relating to an update on actions to date in respect of Operation Jarek be also deleted from the list noting that a separate report is provided to the Committee each meeting on this matter.
4. That it be noted that meeting dates for the Committee in 2017 be, 17 March 2017, 1 June 2017 and 5 September 2017.

**CARRIED**

**AUD16/10 COUNCIL PAYMENTS AND CONTRACT VARIATIONS 1 APRIL 2016 TO 30 SEPTEMBER 2016 (ID16/2229)**

The Committee had before it the report dated 1 December 2016 from the Manager Financial Accounting Services regarding Council Payments and Contract Variations 1 April 2016 to 30 September 2016.

Moved by M Kneipp and seconded by A Fletcher

**RECOMMENDATION**

1. That the information contained within this report be noted.
2. That following the acquisition of Data Analytics Software and training, the Internal Auditor be requested to review invoices raised before purchase orders with a view to identifying suppliers who regularly supply without an order for corrective action.

**CARRIED**

**AUD16/11 OPERATION JAREK - UPDATE ON ACTIONS TO DATE (ID16/2231)**

The Committee had before it the report dated 1 December 2016 from the Manager Financial Accounting Services regarding Operation Jarek - Update on Actions to Date.

Moved by M Kneipp and seconded by A Fletcher

**RECOMMENDATION**

1. That the information contained within this report be noted.
2. That it be noted that Action Items 3,4,5,6,12 13 and 14 as contained in the report, have been completed and can be removed from future reports.

**CARRIED**

**AUD16/12 UPDATE OF ACTION PLAN - HIGH LEVEL REVIEW OF INTERNAL CONTROLS (ID16/2232)**

The Committee had before it the report dated 1 December 2016 from the Manager Financial Accounting Services regarding Update of Action Plan - High Level Review of Internal Controls.

Moved by A Fletcher and seconded by M Kneipp

**RECOMMENDATION**

1. That the information contained within this report be noted.
2. That it be noted that the actions contained in this report have now been completed or addressed and on this basis such report not be presented to future meetings of the Audit and Risk Management Committee.

**CARRIED**

**AUD16/13 AUDIT, RISK AND IMPROVEMENT COMMITTEE (ARIC) CHARTER (ID16/2179)**

The Committee had before it the report dated 29 November 2016 from the Director Corporate Development regarding Audit, Risk and Improvement Committee (ARIC) Charter.

Moved by J Walkom and seconded by M Kneipp

**RECOMMENDATION**

1. That the Committee recommends that the Council adopts the Audit, Risk and Improvement Committee Interim Charter.
2. That the committee amend the standing Agenda template for the ARIC to align with the list of key results areas identified in the new legislation.
3. That in addition to an Internal Audit programme, a regular management reporting timetable is established which ensures that the Committee considers information as necessary to accomplish its objectives as stated in section 428A of the new legislation.

**CARRIED**



**AUD16/14 RISK MANAGEMENT MATURITY AND BENCHMARKING REPORT (ID16/2177)**

The Committee had before it the report dated 29 November 2016 from the Manager Governance and Risk Services regarding Risk Management Maturity and Benchmarking Report.

Moved by M Kneipp and seconded by A Fletcher

**RECOMMENDATION**

**That the information contained within this report be noted.**

**CARRIED**

**AUD16/15 INTERNAL AUDIT REVIEW - DUBBO AQUATIC LEISURE CENTRE CASH RECEIPTING PROCESS PROGRESS REPORT (ID16/2226)**

The Committee had before it the report dated 30 November 2016 from the Manager Business Support Parks and Landcare Services regarding Internal Audit Review - Dubbo Aquatic Leisure Centre Cash Receipting Process Progress Report.

Moved by J Walkom and seconded by A Fletcher

**RECOMMENDATION**

**That the information contained within this report be noted.**

**CARRIED**

The meeting closed at 1:00pm.

.....  
CHAIRMAN



## **Report of the Audit and Risk Management Committee - meeting 26 February 2016**

**AUTHOR:** Supervisor Governance

**REPORT DATE:** 5 December 2016

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The Committee had before it the report of the Audit and Risk Management Committee meeting held 26 February 2016.

### **RECOMMENDATION**

**That the report of the Audit and Risk Management Committee meeting held on 26 February 2016, be adopted.**



**REPORT  
AUDIT AND RISK MANAGEMENT  
COMMITTEE  
26 FEBRUARY 2016**

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**PRESENT:**

**Core Members (Voting):**

Councillors G Matthews, Mr A Fletcher (Independent Member and Acting Chair) and Mrs C Wagner (Independent Member) (via teleconference).

**Attendees (Non-Voting):**

Councillor M Dickerson (Mayor), the General Manager, the Internal Auditor, the Director Organisational Services (H Pelham) and the Director Corporate Development.

Mr A Fletcher assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 12 noon.

**WELCOME**

**AUD16/1 LEAVE OF ABSENCE (ID16/162)**

A request for leave of absence was received from Councillor J Walkom who was absent from the meeting due to the personal reasons.

Moved by C Wagner and seconded by Councillor G Matthews

**RECOMMENDATION**

**The Committee recommends that such request for leave of absence be accepted and Councillor J Walkom be granted leave of absence from this meeting.**

**CARRIED**

**AUD16/2 DECLARATION OF INTERESTS (ID16/163)**

No conflicts of interest were declared.

**AUD16/3 REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE - MEETING 9 OCTOBER 2015 (ID16/164)**

The Committee had before it the report of the Audit and Risk Management Committee meeting held 9 October 2015.

Moved by Councillor G Matthews and seconded by C Wagner

**RECOMMENDATION**

**The Committee recommends that the report of the Audit and Risk Management Committee meeting held on 9 October 2015, be adopted.**

**CARRIED**

**FINANCIAL STATEMENTS/EXTERNAL AUDIT REPORT**

**Update on Financial Statements**

No matters to report at this time.

**External Auditor's Management Letters**

No matters to report at this time.

**Significant Developments in Financial Reporting Framework**

No matters to report at this time.

**INTERNAL AUDIT**

**AUD16/4 3 YEAR INTERNAL AUDIT PROGRAMME STATUS REPORT AS AT 9 FEBRUARY 2016 (ID16/140)**

The Committee had before it the report dated 10 February 2016 from the Internal Auditor regarding 3 Year Internal Audit Programme Status Report as at 9 February 2016.

Moved by C Wagner and seconded by Councillor G Matthews

**RECOMMENDATION**

**The Committee recommends:**

- 1. That the information contained within this report be noted.**
- 2. That the 3 year internal audit program be adopted.**

**CARRIED**

**COMMITTEE MEMBERS REPORTS**

No matters to report at this time.

**ACTION LIST**

**AUD16/5 ARMC ACTION LIST AS AT JANUARY 2016 (ID15/1669)**

The Committee had before it the report dated 9 December 2015 from the Internal Auditor regarding ARMC Action List as at January 2016.

Moved by Councillor G Matthews and seconded by C Wagner

**RECOMMENDATION**

The Committee recommends:

1. That the information contained within the report of the Internal Auditor dated 9 December 2015, be noted.
2. That all items marked as completed be deleted from the list.

**CARRIED**

**GENERAL BUSINESS**

**AUD16/6 COUNCIL PAYMENTS AND CONTRACT VARIATIONS (ID16/159)**

The Committee had before it the report dated 15 February 2016 from the Manager Financial Accounting Services regarding Council Payments and Contract Variations.

Moved by Councillor G Matthews and seconded by C Wagner

**RECOMMENDATION**

The Committee recommends that the information contained within the report of the Manager Financial Accounting Services dated 15 February 2016, be noted.

**CARRIED**

**AUD16/7 OPERATION JAREK - UPDATE ON ACTIONS TO DATE (ID16/160)**

The Committee had before it the report dated 15 February 2016 from the Manager Financial Accounting Services regarding Operation Jarek - Update on Actions to Date.

Moved by Councillor G Matthews and seconded by C Wagner

**RECOMMENDATION**

The Committee recommends

1. That the information contained within the report of the Manager Financial Accounting Services dated 15 February 2016, be noted.
2. That the Internal Auditor be requested to seek comparative data from Bathurst and Orange Councils in respect of their performance regarding:
  - a. Number of creditors who are paid \$150,000 or more for materials and services, financial year to date.
  - b. Number of orders and percentage of total orders where the creation date was later than the invoice date for the financial year to date.
  - c. The number of contracts where the original contract value was exceeded for the financial year to date.
3. That the significant improvements and subsequent results, particularly in respect of the writing of orders before the invoice date, be recognised and acknowledged.

**CARRIED**

**AUD16/8 UPDATE OF ACTION PLAN - HIGH LEVEL REVIEW OF INTERNAL CONTROLS (ID16/161)**

The Committee had before it the report dated 15 February 2016 from the Manager Financial Accounting Services regarding Update of Action Plan - High Level Review of Internal Controls.

Moved by Councillor G Matthews and seconded by C Wagner

**RECOMMENDATION**

The Committee recommends:

1. That the information contained within the report of the Manager Financial Accounting Services dated 15 February 2016, be noted.
2. That future updates to the action plan replace already completed actions with a notation "complete", and a narrative be provided for only those items that are being updated.

**CARRIED**

**AUD16/9 2015 STATECOVER - COUNCIL PERFORMANCE REPORT FOR DUBBO CITY COUNCIL (ID15/1674)**

The Committee had before it the report dated 10 December 2015 from the Human Resource Advisor regarding 2015 StateCover - Council Performance Report for Dubbo City Council. The Committee reports having met with Council's manager Human Resources, Ms Crisante, in respect of this matter.

Moved by C Wagner and seconded by Councillor G Matthews

**RECOMMENDATION**

**The Committee recommends that the 2014/2015 Workers Compensation & WHS Report be noted.**

**CARRIED**

**AUD16/10 GENERAL BUSINESS**

Discussions were had regarding proposed amendments to the Local Government Act and the potential impact on audit and risk management committees. The Committee agreed that members of the Audit and Risk Management Committee prepare and make individual submissions via the Internal Auditor with a copy to the General Manager, Dubbo City Council and that the Audit and Risk Management Committee report on such submissions to the next meeting of the Committee.

The meeting closed at 1.10pm.

.....  
CHAIRMAN



## **REPORT: Presentation of the Financial Statements for the Period 1 July 2015 to 12 May 2016**

**AUTHOR: Manager Financial Accounting Services**

**REPORT DATE: 6 December 2016**

**TRIM REFERENCE: ID16/2262**

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### **EXECUTIVE SUMMARY**

The Local Government Act 1993 requires that Council prepare financial statements annually and must meet specific requirements in preparing and presenting the annual financial statements.

Section 413 of the Local Government Act 1993, provides as follows:

- 413 (1) *A Council must prepare financial reports for each year, and must refer them for audit as soon as practicable (having regard to the requirements of section 416(1)) after the end of that year.*
- (2) *A council's financial reports must include:*
- (a) *a general purpose financial report: and*
  - (b) *any other matter prescribed by the regulations, and*
  - (c) *a statement in the approved form by the Council as to its opinion on the general purpose financial report.*
- (3) *The general purpose financial report must be prepared in accordance with this Act [Local Government Act 1993] and the regulations, and requirements of:*
- (a) *the publications issued by the Australian Accounting Standards Board, as in force for the time being, subject to the regulations, and*
  - (b) *such other standards as may be prescribed by the regulations.*

Clause 214 of the Local Government (General) Regulation 2005 imposes additional requirements for preparation of a Council's financial reports.

- (1) *For the purpose of Section 413(2)(b) of the Act, any matters required by the Code [Local Government Code of Accounting Practice and Financial Reporting] or the Manual [Local Government Asset Accounting Manual] to be included in Council's financial reports are prescribed matters.*



- (2) *For the purpose of section 413(3)(b) of the Act, the Code and the Manual are prescribed standards.*

Section 416(1) of the Local Government Act 1993 requires that: "A Council's financial reports for a year must be prepared and audited within the period of 4 months after the end of that year".

#### **FINANCIAL IMPLICATIONS**

The financial statements show the former Dubbo City Council to be in a sound financial position as at 12 May 2016.

#### **POLICY IMPLICATIONS**

There are no policy implications arising from this report.

#### **RECOMMENDATION**

- 1. That the Financial Statements for the period ended 12 May 2016 for the former Dubbo City Council be accepted by the Council.**
- 2. That the Audit Reports for the General Purpose Financial Statements and the Audit Reports for the Special Purpose Financial Statements be tabled at the Ordinary Meeting of Council to be held on 19 December 2016.**

*Wayne Sonneman*  
Manager Financial Accounting Services

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REPORT

The proclamation amalgamating the former Dubbo City and Wellington councils on 12 May 2016 required that Financial Statements for each former Council be prepared for the period 1 July 2015 to 12 May 2016 (the date of the proclamation).

The General Purpose Financial Statements of the former Dubbo City Council for the period ended 12 May 2016 have been completed in accordance with the above requirements. The Statement required by Section 413(2)(c) and the Auditor's Reports are attached to the General Purpose Financial Statements.

Council's Auditors have issued unqualified Audit Certificates in relation to both the General Purpose Financial Statements and the Special Purpose Financial Statements.

In regard to preparation, the financial reports were prepared within the time frame prescribed by the merger proclamation, being 31 December 2016.

As required by the Australian Accounting Standard AASB 101, the General Purpose Financial Statements are prepared on a consolidated basis and include all entities of the Council as well as Council's interest in the Macquarie Regional Library Joint Venture. The following entities are included in the general purpose financial reports:

- General Purpose Operations
- Water Supply
- Sewerage
- Macquarie Regional Library Joint Venture

The General Purpose Financial Statements consist of an Income Statement which provides information on the changes in net assets resulting from operations, a Statement of Comprehensive Income which includes transfers to and from Revaluation Reserves, Statement of Financial Position, which shows the assets and liabilities of the Council at the end of the year, Statement of Changes in Equity which shows the movement in equity for the year and Statement of Cash Flows which provides information on inflows and outflows of cash for the year, Notes to the General Purpose Financial Statements which provide more detail on items appearing in the statements. The statements also consist of Special Schedules which are required by the Code of Accounting Practice and provide further detail on cost of services and other statistical information required by special purpose users such as the Office of Local Government and the Office of Environment and Heritage, and Special Purpose Financial Statements designed to meet National Competition Policy reporting requirements for Category 1 and 2 businesses.

In regard to the financial results for the period, the Income Statement shows the change in net assets resulting from operations for the period to be a \$37.838m surplus. Significant items relating to the Income statement are as follows.

1. Included in revenues is an amount of \$15.567m, which is the value of infrastructure assets that have been contributed by developers as a result of subdivision

developments for the period 1 July 2015 to 12 May 2016. This is a decrease of \$11.841m over the previous year.

2. Depreciation charges for the period amounted to \$21.364m. This was a decrease of \$7.931m over the previous year. This occurred due to review of the Road Infrastructure and Stormwater asset useful lives, and also the recognition of residual values inherent in these assets at the end of their useful lives.
3. Capital Grants and Contributions amounted to \$22.494m.
4. Interest on Investments revenue for the period amounted to \$3.7m. The return from interest on investments decreased by \$348,000 from the previous year due to decreasing interest rates during the reporting period.

The Operating result from continuing operations is an operating surplus of \$37.838m. While this is a significant amount, it must be noted that included within this amount is \$15.567m of infrastructure contributions from developers, which is infrastructure built by property developers and handed over to Council. This is non cash income which increases Council's asset base, increases depreciation on fixed assets and increases future maintenance costs. The Net Operating result for the period before grants and contributions provided for capital purposes is a \$15.344m surplus.

Expenditure on the acquisition of infrastructure assets such as roads, footpaths, cycleways, stormwater drainage, water and sewer infrastructure, parks, gardens, plant and equipment are funded from cash flows from operating activities and amounted to \$26.985m, excluding the value of assets contributed by developers.

The Statement of Financial Position indicates that the former Dubbo City Council was in a sound financial position as at 12 May 2016 with Net Current Assets of \$88.722m.

Cash and Investments total \$117.055m, which is significant, however, it should be noted that there are restrictions on the future use of these funds as follows. As per the details on Note 6, the following restrictions have been imposed by legislation or other externally imposed requirements:

	\$'000
Developer Contributions	
Section 94 (EP & A Act) and	
Section 64 (Local Government Act)	8,015
Unexpended Grants	5,415
Water & Sewer Services	
(The assets of these Funds can only be used	
for the purposes of the fund)	60,375

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Domestic Waste Management Services (The assets can only be used for Domestic Waste purposes)	2,499
Stormwater Drainage (The assets can only be used for Stormwater purposes)	4,430
<b>Total External Restrictions</b>	<b>\$80,759</b>

As also detailed on Note 6, Council has previously resolved to set aside funds in the form of specific cash or investments for future long term purposes with these internally restricted assets totalling \$34.957m.

In terms of available funds, the balance at 12 May 2016 was \$1.339m disclosed as the unrestricted cash after internal and external restrictions have been deducted from total cash held.

In the reporting period ending 12 May 2016, the former Dubbo City Council was required by the Code of Accounting Practice to revalue its Water and Sewer infrastructure assets by indexation only. All other assets scheduled to be revalued were suspended as part of the amalgamation proclamation and Code of Accounting Practice 24(a) and 24 (b). As a result of this revaluation, the value of these classes of assets increased by \$3.019m.

As previously indicated the Notes to the Financial Statements are designed to provide users with additional information on items appearing in the Income Statement and Balance Sheet and are self-explanatory. Special Schedule 1 provides details of expenses and revenues for functions and activities of the Council within prescribed statistical categories. It should be noted that the Net Cost of Services shown on Special Schedule 1 is the Surplus from Ordinary Activities and does not include funds expended as a result of acquisition of assets.

Section 413(1) requires Council to prepare Financial Reports for each year and refer them for audit as soon as practicable (having regard to the requirements of Section 416(1)). Section 415(1) provides that the Council's auditor must audit the Council's Financial Reports as soon as practicable (having regard to the requirements of Section 416(1)) after they are referred for audit. Section 417 details the requirements of the Auditors Reports. A Council's auditor must prepare two (2) reports:

- a report on the General Purpose Financial Statements
- a report on the conduct of the audit.

These reports must include statements by the Auditor as to his opinion on various matters including the keeping of accounting records, preparation of the Financial Statements and any information relevant to the conduct of the audit. The audit certificates and report on conduct of audit will be tabled by Council's auditor on the day of the December 2016 meeting of the Audit and Risk Management Committee.

The Financial Statements for the former Wellington Council will be tabled at the December 2016 Ordinary Meeting of Council by Administrator Minute and will be distributed to the members of the Audit and Risk Management Committee for information.

Section 418 provides that as soon as practicable after the Council receives a copy of the Auditor's report:

- (a) it must fix a date for the meeting at which it proposes to present its audited Financial Statements, together with the Auditors reports to the public: and
- (b) it must give public notice of the date so fixed.

The date fixed for the meeting must be at least seven (7) days after the date on which the notice is given but not more than five (5) weeks after the Auditor's reports are given to the Council. Section 419 requires that Council must present its audited financial reports, together with the Auditor's reports at a meeting of the Council held on the date fixed for the meeting and Council's Auditor may, and if so required in writing by the Council, must attend the meeting at which the Financial Reports are presented. The required Public Notice will be given by advertisement in the Daily Liberal on Monday 12 December 2016. The Public Notice advises that the Council will present its audited financial statements, together with the Auditor's reports, to the public at its Ordinary meeting to be held on Monday 19 December 2016.

It should also be noted that Section 420 provides that any person may make submissions to the Council with respect to the Council's audited Annual financial statements or with respect to the Auditors reports. A submission must be in writing and must be lodged with the Council within seven (7) days after the date on which those reports are presented to the public. The Council must ensure that copies of all submissions received by it are referred to the Auditor. The Council may take such action as it considers appropriate with respect to any such submission, including the giving of notice to the Director-General of any matter that appears to require amendment of the Council's financial reports.

Appendices:

- 1 Former Dubbo City Council Annual Financial Statements

# The former Dubbo City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the period 1 July 2015 to 12 May 2016

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*"A vibrant city of lifestyle and opportunity"*



## The former Dubbo City Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for the former Dubbo City Council.
- (ii) The former Dubbo City Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the Local Government Act 1993 (LGA).
- Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;
- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
  - the responsibility for administering regulatory requirements under the LGA and
  - a role in the management, improvement and development of the resources in the area.
- A description of the nature of Council's operations and its principal activities are provided in Note 2(b).
- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by Dubbo Regional Council on 15 December 2016. Council has the power to amend and reissue these financial statements.
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## The former Dubbo City Council

### General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

### Understanding Council's financial statements

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#### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

#### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the reporting period 1/7/15 to 12/5/16.

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

#### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the period, and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

#### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

This statement summarises Council's financial performance for the period, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

##### 3. The Statement of Financial Position

This statement is an end of period snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

##### 4. The Statement of Changes in Equity

The overall change for the reporting period (in dollars) of Council's 'net wealth'.

##### 5. The Statement of Cash Flows

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

#### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

#### Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.



## The former Dubbo City Council

### General Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

### Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

**The attached General Purpose Financial Statements have been prepared in accordance with:**

- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

**To the best of our knowledge and belief, these financial statements:**

- present fairly the Council's operating result and financial position for the period, and
- accord with Council's accounting and other records.

**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Dubbo Regional Council made on 28 November 2016.**

  
\_\_\_\_\_  
Michael Kneipp  
Administrator

  
\_\_\_\_\_  
Mark Riley  
Interim General Manager

  
\_\_\_\_\_  
Craig Giffin  
Responsible Accounting Officer

## The former Dubbo City Council

## Income Statement

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup>			Actual	Actual
1/7/15			1/7/15	1/7/14
to 30/6/16	\$ '000	Notes	to 12/5/16	to 30/6/15
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
n/a	Rates and annual charges	3a	41,871 <sup>2</sup>	42,866
n/a	User charges and fees	3b	32,961	36,530
n/a	Interest and investment revenue	3c	3,700	4,048
n/a	Other revenues	3d	976	956
n/a	Grants and contributions provided for operating purposes	3e,f	13,964 <sup>3</sup>	15,313
n/a	Grants and contributions provided for capital purposes	3e,f	22,494	38,323
<i>Other income:</i>				
n/a	Net gains from the disposal of assets	5	1,778	3,926
n/a	Net share of interests in joint ventures and associates using the equity method	19	20	18
n/a	<b>Total income from continuing operations</b>		<b>117,764</b>	<b>141,980</b>
<b>Expenses from continuing operations</b>				
n/a	Employee benefits and on-costs	4a	24,892	27,941
n/a	Borrowing costs	4b	3,673	4,115
n/a	Materials and contracts	4c	19,522	25,202
n/a	Depreciation and amortisation	4d	21,364	29,295
n/a	Other expenses	4e	10,475	12,374
n/a	<b>Total expenses from continuing operations</b>		<b>79,926</b>	<b>98,927</b>
n/a	<b>Net operating result for the period</b>		<b>37,838</b>	<b>43,053</b>
n/a	<b>Net operating result attributable to Council</b>		<b>37,838</b>	<b>43,053</b>
n/a	<b>Net operating result for the period before grants and contributions provided for capital purposes</b>		<b>15,344</b>	<b>4,730</b>

<sup>1</sup> Original budget as approved by Council is not required for these financial statements

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

<sup>3</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

## The former Dubbo City Council

## Statement of Comprehensive Income

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Net operating result for the period</b> (as per Income Statement)		<b>37,838</b>	<b>43,053</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	2,990	450,314
Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	10
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,990</b>	<b>450,324</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the period</b>		<b>2,990</b>	<b>450,324</b>
<b>Total comprehensive income for the period</b>		<b>40,828</b>	<b>493,377</b>
<b>Total comprehensive income attributable to Council</b>		<b>40,828</b>	<b>493,377</b>

This statement should be read in conjunction with the accompanying notes.

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## The former Dubbo City Council

## Statement of Financial Position

as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	10,906	16,949
Investments	6b	80,789	61,500
Receivables	7	18,865	10,608
Inventories	8	1,503	1,938
Other	8	541	340
<b>Total current assets</b>		<b>112,604</b>	<b>91,335</b>
<b>Non-current assets</b>			
Investments	6b	25,360	30,692
Receivables	7	2,358	2,154
Inventories	8	1,814	1,801
Infrastructure, property, plant and equipment	9	1,963,783	1,942,860
Investments accounted for using the equity method	19	908	888
Other	8	495	495
<b>Total non-current assets</b>		<b>1,994,718</b>	<b>1,978,890</b>
<b>TOTAL ASSETS</b>		<b>2,107,322</b>	<b>2,070,225</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	7,096	8,121
Borrowings	10	4,989	3,897
Provisions	10	11,797	11,622
<b>Total current liabilities</b>		<b>23,882</b>	<b>23,640</b>
<b>Non-current liabilities</b>			
Payables	10	1	1
Borrowings	10	63,142	67,259
Provisions	10	1,258	1,114
<b>Total non-current liabilities</b>		<b>64,401</b>	<b>68,374</b>
<b>TOTAL LIABILITIES</b>		<b>88,283</b>	<b>92,014</b>
<b>Net assets</b>		<b>2,019,039</b>	<b>1,978,211</b>
<b>EQUITY</b>			
Retained earnings	20	851,063	813,225
Revaluation reserves	20	1,167,976	1,164,986
<b>Total equity</b>		<b>2,019,039</b>	<b>1,978,211</b>

This statement should be read in conjunction with the accompanying notes.

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## The former Dubbo City Council

Statement of Changes in Equity  
for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
<b>1/7/15 to 12/5/16</b>						
<b>Opening balance</b> (as per last year's audited accounts)		813,225	1,164,986	1,978,211	–	1,978,211
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/15)		<b>813,225</b>	<b>1,164,986</b>	<b>1,978,211</b>	<b>–</b>	<b>1,978,211</b>
<b>c. Net operating result for the period</b>		<b>37,838</b>	<b>–</b>	<b>37,838</b>	<b>–</b>	<b>37,838</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	2,990	2,990	–	2,990
<b>Other comprehensive income</b>		<b>–</b>	<b>2,990</b>	<b>2,990</b>	<b>–</b>	<b>2,990</b>
<b>Total comprehensive income</b> (c&d)		<b>37,838</b>	<b>2,990</b>	<b>40,828</b>	<b>–</b>	<b>40,828</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>851,063</b>	<b>1,167,976</b>	<b>2,019,039</b>	<b>–</b>	<b>2,019,039</b>

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
<b>1/7/14 to 30/6/15</b>						
<b>Opening balance</b> (as per last year's audited accounts)		770,172	714,662	1,484,834	–	1,484,834
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/14)		<b>770,172</b>	<b>714,662</b>	<b>1,484,834</b>	<b>–</b>	<b>1,484,834</b>
<b>c. Net operating result for the year</b>		<b>43,053</b>	<b>–</b>	<b>43,053</b>	<b>–</b>	<b>43,053</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	450,314	450,314	–	450,314
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	10	10	–	10
<b>Other comprehensive income</b>		<b>–</b>	<b>450,324</b>	<b>450,324</b>	<b>–</b>	<b>450,324</b>
<b>Total comprehensive income</b> (c&d)		<b>43,053</b>	<b>450,324</b>	<b>493,377</b>	<b>–</b>	<b>493,377</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the year</b>		<b>813,225</b>	<b>1,164,986</b>	<b>1,978,211</b>	<b>–</b>	<b>1,978,211</b>

This statement should be read in conjunction with the accompanying notes.

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## The former Dubbo City Council

## Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget <sup>1</sup>		Actual	Actual
1/7/15		1/7/15	1/7/14
to 30/6/16	\$ '000	to 12/5/16	to 30/6/15
	Notes		
<b>Cash flows from operating activities</b>			
<b>Receipts:</b>			
n/a	Rates and annual charges	37,153	42,968
n/a	User charges and fees	31,630	38,429
n/a	Investment and interest revenue received	4,788	3,711
n/a	Grants and contributions	21,103	24,912
n/a	Bonds, deposits and retention amounts received	329	–
n/a	Other	3,607	6,172
<b>Payments:</b>			
n/a	Employee benefits and on-costs	(25,012)	(27,614)
n/a	Materials and contracts	(22,877)	(28,906)
n/a	Borrowing costs	(3,150)	(3,822)
n/a	Bonds, deposits and retention amounts refunded	(658)	(467)
n/a	Other	(13,189)	(16,092)
n/a	<b>Net cash provided (or used in) operating activities</b>	<b>33,724</b>	<b>39,291</b>
	11b		
<b>Cash flows from investing activities</b>			
<b>Receipts:</b>			
n/a	Sale of investment securities	69,800	28,543
n/a	Sale of real estate assets	2,934	6,643
n/a	Sale of infrastructure, property, plant and equipment	1,228	1,220
n/a	Deferred debtors receipts	527	66
<b>Payments:</b>			
n/a	Purchase of investment securities	(83,753)	(46,198)
n/a	Purchase of infrastructure, property, plant and equipment	(26,985)	(42,997)
n/a	Purchase of real estate assets	(367)	(2,233)
n/a	Deferred debtors and advances made	(126)	(1,444)
n/a	<b>Net cash provided (or used in) investing activities</b>	<b>(36,742)</b>	<b>(56,400)</b>
<b>Cash flows from financing activities</b>			
<b>Receipts:</b>			
n/a	Proceeds from borrowings and advances	–	21,800
<b>Payments:</b>			
n/a	Repayment of borrowings and advances	(3,025)	(2,670)
n/a	<b>Net cash flow provided (used in) financing activities</b>	<b>(3,025)</b>	<b>19,130</b>
n/a	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(6,043)</b>	<b>2,021</b>
n/a	Plus: cash and cash equivalents – beginning of reporting period	16,949	14,928
	11a		
n/a	<b>Cash and cash equivalents – end of reporting period</b>	<b>10,906</b>	<b>16,949</b>
	11a		
Additional Information:			
n/a	plus: Investments on hand – end of reporting period	106,149	92,192
	6b		
<b>Total cash, cash equivalents and investments</b>		<b>117,055</b>	<b>109,141</b>

<sup>1</sup> The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information

This statement should be read in conjunction with the accompanying notes.

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## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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n/a – not applicable



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of Preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act* (LGA), Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

###### (iii) New and Amended Standards Adopted by Council

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

###### (iv) Early Adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of Accounting

These financial statements have been prepared under the historical cost convention except for:

- (a) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (b) the write down of any asset on the basis of impairment (if warranted), and
- (c) certain classes of non-current assets (eg. Infrastructure, Property, Plant and Equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the periods presented.

There have also been no changes in accounting policies when compared with previous financial statements.

##### (vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on Council and that are believed to be reasonable under the circumstances.

##### Critical Accounting Estimates and Assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of Infrastructure, Property, Plant and Equipment,
- (ii) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

##### Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless

management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Dubbo City Council has been amalgamated into Dubbo Regional Council from 13 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the Dubbo Regional Council.
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:
  - all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils
  - new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties
  - any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.
- The former Dubbo City Council has not been liquidated nor has trading ceased.

##### (b) Revenue Recognition

##### Income recognition as a result of Council's amalgamation

The former Dubbo City Council was amalgamated on 12 May 2016 with the former Wellington Council to form the new Dubbo Regional Council.

In accordance with the Australian Accounting Standards the former Dubbo City Council has had to recognise 100% of the rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or where earlier upon receipt of the rates.

The former Dubbo City Council has also recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

upon earlier notification that the grant has been secured.

As a consequence these financial statements include all the rates and FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016.

Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new Dubbo Regional Council

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

#### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Rates are recognised as revenue for the period 1 July 2015 to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016 in accordance with a directive from the Office of Local Government.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current period.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed note relating to developer contributions can be found at Note 17.

#### **User Charges, Fees and Other Income**

User charges, fees and other income are recognised as revenue when the service has been provided, the payment is received, whichever first occurs. Parking fines are only recognised on receipt of the fines from the Office of State Revenue, as it is only at this time

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

that Council has control over the revenue from the fines.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

Rental income is accounted for on a straight-line basis over the lease term.

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Other Income

Other income is recorded when the payment is due, the value of the payment is notified or the payment is received, whichever occurs first.

#### (c) Principles of Consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

#### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- General Purpose Operations
- Water Supply
- Sewerage Service

#### (ii) The Trust Fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

#### (iii) Interests in Other Entities

Council has no interest in any subsidiaries.

#### Joint Ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the Statement of Financial Position.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Associates

Council has no interest in any associates.

##### County Councils

Council is not a member of any county councils.

##### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease. Council has no finance leases.

##### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into cash and cash equivalents for presentation of the Statement of Cash Flows.

##### (f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

##### (i) Financial Assets at Fair Value Through Profit and Loss

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the Reporting date.

##### (ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current assets.



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (iii) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

##### (iv) Available-For-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date or the term to maturity from the reporting date is less than 12 months.

##### Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and

receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### General Accounting and Measurement of Financial Instruments:

###### (i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

###### (ii) Subsequent Measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as 'fair value through profit or loss' category are included in the income statement in the period in which they arise.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as 'available-for-sale' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

#### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

#### (iii) Types of Investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the Local Government Act and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that delegated staff exercises care, diligence and skill that a prudent person would exercise in investing Council funds.

#### (g) Fair Value Estimation – Financial Instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the Reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

#### (i) Inventories

##### (i) Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### (ii) Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, Property, Plant and Equipment (I,PP&E)

##### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- Plant and Equipment (as approximated by depreciated historical cost)
- Operational Land (external valuation)
- Community Land (internal valuation)
- Land Improvements (as approximated by depreciated historical cost)
- Buildings – Specialised/Non-Specialised (external/internal valuation)
- Other Structures (external/internal valuation done in conjunction with valuation of buildings)
- Roads Assets Including Roads, Bridges and Footpaths (internal valuation)
- Bulk Earthworks (internal valuation)
- Stormwater Drainage (internal valuation)
- Water and Sewerage Networks (internal valuation)
- Swimming Pools (as approximated by depreciated historical cost)
- Other Infrastructure Airport Runways and Taxiways (as approximated by depreciated historical cost)



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### - Other Assets (as approximated by depreciated historical cost)

Due to the proclamation date of 12 May 2016 the following assets have not been revalued for these financial statements:

- Community Land
- All Other Asset Classes
- Land Improvements

##### Initial Recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where Infrastructure, Property, Plant and Equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### Asset Revaluations (Including Indexation)

In accounting for asset revaluations relating to Infrastructure, Property, Plant and Equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Reference Rates Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

##### Capitalisation Thresholds

Items of Infrastructure, Property, Plant and Equipment are not capitalised unless their cost of acquisition exceeds the following;

<b>Land</b>	
- Council Land	100% Capitalised
- Open Space	100% Capitalised
- Land Under Roads (purchases after 30/6/08)	100% Capitalised

<b>Plant and Equipment</b>	
Office Furniture	> \$500
Office Equipment	> \$5,000
Other Plant and Equipment	> \$5,000
<b>Buildings and Land Improvements</b>	
Park Furniture and Equipment	> \$5,000

<b>Building</b>	
- Construction/Extensions	> \$5,000
- Renovations	> \$5,000



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Other Structures	> \$5,000	- Sealed Roads: Structure	60 to 90 years
		- Unsealed Roads	34 years
		- Bridge: Concrete	100 years
		- Bridge: Other	80 years
		- Road Pavements	60 to 90 years
		- Kerb	108 years
		- Gutter and Paths	60 to 75 years
<b>Water and Sewer Assets</b>			
Reticulation Extensions	> \$5,000		
Other	> \$5,000		
<b>Stormwater Assets</b>		<b>Water and Sewer Assets</b>	
Drains and Culverts	> \$5,000	- Reservoirs	100 years
Other	> \$5,000	- Bores	30 years
<b>Transport Assets</b>		- Reticulation Pipes: PVC	70 years
Road Construction and Reconstruction	> \$5,000	- Reticulation Pipes: Other	25 to 70 years
Reseal/Re-Sheet and Major Repairs:	> \$5,000	- Pumps and Telemetry	15 to 50 years
Bridge Construction and Reconstruction	> \$5,000	<b>Other Infrastructure Assets</b>	
		- Bulk Earthworks	Infinite
<b>Depreciation</b>		<b>Other Infrastructure Assets</b>	
Depreciation on Council's Infrastructure, Property, Plant and Equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.		- Bulk Earthworks	
Land is not depreciated.		Infinite	
Estimated useful lives for Council's Infrastructure, Property Plant and Equipment include:		All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.	
<b>Plant and Equipment</b>		An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.	
- Office Equipment	2 to 5 years	<b>Disposal and Derecognition</b>	
- Office Furniture	10 years	An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.	
- Computer Equipment	2 to 5 years	Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.	
- Vehicles	5 years	<b>(k) Land</b>	
- Heavy Plant/Road Making Equip.	5 to 8 years	Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either operational or community.	
- Other Plant and Equipment	5 to 15 years	This classification of land is disclosed in Note 9 (a).	
<b>Other Equipment</b>			
- Playground Equipment	5 to 15 years		
- Benches, Seats	10 to 20 years		
<b>Buildings</b>			
- Buildings: Masonry	150 years		
- Buildings: Other	50 to 100 years		
<b>Stormwater Drainage</b>			
- Drains	120 years		
- Culverts	120 years		
<b>Transportation Assets</b>			
- Sealed Roads: Surface	21 to 24 years		

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (l) Land Under Roads

Land under roads is land under roadways and road reserves, including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

##### (m) Intangible Assets

Council has not classified any assets as intangible.

##### (n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### (o) Rural Fire Service Assets

Under section 119 of the Rural Fires Act 1997, 'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the

assets, their values and depreciation charges within these financial statements.

##### (p) Provisions for Close Down, Restoration And For Environmental Clean-up Costs – Including Tips and Quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close Down, Restoration and Remediation Costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

#### (q) Non-Current Assets (or Disposal Groups) 'Held for Sale' and Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of Infrastructure, Property, Plant and Equipment – unless the assets are to be traded in after 12 May and the replacement assets were already purchased and accounted for as at 12 May.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the Statement of Financial Position.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### (r) Impairment of Assets

All Council's Infrastructure, Property Plant & Equipment is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (s) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of reporting period that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the Reporting date.

#### (u) Borrowing costs

Borrowing costs are expensed.

#### (v) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (w) Employee Benefits

###### (i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

###### (ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

###### (iii) Retirement Benefit Obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The position is monitored annually.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme is recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a).

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

#### Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### (iv) Employee Benefit On-Costs

Council has recognised at period end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 12/05/16.

#### (x) Self Insurance

Council does not self-insure.

#### (y) Allocation Between Current and Non-Current Assets and Liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

#### (z) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

#### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Statement of Financial Position.

Operating cash flows within the Statement of Cash Flows are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Summary of significant accounting policies (continued)

recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

##### (aa) New Accounting Standards and Interpretations Issued (Not Yet Effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

These include the following standards that are anticipated will impact on local government:

**AASB 9** – Financial Instruments

**AASB 15** – Revenue from Contracts with Customers and associated amending standards

**AASB ED 260** – Income of Not-for-Profit Entities

**AASB16** – Leases

**AASB2015-6** – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

**AASB 2014** – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

**AASB 2014** – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

The full impact of the above standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

##### (ab) Rounding of Amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

##### (ac) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget <sup>1</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Original budget <sup>1</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Original budget <sup>1</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>GOVERNANCE</b>													
Governance	n/a	22	–	n/a	(108)	30	n/a	130	(30)	–	–	–	–
	–	22	–	–	(108)	30	–	130	(30)	–	–	–	–
<b>TRANSPORT</b>													
Footpaths & Cycleways	n/a	149	690	n/a	544	720	n/a	(395)	(30)	47	110	30,534	30,726
Traffic Management	n/a	1,616	1,806	n/a	1,080	993	n/a	536	813	72	133	10,075	9,264
Street Lighting	n/a	127	147	n/a	775	959	n/a	(648)	(812)	127	147	346	521
State Roads	n/a	1,009	1,366	n/a	1,254	1,396	n/a	(245)	(30)	–	–	–	523
Urban Roads	n/a	8,956	15,004	n/a	4,656	6,932	n/a	4,300	8,072	1,475	515	509,102	499,891
Rural Roads	n/a	2,994	7,083	n/a	5,555	11,639	n/a	(2,561)	(4,556)	2,464	3,567	563,861	564,640
	–	14,851	26,096	–	13,864	22,639	–	987	3,457	4,185	4,472	1,113,918	1,105,565
<b>SEWERAGE SERVICES</b>													
Sewerage Services	n/a	15,922	18,780	n/a	10,798	11,009	n/a	5,124	7,771	298	390	223,235	217,941
	–	15,922	18,780	–	10,798	11,009	–	5,124	7,771	298	390	223,235	217,941
<b>WASTE SERVICES</b>													
Domestic Waste Management Services	n/a	4,786	4,297	n/a	3,534	4,003	n/a	1,252	294	859	71	3,305	3,043
Other Waste Management Services	n/a	3,048	4,095	n/a	1,786	1,637	n/a	1,262	2,458	8	1,630	7,790	7,741
	–	7,834	8,392	–	5,320	5,640	–	2,514	2,752	867	1,701	11,095	10,784
<b>WATER SUPPLY</b>													
Water Supply	n/a	19,999	20,861	n/a	12,911	13,967	n/a	7,088	6,894	151	111	206,011	197,241
	–	19,999	20,861	–	12,911	13,967	–	7,088	6,894	151	111	206,011	197,241



## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 2(a). Council functions/activities – financial information (continued)

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>COMMUNITY PROTECTION</b>													
Stormwater	n/a	7,088	7,527	n/a	1,583	3,014	n/a	5,505	4,513	29	69	188,061	182,555
Emergency Management	n/a	–	–	n/a	100	95	n/a	(100)	(95)	–	–	63	63
Fire Services	n/a	224	1,439	n/a	1,462	1,317	n/a	(1,238)	122	222	1,427	11,009	11,351
	–	<b>7,312</b>	<b>8,966</b>	–	<b>3,145</b>	<b>4,426</b>	–	<b>4,167</b>	<b>4,540</b>	<b>251</b>	<b>1,496</b>	<b>199,133</b>	<b>193,969</b>
<b>CITY DEVELOPMENT</b>													
Livestock Markets	n/a	3,320	4,041	n/a	2,466	2,830	n/a	854	1,211	11	–	21,285	20,655
Airport	n/a	2,929	3,258	n/a	2,725	3,478	n/a	204	(220)	–	–	27,688	26,273
City Development	n/a	33	9	n/a	749	719	n/a	(716)	(710)	–	–	140	109
Property Development	n/a	1,441	4,615	n/a	200	255	n/a	1,241	4,360	–	–	7,843	7,287
Holiday Park	n/a	1,432	1,510	n/a	1,244	1,357	n/a	188	153	–	–	4,786	4,705
City Marketing & Communications	n/a	343	304	n/a	1,197	1,471	n/a	(854)	(1,167)	–	2	1,296	1,223
Showground	n/a	172	330	n/a	872	1,307	n/a	(700)	(977)	–	15	8,268	8,497
	–	<b>9,670</b>	<b>14,067</b>	–	<b>9,453</b>	<b>11,417</b>	–	<b>217</b>	<b>2,650</b>	<b>11</b>	<b>17</b>	<b>71,306</b>	<b>68,749</b>
<b>BUILT &amp; NATURAL ENVIRONMENT</b>													
Environment & Health Services	n/a	9	19	n/a	298	362	n/a	(289)	(343)	–	12	62	61
Building & Development Services	n/a	1,332	1,639	n/a	2,258	2,499	n/a	(926)	(860)	–	4	632	688
Environmental Sustainability Services	n/a	1	13	n/a	262	301	n/a	(261)	(288)	1	9	–	–
Environmental Support	n/a	1	2	n/a	(132)	2	n/a	133	–	–	–	–	–
City Strategy	n/a	57	105	n/a	591	855	n/a	(534)	(750)	–	55	195	248
Ranger Services	n/a	163	132	n/a	702	714	n/a	(539)	(582)	–	28	73	38
Animal Shelter	n/a	62	101	n/a	427	514	n/a	(365)	(413)	24	–	2,068	2,068
	–	<b>1,625</b>	<b>2,011</b>	–	<b>4,406</b>	<b>5,247</b>	–	<b>(2,781)</b>	<b>(3,236)</b>	<b>25</b>	<b>108</b>	<b>3,030</b>	<b>3,103</b>

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## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 2(a). Council functions/activities – financial information (continued)

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Original budget <sup>1</sup>	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>PARKS &amp; LANDCARE SERVICES</b>													
Horticultural Services	n/a	683	848	n/a	3,376	3,592	n/a	(2,693)	(2,744)	–	44	57,292	57,741
Landcare Services	n/a	132	136	n/a	998	1,249	n/a	(866)	(1,113)	63	123	37,770	37,811
Parks & Landcare Business Support Services	n/a	–	–	n/a	(38)	(44)	n/a	38	44	–	–	73	68
Sporting Facilities	n/a	139	1,301	n/a	2,697	2,873	n/a	(2,558)	(1,572)	–	1,638	75,142	75,141
Parks & Landcare Operations	n/a	18	–	n/a	18	136	n/a	–	(136)	–	–	616	617
Recreation Planning & Programmes	n/a	191	180	n/a	(13)	108	n/a	204	72	22	14	101	73
Dubbo Aquatic Leisure Centre	n/a	296	300	n/a	809	952	n/a	(513)	(652)	–	17	3,631	3,883
	–	<b>1,459</b>	<b>2,765</b>	–	<b>7,847</b>	<b>8,866</b>	–	<b>(6,388)</b>	<b>(6,101)</b>	<b>85</b>	<b>1,836</b>	<b>174,625</b>	<b>175,334</b>
<b>COMMUNITY SERVICES</b>													
Cemeteries	n/a	152	217	n/a	287	331	n/a	(135)	(114)	–	–	6,286	6,253
Recreation Services	n/a	20	326	n/a	747	840	n/a	(727)	(514)	–	–	3,317	3,464
Library Services	n/a	135	349	n/a	1,773	1,879	n/a	(1,638)	(1,530)	112	327	4,173	3,751
Library Services - Joint Venture	n/a	20	18	n/a	–	–	n/a	20	18	–	–	908	888
Old Dubbo Gaol	n/a	1,188	678	n/a	759	1,000	n/a	429	(322)	712	218	1,647	1,039
Social Services	n/a	96	310	n/a	888	1,080	n/a	(792)	(770)	84	253	2,885	2,986
Rainbow Cottage	n/a	936	1,077	n/a	1,046	1,164	n/a	(110)	(87)	387	441	996	1,004
Family Day Care	n/a	1,606	1,878	n/a	1,702	2,018	n/a	(96)	(140)	1,306	1,524	273	279
Cultural Services	n/a	7	3	n/a	190	229	n/a	(183)	(226)	–	–	8	40
Community Support Services	n/a	1	–	n/a	(26)	–	n/a	27	–	–	–	–	–
Regional Theatre & Convention Centre	n/a	1,259	1,371	n/a	3,699	4,457	n/a	(2,440)	(3,086)	–	–	22,367	23,346
Western Plains Cultural Centre	n/a	352	277	n/a	1,842	2,247	n/a	(1,490)	(1,970)	160	69	8,869	8,916
	–	<b>5,772</b>	<b>6,504</b>	–	<b>12,907</b>	<b>15,245</b>	–	<b>(7,135)</b>	<b>(8,741)</b>	<b>2,761</b>	<b>2,832</b>	<b>51,729</b>	<b>51,966</b>

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## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 2(a). Council functions/activities – financial information (continued)

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget <sup>1</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Original budget <sup>1</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Original budget <sup>1</sup> 1/7/15 to 30/6/16	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>HUMAN ENVIRONMENT</b>													
Human Environment Services	n/a	43	53	n/a	260	277	n/a	(217)	(224)	–	–	223	189
	–	43	53	–	260	277	–	(217)	(224)	–	–	223	189
<b>CORPORATE SERVICES</b>													
Customer Services	n/a	–	11	n/a	(87)	(133)	n/a	87	144	–	12	4	–
Corporate Development/Strategic Mgmt	n/a	–	1	n/a	(151)	3	n/a	151	(2)	–	–	–	–
Fleet Management Services	n/a	297	257	n/a	(459)	(531)	n/a	756	788	–	–	17,245	17,700
Management Accounting Services	n/a	–	–	n/a	(22)	52	n/a	22	(52)	–	–	–	–
Financial Accounting Services	n/a	160	163	n/a	9	35	n/a	151	128	12	–	2	11
Human Resource Services	n/a	109	76	n/a	(161)	66	n/a	270	10	12	12	191	101
Information Management Services	n/a	25	31	n/a	(456)	(60)	n/a	481	91	12	–	1,969	2,160
Governance and Risk Services	n/a	98	121	n/a	(105)	(1)	n/a	203	122	6	–	597	765
Civic Administration Building	n/a	–	–	n/a	(410)	(402)	n/a	410	402	–	–	8,910	8,564
Technical Support Services	n/a	204	489	n/a	114	239	n/a	90	250	–	–	661	841
Business Support Services (Technical)	n/a	–	–	n/a	(45)	42	n/a	45	(42)	–	–	14	150
Depot Services	n/a	13	(10)	n/a	(46)	(23)	n/a	59	13	–	–	5,121	5,116
Rates and General Revenue	n/a	32,235	32,202	n/a	598	793	n/a	31,637	31,409	6,774	7,031	17,623	9,028
Employment Overhead Distribution	n/a	15	–	n/a	123	140	n/a	(108)	(140)	–	–	279	206
Corporate Overheads	n/a	–	–	n/a	–	(228)	n/a	–	228	–	–	–	–
Works Services	n/a	99	144	n/a	221	172	n/a	(122)	(28)	–	–	401	742
	–	33,255	33,485	–	(877)	164	–	34,132	33,321	6,816	7,055	53,017	45,384
<b>Operating result from continuing operations</b>	–	117,764	141,980	–	79,926	98,927	–	37,838	43,053	15,450	20,018	2,107,322	2,070,225

1. Original Budget disclosures are not required for these financial statements.

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## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(b). Council functions/activities – component descriptions

**Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:**

##### Purchaser Provider Chargeout

All budget functions with zero expenses have charged their costs to other functions within Council. Council provides services to end user functions, these service providers charge out all their costs to the appropriate client function, thus resulting in them reporting a zero expense at the end of the year.

**Details relating to the Council's functions / activities as reported in Note 2(a) are as follows:**

##### GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

##### TRANSPORT

###### Footpaths & Cycleways

Costs relating to provision of pedestrian and cyclist transport facilities as an alternative to vehicular modes of transport, to enhance the appearance of the streetscape by the use of appropriate footpath construction materials, and to integrate and facilitate the transport, recreation and safety needs of pedestrians and cyclists.

###### Traffic Management

Costs relating to optimising traffic flow throughout road network, to minimise accident potential for all road users, provide clear and safe traffic guidance, plan future road network and raise level of road safety in Dubbo.

###### Street Lighting

Costs relating to providing a street lighting system which benefits motorists and pedestrians using the city's road network, parks and walkways, to ensure that in all developing areas of the City, street lighting infrastructure aesthetically compliment the streetscape as much as practicable, and to provide a street lighting service to the City at the lowest possible cost to ratepayers.

###### State Roads

To provide a road management service for the Roads and Maritime Services on the urban sections of the Newell and Mitchell Highways and the full length of the Dubbo city section of the Golden Highway as per the terms of the contract relating to maintenance, and other projects as they arise.

###### Urban Roads

Costs of providing a safe, serviceable road network in the urban area, and provide an aesthetically pleasing road environment.

###### Rural Roads

Costs of providing a safe and serviceable road network, and to preserve the road network asset.

##### SEWERAGE SERVICES

###### Sewerage

Provision of an environmentally responsible sewerage service that maintains the health of the Dubbo community cost effectively, and caters for the sustainable growth of the City.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(b). Council functions/activities – component descriptions (continued)

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

#### WASTE SERVICES

##### Domestic Waste Management Services

Provide waste collection, transportation, and disposal services for the residents of Dubbo, and to facilitate public participation in recycling and the reduction of domestic waste being disposed of to landfill.

##### Other Waste Management Services

Provision of a cost effective environmentally friendly waste collection, transport and disposal service for the owners/occupier of commercial/industrial premises located within the garbage scavenging districts, and to provide roadside reserves and street litter receptacle collection services.

#### WATER

##### Water Supply

Provide safe reliable and cost effective water supply that caters for the sustainable growth of the city.

#### COMMUNITY PROTECTION

##### Stormwater

Provide adequate infrastructure, together with planning for new infrastructure, to cater for the present and future disposal of stormwater within the City, to minimise damage to property under threat from storm events and to provide safe and trafficable driving conditions in wet weather.

##### Emergency Management

To aid and assist in the operation of the State Emergency Service.

##### Fire Services

Protect the individual and minimise damage to property under threat from fire or other natural forces and/or external hazards.

#### CITY DEVELOPMENT

##### Livestock Markets

Operation of a quality assured livestock selling facility that complies with all regulations, legislation codes and policies governing the handling, movement, welfare, disposal and sale of livestock, operates at no cost to ratepayers generates income to undertake improvements whilst providing an annual dividend to general revenue.

##### Airport

Provide airport facilities approved by the Civil Aviation Safety Authority that cater for private and commercial aviation operators and passengers, operates at no cost to ratepayers and generates income to undertake improvements and provide a dividend to general revenue.



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(b). Council functions/activities – component descriptions (continued)

**Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:**

##### City Development

Facilitate the industrial and tourism development of the City by funding an appropriate body to auspice the implementation of the adopted Economic Development Strategy with a view to increasing employment opportunities and maintaining population growth within the City along with expanding the level of services available to the regional community.

##### Property Development

Undertake a residential land development programme which provides land at market prices in response to market forces and which provides funding for ongoing development opportunities and provides funding for one off major projects. To provide sufficient land at the shortest possible lead-time of industrial land to meet market requirement with such land marketed at a break-even price.

##### Holiday Park

To provide a first class accommodation facility for visitors to Dubbo on a cost effective basis.

##### City Marketing & Communications

Costs of providing tourism promotion, marketing and information services to residents and visitors.

##### Showground

Provide a modern public showground facility that is a venue for a wide variety of user group activities.

#### BUILT & NATURAL ENVIRONMENT

##### Environment & Health Services

To monitor and report available information on the state and health of the environment.

##### Building & Development Services

Processing and assessment of development and regulatory applications within statutory time frames and provide a comprehensive inspection of buildings during and following construction. To encourage development which is compatible with and enhances the environment.

##### Environmental Sustainability Services

Prepare, implement, monitor and review Council's Strategic Land Use plans to provide direction for future management of rural, industrial, commercial, recreational, residential and other urban development, as well as developing policies and standards to achieve a healthy sustainable environment, and to monitor and report available information on the state of the environment.

##### City Strategy

Prepare, implement, monitor and review Council's Strategic Landuse Plans to provide philosophy and direction for future management of rural, industrial, commercial, recreational, residential and other urban development.

##### Environmental Support

To provide management and business support services and a Land Information System which provides for the effective and efficient operation of the Environmental Services Division.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(b). Council functions/activities – component descriptions (continued)

**Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:**

##### **Ranger Services**

To respond to community requests on matters relevant to the function and where necessary enforce the requirement of various acts, regulations and policies.

##### **Animal Shelter**

To respond to community requests on matters relevant to the function and, where necessary, enforce the requirements of various acts, regulations and policies.

#### **PARKS & LANDCARE SERVICES**

##### **Horticultural Services**

Cost of providing high quality recreation space and facilities to meet the widest practical range of passive recreational needs of residents and visitors.

##### **Landcare Services**

Costs of maintenance and provision of reserves either owned by Council or under Council control.

##### **Parks & Landcare Business Support Services**

Provide management and business support services to the Parks & Landcare Services Division.

##### **Sporting Facilities**

Costs of providing high quality recreation space and facilities to meet the widest practical range of active recreational needs and expectations of both residents and visitors.

##### **Parks & Landcare Operations**

Provision of specialised horticultural and landcare related services to in-house service purchasers (clients) and customers external to council.

##### **Recreation Planning & Programmes**

To encourage residents to pursue recreational activities; to provide a range of recreation facilities and programs to meet the needs of residents in a cost effective and efficient manner.

##### **Dubbo Aquatic Leisure Centre**

Provision of a facility for social, recreational and sporting requirements of residents of and visitors to Dubbo.

#### **COMMUNITY SERVICES**

##### **Cemeteries**

Provision of Cemetery facilities to the community.

##### **Recreation Services**

To provide recreation facilities and programs to meet the needs of residents, and to encourage residents to pursue recreational activities.

##### **Library Services**

Costs of providing educational and recreational library services for the residents of Dubbo.

##### **Library Services - Joint Venture**

Council's share of participating in the provision of a regional library service Macquarie Regional Library

##### **Old Dubbo Gaol**

Provide a historical and educational tourist attraction.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(b). Council functions/activities – component descriptions (continued)

**Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:**

##### **Social Services**

Costs of supporting social service programmes for the benefit of residents, and financial support for community groups, provide community facilities, and to undertake social planning.

##### **Rainbow Cottage**

Costs of providing quality, centre-based long day care childcare services.

##### **Family Day Care**

Costs of providing an affordable and quality home-based child care service to residents.

##### **Cultural Services**

Provide facilities and financial subsidies to cultural groups to improve the level of cultural activity and awareness in the Dubbo community.

##### **Community Support Services**

Management and business support service provided to Community Services Division.

##### **Regional Theatre & Convention Centre**

To provide a first class facility for the entertainment and convention requirement of the residents and visitors to Dubbo on a cost effective basis.

##### **Western Plains Cultural Centre**

This function is the consolidation of the Museum Services and Cultural Services into one function.

#### **HUMAN ENVIRONMENT**

##### **Human Environment Services**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, street lighting, other.

#### **CORPORATE SERVICES**

##### **Corporate Development/Strategic Management**

Planning, organising and controlling the functions of Council in an efficient and timely manner, development of a draft 'Dubbo City Management Plan' for the Council and the organisation, promote and improve public awareness of Council's activities and operations thereby promoting the Corporate image of Council.

##### **Customer Services**

To provide services to customers in a proactive and informative manner.

##### **Fleet Management Services**

Cost of management of Council's plant and vehicle resources of Council, meet statutory requirements and provide fleet management and technical advice to the organisation.



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 2(b). Council functions/activities – component descriptions (continued)

**Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:**

##### **Management Accounting Services**

Development of the Annual Operating Plan and Budgets, preparation of Quarterly Statements, and provision of Management Reports that enable the organisations performance to be monitored against the Annual Operating Plan.

##### **Financial Accounting Services**

Costs of providing Statutory Financial Accounting Services to the organisation, and processing of all financial transactions in a timely manner, providing the organisation with the actual expenditure/income data for Management Reports.

##### **Human Resource Services**

Cost of providing human resource services and advice to the organisation.

##### **Information Management Services**

Supporting the effective and efficient use of information technology systems within Council.

##### **Governance and Risk Services**

Costs of developing and maintaining an effective administrative service system to ensure optimum performance to the organisation.

##### **Civic Administration Building**

Costs of providing a clean and safe working environment for the Council.

##### **Technical Support Services**

Provision of engineering design, development and technical support services to the organisation.

##### **Business Support Services (Technical)**

Collate and assist in the development of the Division's Annual Operating Plan and Budget, ensure that all Division expenditure is within budget, and to maintain the Divisions pavement management system for sealed and unsealed roads.

##### **Depot Services**

Costs of providing a clean, safe and adequately sized functional working environment for the users of the Hawthorn Street Depot.

##### **Rates and General Revenue**

Responsible for the raising of general revenue for the organisation including rates, and management of investments to maximise interest.

##### **Employment Overhead Distribution**

This consists of costs related to staff's annual leave, sick leave, long service leave, training costs and superannuation. These costs are distributed as an overhead to other functions based on salary & wage costs.

##### **Works Services**

Carry out construction and maintenance activities to clients agreed briefs, and maintain a high quality output.

## The former Dubbo City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual	Actual
		1/7/15 to 30/6/16	1/7/14 to 30/6/15
<b>(a) Rates and annual charges</b> <sup>1,2</sup>			
<b>Ordinary rates</b>			
Residential		14,748	14,512
Farmland		1,922	1,913
Business		7,424	7,192
<b>Total ordinary rates</b>		<b>24,094</b>	<b>23,617</b>
<b>Special rates</b>			
Nil			
<hr/>			
\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		3,920	4,203
Water supply services		4,101	4,457
Sewerage services		8,376	9,112
Drainage		1,098	1,172
Waste management services (non-domestic)		282	305
<b>Total annual charges</b>		<b>17,777</b>	<b>19,249</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>41,871</b>	<b>42,866</b>

<sup>1</sup> Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

<sup>2</sup> Rates are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		11,421	12,185
Sewerage services		3,374	3,567
Waste management services (non-domestic)		2,779	2,180
<b>Total user charges</b>		<b>17,574</b>	<b>17,932</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Regulatory/ statutory fees		1,679	2,206
<b>Total fees and charges – statutory/regulatory</b>		<b>1,679</b>	<b>2,206</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		2,797	3,198
Aquatic leisure centre		316	305
Caravan park		1,353	1,487
Cemeteries		151	217
Design transport interchange Dept of Transport		–	73
Dubbo development partnership guide		200	199
Family day care		299	352
Fodder sales 'Greengrove' effluent reuse property		189	277
Leaseback fees – Council vehicles		237	278
Old Dubbo gaol		476	460
Private works		356	528
Public halls		1,214	1,340
Rainbow cottage long day care centre		549	636
Regional livestock markets		3,270	4,001
RMS (formerly RTA) charges (state roads not controlled by Council)		1,009	1,366
Sale of animals		–	53
Sewer plan drafting fees		94	106
Showground		123	239
Sporting facilities		175	261
Tourism		78	87
Water service connections		46	48
Other		776	881
<b>Total fees and charges – other</b>		<b>13,708</b>	<b>16,392</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>32,961</b>	<b>36,530</b>

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		134	165
– Interest earned on investments (interest and coupon payment income)		3,531	3,827
– Interest (other)		–	44
<b>Amortisation of premiums and discounts</b>			
– Interest free (and interest reduced) loans provided		31	8
– 'Held to maturity' investments		4	4
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>3,700</b>	<b>4,048</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		134	165
General Council cash and investments		1,609	1,691
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		155	172
– Section 64		20	44
Water fund operations		527	383
Sewerage fund operations		1,255	1,593
<b>Total interest and investment revenue recognised</b>		<b>3,700</b>	<b>4,048</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		347	405
Fines		195	207
Commissions and agency fees		7	8
Evocities Reimbursement of Expenses		31	–
Insurance claim recoveries		64	6
Insurances – risk management bonus		185	173
National Australia Bank Incentive Payment		16	–
Other revenues from local organisations		27	60
Other		104	97
<b>TOTAL OTHER REVENUE</b>		<b>976</b>	<b>956</b>

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	4,865 <sup>1</sup>	5,058	–	–
Financial assistance – local roads component	1,706 <sup>1</sup>	1,739	–	–
Pensioners' rates subsidies – general component	203	235	–	–
<b>Total general purpose</b>	<b>6,774</b>	<b>7,032</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	83	95	–	–
– Sewerage	81	93	–	–
– Domestic waste management	63	72	–	–
Bushfire and emergency services	200	347	22	1,117
Community services	83	256	–	–
Environmental trust	–	–	–	1,630
Environmental trust organics collection	–	–	796	–
Family day care	1,306	1,524	–	–
Heritage and cultural	100	195	–	–
Library	112	127	–	–
Local Infrac. Renewal Scheme interest subsidy	–	–	314	370
Noxious weeds	44	59	–	–
Paid parental leave	80	51	–	–
Rainbow cottage long day care centre	372	426	–	–
Sporting facilities	–	–	–	1,655
Stormwater	–	12	–	–
Street lighting	127	147	–	–
Tourism	–	–	712	87
Transport (roads to recovery)	2,343	820	–	–
Transport (other roads and bridges funding)	1,353	3,178	361	325
Other	35	163	89	237
<b>Total specific purpose</b>	<b>6,382</b>	<b>7,565</b>	<b>2,294</b>	<b>5,421</b>
<b>Total grants</b>	<b>13,156</b>	<b>14,597</b>	<b>2,294</b>	<b>5,421</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	8,195	6,864	–	1,955
– State funding	4,961	7,733	2,294	3,466
	<b>13,156</b>	<b>14,597</b>	<b>2,294</b>	<b>5,421</b>

<sup>1</sup> Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b> (s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – roadworks	–	–	1,261	1,380
S 94 – drainage	–	–	208	289
S 94 – open space	–	–	616	797
S 64 – water supply contributions	–	–	1,224	1,561
S 64 – sewerage service contributions	–	–	1,231	1,334
Voluntary Planning Agreements	–	–	25	–
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>4,565</b>	<b>5,361</b>
<b>Other contributions:</b>				
Evocities MTB Sponsorship	59	–	–	–
Infrastructure contributions (non-cash)				
– Roadworks	–	–	5,670	13,415
– Drainage	–	–	5,711	5,918
– Sewerage	–	–	1,058	2,199
– Water	–	–	1,371	1,373
– Footpaths	–	–	54	800
– Land under roads	–	–	1,703	3,703
Oval Sponsorship	48	50	–	–
RMS contributions (regional roads, block grant)	612	584	–	–
Sporting facilities	–	–	–	47
Other	89	82	68	86
<b>Total other contributions</b>	<b>808</b>	<b>716</b>	<b>15,635</b>	<b>27,541</b>
<b>Total contributions</b>	<b>808</b>	<b>716</b>	<b>20,200</b>	<b>32,902</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>13,964</b>	<b>15,313</b>	<b>22,494</b>	<b>38,323</b>

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
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## (g) Restrictions relating to grants and contributions

**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	8,871	5,812
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	5,250	8,290
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(666)	(5,231)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>4,584</b>	<b>3,059</b>
<b>Unexpended and held as restricted assets</b>	<b>13,455</b>	<b>8,871</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	5,415	2,566
– Developer contributions	8,040	6,305
	<b>13,455</b>	<b>8,871</b>

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## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		21,569	24,114
Travel expenses		276	314
Employee leave entitlements (ELE)		2,694	2,858
Superannuation		2,514	2,872
Workers' compensation insurance		509	536
Fringe benefit tax (FBT)		157	264
Payroll tax		192	203
Training costs (other than salaries and wages)		357	492
Other		140	206
<b>Total employee costs</b>		<b>28,408</b>	<b>31,859</b>
Less: capitalised costs		(3,516)	(3,918)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>24,892</b>	<b>27,941</b>
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		330	321
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		3,648	3,937
<b>Total interest bearing liability costs expensed</b>		<b>3,648</b>	<b>3,937</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
– Interest free (or favourable) loans and advances made by Council		–	153
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	25	25
<b>Total other borrowing costs</b>		<b>25</b>	<b>178</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,673</b>	<b>4,115</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		12,847	15,162
Contractor and consultancy costs		6,115	9,446
– Contractor and consultancy costs (internal audit BDO alliance)		65	73
Auditors remuneration <sup>(1)</sup>		52	58
Legal expenses:			
– Legal expenses: planning and development		3	6
– Legal expenses: other		45	55
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		395	402
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>19,522</b>	<b>25,202</b>
(continued on the next page...)			



## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual	
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
<b>Audit and other assurance services</b>			
	– Audit and review of financial statements: Council's Auditor	52	58
<b>Remuneration for audit and other assurance services</b>		<b>52</b>	<b>58</b>
<b>Total Auditor remuneration</b>		<b>52</b>	<b>58</b>
<b>2. Operating lease payments are attributable to:</b>			
	Computers	395	402
		<b>395</b>	<b>402</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>(d) Depreciation, amortisation and impairment</b>					
	Plant and equipment	–	–	2,559	2,817
	Office equipment	–	–	128	160
	Furniture and fittings	–	–	151	240
	Land improvements (depreciable)	–	–	223	263
	Infrastructure:				
	– Buildings – non-specialised	–	–	244	512
	– Buildings – specialised	–	–	1,307	2,695
	– Other structures	–	–	3,012	3,588
	– Roads	–	–	6,167	10,122
	– Stormwater drainage	–	–	694	2,036
	– Water supply network	–	–	3,098	3,479
	– Sewerage network	–	–	4,083	4,400
	– Swimming pools	–	–	44	–
	– Other infrastructure – Airport Runways	–	–	350	–
	Other assets				
	– Other	–	–	42	448
	Asset reinstatement costs	–	–	7	7
	<b>Total depreciation and impairment costs</b>	<b>–</b>	<b>–</b>	<b>22,109</b>	<b>30,767</b>
	Less: capitalised costs	–	–	(745)	(1,472)
	<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>	<b>–</b>	<b>–</b>	<b>21,364</b>	<b>29,295</b>

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## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>(e) Other expenses</b>			
Other expenses for the period include the following:			
Advertising		438	615
Bad and doubtful debts		44	43
Carbon tax expense		–	(1)
Contributions to emergency services		766	635
Councillor expenses – mayoral fee		33	39
Councillor expenses – councillors' fees		168	198
Councillors' expenses (incl. mayor) – other (excluding fees above)		116	121
Credit card merchant fees		47	61
Donations, contributions and assistance to other organisations (Section 356)		1,881	1,942
Electricity and heating		2,288	3,117
Family day care – fee relief		1,095	1,334
Insurance		1,231	1,505
Postage		88	118
Printing and stationery		289	450
Property rental		66	14
Street lighting		625	787
Subscription Shires Association		40	44
Telephone and communications		283	428
Valuation fees		109	101
Vehicle registration		103	93
Water resource charge		280	245
Other		485	485
<b>TOTAL OTHER EXPENSES</b>		<b>10,475</b>	<b>12,374</b>

## Note 5. Gains or losses from the disposal of assets

<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		1,228	1,220
Less: carrying amount of plant and equipment assets sold/written off		(1,580)	(1,782)
<b>Net gain/(loss) on disposal</b>		<b>(352)</b>	<b>(562)</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		2,934	6,643
Less: carrying amount of real estate assets sold/written off		(804)	(2,155)
<b>Net gain/(loss) on disposal</b>		<b>2,130</b>	<b>4,488</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		69,800	28,543
Less: carrying amount of financial assets sold/redeemed/matured		(69,800)	(28,543)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>1,778</b>	<b>3,926</b>

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	12/5/16	12/5/16	30/6/15	30/6/15
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		114	–	1,112	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		10,792	–	15,837	–
<b>Total cash and cash equivalents</b>		<b>10,906</b>	<b>–</b>	<b>16,949</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		76,290	21,858	60,500	28,697
– NCD's, FRN's (with maturities > 3 months)		4,499	3,502	1,000	1,995
<b>Total investments</b>		<b>80,789</b>	<b>25,360</b>	<b>61,500</b>	<b>30,692</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>91,695</b>	<b>25,360</b>	<b>78,449</b>	<b>30,692</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were classified at end of period in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>10,906</b>	<b>–</b>	<b>16,949</b>	<b>–</b>
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**Investments**

a. 'Held to maturity'	6(b-ii)	80,789	25,360	61,500	30,692
<b>Investments</b>		<b>80,789</b>	<b>25,360</b>	<b>61,500</b>	<b>30,692</b>

**Note 6(b-i)****Reconciliation of investments classified as 'held to maturity'**

Balance at beginning of period	61,500	30,692	23,543	50,990
Amortisation of premiums and discounts	4	–	–	4
Additions	77,090	6,663	46,153	45
Disposals (sales and redemptions)	(69,800)	–	(28,543)	–
Transfers between current/non-current	11,995	(11,995)	20,347	(20,347)
<b>Balance at end of period</b>	<b>80,789</b>	<b>25,360</b>	<b>61,500</b>	<b>30,692</b>

**Comprising:**

– Long term deposits	79,290	18,858	60,500	28,697
– NCD's, FRN's (with maturities > 3 months)	4,499	3,502	1,000	1,995
<b>Total</b>	<b>80,789</b>	<b>25,360</b>	<b>61,500</b>	<b>30,692</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	91,695	25,360	78,449	30,692
<b>attributable to:</b>				
External restrictions (refer below)	55,399	25,360	42,683	30,692
Internal restrictions (refer below)	34,957	–	33,635	–
Unrestricted	1,339	–	2,131	–
	<u>91,695</u>	<u>25,360</u>	<u>78,449</u>	<u>30,692</u>

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
------------------------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

## External restrictions – included in liabilities

Specific purpose unexpended loans – water (A)	3,800	–	(3,800)	–
Specific purpose unexpended loans – sewer (A)	732	–	(732)	–
<b>External restrictions – included in liabilities</b>	<u>4,532</u>	<u>–</u>	<u>(4,532)</u>	<u>–</u>

## External restrictions – other

Developer contributions – general (D)	6,305	–	1,735	8,040
Specific purpose unexpended grants (F)	2,566	2,849	–	5,415
Specific purpose unexpended grants-water fund (F)	–	83	(83)	–
Specific purpose unexpended grants-sewer fund (F)	–	81	(81)	–
Water supplies (G)	18,788	5,272	–	24,060
Sewerage services (G)	34,404	1,911	–	36,315
Domestic waste management (G)	2,256	243	–	2,499
Drainage	4,524	–	(94)	4,430
<b>External restrictions – other</b>	<u>68,843</u>	<u>10,439</u>	<u>1,477</u>	<u>80,759</u>
<b>Total external restrictions</b>	<u>73,375</u>	<u>10,439</u>	<u>(3,055)</u>	<u>80,759</u>

**A** Loan moneys which must be applied for the purposes for which the loans were raised.

**D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

**F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

**G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 6c. Restricted cash, cash equivalents and investments – details (continued)

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	6,848	163	–	7,011
Employment overheads	152	398	–	550
Airport	541	355	–	896
Animal shelter	253	40	–	293
Aquatic leisure centre improvements	73	–	(73)	–
Building and development services	682	–	(81)	601
Business support technical services office equip.	6	8	–	14
Cemetery improvements	218	–	–	218
City development	72	70	–	142
City image	148	46	–	194
City strategy	190	81	–	271
Civic administration building	1,111	184	–	1,295
Corporate development/strategic management	99	–	(54)	45
Cultural services projects	14	–	(6)	8
Depot services asset management	682	59	–	741
Emergency response	56	–	–	56
Employees leave entitlements and FAG grant	1,217	206	(1,423)	–
Environment and health services	30	–	–	30
Environmental sustainability services	15	–	–	15
Family day care operations	252	–	–	252
Financial accounting services	10	–	(9)	1
Fire control operations	493	–	–	493
Footpath construction	548	–	(332)	216
Governance	19	70	–	89
Governance and risk services	725	–	(128)	597
Holiday park	274	–	(192)	82
Horticultural service operations	198	–	(176)	22
Human environment operations	68	–	–	68
Human resource services	102	89	–	191
Information technology computer equipment	1,590	–	(160)	1,430
Landcare services operations	104	–	(60)	44
Library buildings and operations	135	174	–	309
Livestock markets	3,166	923	–	4,089
Old Dubbo Gaol operations	84	–	(2)	82
Other waste	2,248	–	–	2,248
Parks and landcare business support services	74	–	(2)	72
Property development	2,825	1,653	–	4,478
Rainbow cottage operations	311	–	–	311
Ranger services	15	–	–	15
Recreation planning and programmes	89	–	–	89

(continued on the next page...)

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 6c. Restricted cash, cash equivalents and investments – details (continued)

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions (continued)</b>				
Recreation services	115	6	–	121
Regional entertainment centre	671	–	(83)	588
Rural roads projects	2,596	–	(13)	2,583
Showground	53	–	–	53
Social service projects	297	–	(14)	283
Sporting facilities projects	974	–	(188)	786
State roads	152	–	–	152
Street lighting	374	–	(28)	346
Technical support services	688	–	(132)	556
Traffic management projects	436	–	(386)	50
Urban road projects	562	339	–	901
Western Plains Cultural Centre operations	843	–	–	843
Works services operations	137	–	–	137
<b>Total internal restrictions</b>	<b>33,635</b>	<b>4,864</b>	<b>(3,542)</b>	<b>34,957</b>
<b>TOTAL RESTRICTIONS</b>	<b>107,010</b>	<b>15,303</b>	<b>(6,597)</b>	<b>115,716</b>

## The former Dubbo City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Purpose</b>					
Rates and annual charges		5,256 <sup>1</sup>	946 <sup>1</sup>	595	847
Interest and extra charges		438	–	416	–
User charges and fees		8,135	355	6,509	317
Accrued revenues					
– Interest on investments		1,639	–	1,219	–
Deferred debtors		142	1,057	579	990
Due from other levels of government		72	–	8	–
Government grants and subsidies		2,335	–	753	–
Net GST receivable		615	–	429	–
Other debtors		398	–	254	–
<b>Total</b>		<b>19,030</b>	<b>2,358</b>	<b>10,762</b>	<b>2,154</b>
<b>Less: provision for impairment</b>					
User charges and fees		(165)	–	(154)	–
<b>Total provision for impairment – receivables</b>		<b>(165)</b>	<b>–</b>	<b>(154)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>18,865</b>	<b>2,358</b>	<b>10,608</b>	<b>2,154</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		147	–	97	–
– Other		5,431	331	3,235	305
<b>Sewerage services</b>					
– Rates and availability charges		1,831	199	1,124	183
– Other		489	–	781	–
<b>Domestic waste management</b>					
Drainage		306	–	151	–
		87	–	47	–
<b>Total external restrictions</b>		<b>8,291</b>	<b>530</b>	<b>5,435</b>	<b>488</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>10,574</b>	<b>1,828</b>	<b>5,173</b>	<b>1,666</b>
<b>TOTAL NET RECEIVABLES</b>		<b>18,865</b>	<b>2,358</b>	<b>10,608</b>	<b>2,154</b>

<sup>1</sup> The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date.

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## The former Dubbo City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		622	1,814	1,077	1,801
Stores and materials		822	–	800	–
Trading stock		59	–	61	–
<b>Total inventories at cost</b>		<b>1,503</b>	<b>1,814</b>	<b>1,938</b>	<b>1,801</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>1,503</b>	<b>1,814</b>	<b>1,938</b>	<b>1,801</b>
<b>(b) Other assets</b>					
Prepayments		541	–	340	–
Shares in unlisted companies – StateCover		–	495	–	495
<b>TOTAL OTHER ASSETS</b>		<b>541</b>	<b>495</b>	<b>340</b>	<b>495</b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Stores and materials		181	–	166	–
Other		–	45	–	45
Prepayments		20	–	17	–
<b>Total water</b>		<b>201</b>	<b>45</b>	<b>183</b>	<b>45</b>
<b>Sewerage</b>					
Prepayments		12	–	4	–
<b>Total sewerage</b>		<b>12</b>	<b>–</b>	<b>4</b>	<b>–</b>
<b>Domestic waste management</b>					
Nil					
<b>Other</b>					
Nil					
<b>Total externally restricted assets</b>		<b>213</b>	<b>45</b>	<b>187</b>	<b>45</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>1,831</b>	<b>2,264</b>	<b>2,091</b>	<b>2,251</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>2,044</b>	<b>2,309</b>	<b>2,278</b>	<b>2,296</b>



## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 8. Inventories and other assets (continued)

\$ '000	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
<b>Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	557	1,207	1,003	1,207
Industrial/commercial	65	607	74	594
<b>Total real estate for resale</b>	<b>622</b>	<b>1,814</b>	<b>1,077</b>	<b>1,801</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Development costs	622	1,814	1,077	1,801
<b>Total costs</b>	<b>622</b>	<b>1,814</b>	<b>1,077</b>	<b>1,801</b>
<b>Total real estate for resale</b>	<b>622</b>	<b>1,814</b>	<b>1,077</b>	<b>1,801</b>
<b>Movements:</b>				
Real estate assets at beginning of period	1,077	1,801	706	2,107
– Purchases and other costs	354	13	2,064	169
– Transfers in from (out to) Note 9	(5)	–	–	(13)
– WDV of sales (expense)	(804)	–	(2,155)	–
– Transfer between current/non-current	–	–	462	(462)
<b>Total real estate for resale</b>	<b>622</b>	<b>1,814</b>	<b>1,077</b>	<b>1,801</b>

**(b) Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the period.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.



The former Dubbo City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period									as at 12/5/2016					
	At	At	Accumulated		Carrying	Additions	Additions	Carrying	Depreciation	Adjustments	Remeasurement	Tf/s from/(to)	Revaluation	Revaluation	At	At	Accumulated		Carrying
	cost	fair value	depreciation	impairment													value	renewals	
Capital work in progress	-	36,343	-	-	36,343	-	7,535	-	-	(38,701)	-	-	-	-	7,177	-	-	-	7,177
Plant and equipment	-	32,586	13,541	-	19,045	2,555	1,007	(1,175)	(2,559)	(298)	-	-	-	-	-	32,886	14,310	-	18,575
Office equipment	-	1,697	1,277	-	420	301	26	-	(128)	-	-	-	-	-	-	2,024	1,405	-	619
Furniture and fittings	-	2,882	1,874	-	1,008	87	135	-	(151)	-	-	-	-	-	-	3,104	2,025	-	1,079
Land:																			
- Operational land	-	27,919	-	-	27,919	-	177	-	-	-	-	5	-	-	-	28,101	-	-	28,101
- Community land	-	123,842	-	-	123,842	-	-	-	-	-	-	-	-	-	-	123,842	-	-	123,842
- Land under roads (post 30/6/08)	6,012	-	-	-	6,012	1,703	-	-	-	-	-	-	-	-	7,715	-	-	-	7,715
Land improvements – non-depreciable	-	1,801	-	-	1,801	-	-	-	-	-	-	-	-	-	-	1,801	-	-	1,801
Land improvements – depreciable	-	5,591	3,156	-	2,435	-	213	-	(223)	-	-	-	-	-	-	5,804	3,379	-	2,425
Infrastructure:																			
- Buildings – non-specialised	-	22,767	11,743	-	11,024	-	88	-	(244)	-	-	-	-	-	-	22,833	11,985	-	10,848
- Buildings – specialised	-	108,547	52,662	-	55,885	1,675	80	(30)	(1,307)	-	-	-	-	-	-	110,250	53,947	-	56,303
- Other structures	-	102,923	46,988	-	55,935	471	1,130	-	(3,012)	(1,568)	-	-	-	-	-	101,604	48,648	-	52,956
- Roads	-	1,070,210	209,263	-	860,947	4,770	4,476	-	(6,167)	8,849	-	-	-	-	-	1,088,305	215,430	-	872,875
- Bulk earthworks (non-depreciable)	-	239,395	-	-	239,395	-	948	-	-	-	-	-	-	-	-	240,343	-	-	240,343
- Stormwater drainage	-	199,093	24,269	-	174,824	190	5,550	-	(694)	753	-	-	(29)	-	-	205,558	24,964	-	180,594
- Water supply network	-	214,515	53,312	-	161,203	775	1,464	(286)	(3,098)	2,335	-	-	-	1,595	-	220,583	56,595	-	163,988
- Sewerage network	-	220,894	75,771	-	145,123	2,179	4,013	(89)	(4,083)	24,764	-	-	-	1,424	-	253,917	80,586	-	173,331
- Swimming pools	-	-	-	-	-	-	-	-	(44)	1,866	-	-	-	-	-	3,287	1,465	-	1,822
- Other infrastructure airport runways/taxiways	-	-	-	-	-	-	-	-	(350)	16,135	-	-	-	-	-	32,129	16,344	-	15,785
Other assets:																			
- Heritage collections	-	33	4	-	29	-	-	-	-	-	-	-	-	-	-	33	4	-	29
- Other	-	34,524	17,054	-	17,470	-	-	-	(42)	(16,135)	-	-	-	-	-	2,395	1,102	-	1,293
Reinstatement, rehabilitation and restoration assets (refer Note 26):																			
- Quarry assets	-	1,997	-	-	1,997	-	-	-	-	-	-	-	-	-	-	1,997	-	-	1,997
- Quarry restoration	-	309	106	-	203	-	-	-	(7)	-	89	-	-	-	-	398	113	-	285
<b>TOTAL INFRASTRUCTURE</b>																			
<b>PROPERTY, PLANT AND EQUIP.</b>	6,012	2,447,868	511,020	-	1,942,860	14,706	26,822	(1,580)	(22,105)	-	89	5	(29)	3,015	14,852	2,481,193	532,302	-	1,963,783

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## The former Dubbo City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)  
for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	3,897	67,259	71,156	–	3,025	–	–	3,648	4,989	63,142	68,131
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>3,897</b>	<b>67,259</b>	<b>71,156</b>	<b>–</b>	<b>3,025</b>	<b>–</b>	<b>–</b>	<b>3,648</b>	<b>4,989</b>	<b>63,142</b>	<b>68,131</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>3,897</b>	<b>67,259</b>	<b>71,156</b>	<b>–</b>	<b>3,025</b>	<b>–</b>	<b>–</b>	<b>3,648</b>	<b>4,989</b>	<b>63,142</b>	<b>68,131</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the face value of debt obligations, rather than fair value (which is reported in the GPFS).

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000	Actual 12/5/16				Actual 30/6/15			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
Works in progress	-	5,484	-	5,484	-	3,146	-	3,146
Plant and equipment	-	1,661	773	888	-	1,645	664	981
Office equipment	-	41	40	1	-	41	40	1
Furniture and fittings	-	21	16	5	-	21	15	6
Land								
- Operational land	-	1,369	-	1,369	-	1,369	-	1,369
Buildings	-	875	432	443	-	875	421	454
Other structures	-	684	146	538	-	675	126	549
Roads, bridges and footpaths	-	3,449	496	2,953	-	3,449	470	2,979
Bulk earthworks	-	746	-	746	-	746	-	746
Infrastructure	-	219,109	56,165	162,944	-	213,057	52,925	160,132
Other assets	-	425	-	425	-	425	-	425
<b>Total water supply</b>	-	<b>233,864</b>	<b>58,068</b>	<b>175,796</b>	-	<b>225,449</b>	<b>54,661</b>	<b>170,788</b>
<b>Sewerage services</b>								
Works in progress	-	985	-	985	-	25,463	-	25,463
Plant and equipment	-	1,537	835	702	-	1,489	759	730
Office equipment	-	99	64	35	-	99	63	36
Furniture and fittings	-	13	6	7	-	13	5	8
Land								
- Operational land	-	5,672	-	5,672	-	5,671	-	5,671
Buildings	-	1,886	1,184	702	-	1,742	1,169	573
Other structures	-	590	376	214	-	543	361	182
Roads, bridges and footpaths	-	3,695	943	2,752	-	3,695	915	2,780
Bulk earthworks	-	830	-	830	-	830	-	830
Infrastructure	-	251,792	79,303	172,489	-	218,789	74,546	144,243
<b>Total sewerage services</b>	-	<b>267,099</b>	<b>82,711</b>	<b>184,388</b>	-	<b>258,334</b>	<b>77,818</b>	<b>180,516</b>
<b>Domestic waste management</b>								
Plant and equipment	-	1,029	353	676	-	1,024	457	567
Other structures	-	291	286	5	-	291	285	6
Roads, bridges and footpaths	-	20	7	13	-	20	6	14
Bulk earthworks	-	49	-	49	-	49	-	49
<b>Total DWM</b>	-	<b>1,389</b>	<b>646</b>	<b>743</b>	-	<b>1,384</b>	<b>748</b>	<b>636</b>
<b>Stormwater drainage</b>								
Works in progress	-	53	-	53	-	166	-	166
Plant and equipment	-	31	23	8	-	23	23	-
- Operational land	-	751	-	751	-	751	-	751
Stormwater infrastructure	-	205,220	24,895	180,325	-	198,756	24,206	174,550
Stormwater bulk earthworks	-	2,406	-	2,406	-	2,405	-	2,405
<b>Total Stormwater Drainage</b>	-	<b>208,461</b>	<b>24,918</b>	<b>183,543</b>	-	<b>202,101</b>	<b>24,229</b>	<b>177,872</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	-	<b>710,813</b>	<b>166,343</b>	<b>544,470</b>	-	<b>687,268</b>	<b>157,456</b>	<b>529,812</b>

## The former Dubbo City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016Note 9c. Infrastructure, property, plant and equipment – current period  
impairments

\$ '000	Notes	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15
Impairment losses recognised in the Income Statement:			
Impaired irrigation assets written off		–	(10)
<b>Total impairment losses</b>		<b>–</b>	<b>(10)</b>
<b>IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L</b>	4(d)	<b>–</b>	<b>(10)</b>

## The former Dubbo City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16		30/6/15	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		4,198	–	5,119	–
Payments received in advance		261	–	225	–
Accrued expenses:					
– Borrowings		916	–	506	–
– Salaries and wages		556	–	782	–
Security bonds, deposits and retentions		1,160	–	1,489	–
Other		5	1	–	1
<b>Total payables</b>		<b>7,096</b>	<b>1</b>	<b>8,121</b>	<b>1</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		4,989	63,142	3,897	67,259
<b>Total borrowings</b>		<b>4,989</b>	<b>63,142</b>	<b>3,897</b>	<b>67,259</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		2,781	–	2,809	–
Sick leave		1,356	–	1,493	–
Long service leave		7,660	524	7,320	493
Sub-total – aggregate employee benefits		11,797	524	11,622	493
Asset remediation/restoration (future works) <sup>26</sup>		–	734	–	621
<b>Total provisions</b>		<b>11,797</b>	<b>1,258</b>	<b>11,622</b>	<b>1,114</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>23,882</b>	<b>64,401</b>	<b>23,640</b>	<b>68,374</b>
<b>(i) Liabilities relating to restricted assets</b>					
		<b>12/5/16</b>	<b>12/5/16</b>	<b>30/6/15</b>	<b>30/6/15</b>
		<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
<b>Externally restricted assets</b>					
Water		2,985	22,835	2,028	23,694
Sewer		2,418	17,425	1,806	19,085
Drainage		238	3,536	182	3,783
Liabilities relating to externally restricted assets		5,641	43,796	4,016	46,562
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		<b>5,641</b>	<b>43,796</b>	<b>4,016</b>	<b>46,562</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>18,241</b>	<b>20,605</b>	<b>19,624</b>	<b>21,812</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>23,882</b>	<b>64,401</b>	<b>23,640</b>	<b>68,374</b>

<sup>1</sup> Loans are secured over the general rating income of Council  
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.



## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 12/5/16	Actual 30/6/15
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## (ii) Current liabilities not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	7,432	7,208
	<u>7,432</u>	<u>7,208</u>

## Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	1/7/15 to 12/5/16			Unused amounts reversed	Closing balance as at 12/5/16
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting		
Asset remediation	621	9	–	104	–	734
<b>TOTAL</b>	<b>12,736</b>	<b>215</b>	<b>–</b>	<b>104</b>	<b>–</b>	<b>13,055</b>

- a. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	10,906	16,949
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>10,906</b>	<b>16,949</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>37,838</b>	<b>43,053</b>
<i>Adjust for non-cash items:</i>			
Depreciation and amortisation		21,364	29,295
Net losses/(gains) on disposal of assets		(1,778)	(3,926)
Non-cash capital grants and contributions		(13,736)	(28,544)
Impairment losses recognition – I,PP&E		–	10
<i>Losses/(gains) recognised on fair value re-measurements through the P&amp;L:</i>			
– Interest-free advances made by Council (deferred debtors)		–	153
<i>Amortisation of premiums, discounts and prior period fair valuations</i>			
– 'Held to maturity' financial assets		(4)	(4)
– Interest on all fair value adjusted interest free advances made by Council		(31)	(8)
Unwinding of discount rates on reinstatement provisions		113	77
Share of net (profits) or losses of associates/joint ventures		(20)	(18)
<i>+/- Movement in operating assets and liabilities and other cash items:</i>			
Decrease/(increase) in receivables		(8,993)	(662)
Increase/(decrease) in provision for doubtful debts		11	43
Decrease/(increase) in inventories		(20)	(9)
Decrease/(increase) in other assets		(201)	688
Increase/(decrease) in payables		(921)	(751)
Increase/(decrease) in accrued interest payable		410	63
Increase/(decrease) in other accrued expenses payable		(226)	231
Increase/(decrease) in other liabilities		(288)	(539)
Increase/(decrease) in employee leave entitlements		206	194
Increase/(decrease) in other provisions		–	(55)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>33,724</b>	<b>39,291</b>

## The former Dubbo City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		22	1,117
Infrastructure contributions		13,865	27,427
<b>Total non-cash investing and financing activities</b>		<b>13,887</b>	<b>28,544</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		–	500
Credit cards/purchase cards		400	400
<b>Total financing arrangements</b>		<b>400</b>	<b>900</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		20	66
<b>Total financing arrangements utilised</b>		<b>20</b>	<b>66</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

#### **(ii) Secured loan liabilities**

Loans are secured by a mortgage over future years rate revenue only.

#### **(e) Bank guarantees**

No Bank Guarantees have been provided by Council to external third parties.



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Sewerage infrastructure		8,389	7,011
Road infrastructure		8,267	8,751
Water infrastructure		–	160
Other structures		1,089	949
<b>Total commitments</b>		<b>17,745</b>	<b>16,871</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		14,214	11,831
Later than one year and not later than 5 years		3,531	5,040
<b>Total payable</b>		<b>17,745</b>	<b>16,871</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		17,745	16,871
<b>Total sources of funding</b>		<b>17,745</b>	<b>16,871</b>

#### (b) Finance lease commitments

Nil

#### (c) Operating lease commitments (non-cancellable)

##### a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	298	295
Later than one year and not later than 5 years	243	262
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>541</b>	<b>557</b>

##### b. Non-cancellable operating leases include the following assets:

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

##### Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>13,546</u>	<b>14.49%</b>	0.79%	-5.79%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>93,472</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>79,508</u>	<b>68.56%</b>	61.14%	73.76%
Total continuing operating revenue <sup>(1)</sup>	<u>115,966</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>48,701</u>	<b>4.51x</b>	3.47x	3.34x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>10,809</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>38,583</u>	<b>5.76x</b>	5.04x	5.09x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>6,698</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>6,640</u>	<b>15.14%</b>	4.13%	4.49%
Rates, annual and extra charges collectible	<u>43,863</u>			
<b>6. Cash expense cover ratio</b>				
Current period's cash and cash equivalents plus all term deposits	<u>109,054</u>	<b>19.27 mths</b>	16.0 mths	16.3 mths
Payments from cash flow of operating and financing activities	<u>5,659</u>			

## Notes

<sup>(1)</sup> Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

The former Dubbo City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: Minimum &gt;=0.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 14.49%</b></p> <p>Council's ratio has been significantly enhanced due to the level of capital contributions falling by \$15.83m, and depreciation reducing by \$7.93m as a result of a review of reviewing remaining useful lives and residual values of roads assets to bring them to values that reflect Council's management of these assets.</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: Minimum &gt;=60.00%</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 68.56%</b></p> <p>This ratio continues to show the strength of Council's ability to generate own source revenue, exceeding the benchmark.</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: Minimum &gt;=1.50</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 4.51x</b></p> <p>This ratio continues to be very strong, with the benchmark of 1.5 being exceeded again in the 2016 financial year.</p>

The former Dubbo City Council

Notes to the Financial Statements  
for the period 1 July 2015 to 12 May 2016

Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>4. Debt service cover ratio</b></p> <p>Benchmark: Minimum <math>\geq 2.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of debt service cover ratio</b></p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 5.76x</b></p> <p>This ratio is consistently strong indicating that there is \$5.50 in cash to meet every \$1.00 of debt. The benchmark for this ratio is 2.0</p>	
<p>Ratio (x)</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>	<p><b>5. Rates, annual charges, interest and extra charges outstanding percentage</b></p> <p>Benchmark: Maximum <math>&lt; 5.00\%</math> Source for Benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of rates and annual charges outstanding ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 15.14%</b></p> <p>The Rates Outstanding percentage for 2016 has been adversely affected by the 12 May 2016 close off for reporting, as the fourth instalment had not been collected at the financial year close off date.</p>
<p>Ratio %</p> <p>Ratio is within Benchmark Ratio is outside Benchmark</p>	<p><b>6. Cash expense cover ratio</b></p> <p>Benchmark: Minimum <math>\geq 3.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p>	<p><b>Purpose of cash expense cover ratio</b></p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p><b>Commentary on 12/5/16 result</b></p> <p><b>12/5/16 ratio 19.27 mths</b></p> <p>This ratio indicates that Council has sufficient cash to continue operations for over 19 months without additional cashflow. This is an extremely strong result compared to the benchmark of 3 months.</p>
<p>Ratio (mths)</p> <p>Ratio achieves benchmark Ratio is outside benchmark</p>			

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 12/5/16	Sewer 12/5/16	General <sup>5</sup> 12/5/16
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>24.94%</b>	<b>19.03%</b>	<b>10.51%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 21.96%	26.37%	-10.95%
<b>2. Own source operating revenue ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>83.17%</b>	<b>85.10%</b>	<b>61.52%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 85.62%	80.84%	52.09%
<b>3. Unrestricted current ratio</b>			
Current assets less all external restrictions <sup>(2)</sup>	<b>10.00x</b>	<b>11.43x</b>	<b>4.51x</b>
Current liabilities less specific purpose liabilities <sup>(3,4)</sup>	prior period: 10.50x	12.35x	3.47x
<b>4. Debt service cover ratio</b>			
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>4.79x</b>	<b>3.82x</b>	<b>7.71x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 4.86x	6.17x	4.65x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
Rates, annual and extra charges outstanding	<b>3.36%</b>	<b>12.77%</b>	<b>17.47%</b>
Rates, annual and extra charges collectible	prior period: 1.94%	14.01%	1.48%
<b>6. Cash expense cover ratio</b>			
Current period's cash and cash equivalents plus all term deposits	<b>30.38</b>	<b>61.30</b>	<b>10.59</b>
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	13.61 mths

## Notes

<sup>(1) - (4)</sup> Refer to Notes at Note 13a(i) above.<sup>(5)</sup> General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

##### Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
<b>Financial assets</b>				
Cash and cash equivalents	10,906	16,949	10,906	16,949
Investments				
– 'Held to maturity'	106,149	92,192	106,149	92,192
Receivables	21,223	12,762	21,223	12,762
Other financial assets	495	495	495	495
<b>Total financial assets</b>	<b>138,773</b>	<b>122,398</b>	<b>138,773</b>	<b>122,398</b>
<b>Financial liabilities</b>				
Payables	6,836	7,897	6,836	7,897
Loans/advances	68,131	71,156	68,131	71,156
<b>Total financial liabilities</b>	<b>74,967</b>	<b>79,053</b>	<b>74,967</b>	<b>79,053</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

#### (a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>1/7/15 to 12/5/16</b>				
Possible impact of a 1% movement in interest rates	1,198	1,198	(1,198)	(1,198)
<b>1/7/14 to 30/6/15</b>				
Possible impact of a 1% movement in interest rates	883	883	(883)	(883)

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	12/5/16	12/5/16	30/6/15	30/6/15
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	69%	62%	42%	93%
Overdue	31%	38%	58%	7%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	
Rates and annual charges				
Other receivables				
Current	5,256	11,436	595	10,558
< 1 year overdue	946	2,663	847	293
1 – 2 years overdue	–	569	–	268
2 – 5 years overdue	–	518	–	355
	<b>6,202</b>	<b>15,186</b>	<b>1,442</b>	<b>11,474</b>
<b>(iii) Movement in provision for impairment of receivables</b>				
			12/5/16	30/6/15
Balance at the beginning of the period			154	111
+ new provisions recognised during the period			11	43
<b>Balance at the end of the period</b>			<b>165</b>	<b>154</b>



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>1/7/15 to 12/5/16</b>									
Trade/other payables	1,160	5,676	–	–	–	–	–	6,836	6,836
Loans and advances	–	9,971	8,118	8,118	8,118	8,118	60,699	103,142	68,131
<b>Total financial liabilities</b>	<b>1,160</b>	<b>15,647</b>	<b>8,118</b>	<b>8,118</b>	<b>8,118</b>	<b>8,118</b>	<b>60,699</b>	<b>109,978</b>	<b>74,967</b>
<b>1/7/14 to 30/6/15</b>									
Trade/other payables	1,489	6,408	–	–	–	–	–	7,897	7,897
Loans and advances	–	8,118	8,118	8,118	8,118	8,118	68,817	109,407	71,156
<b>Total financial liabilities</b>	<b>1,489</b>	<b>14,526</b>	<b>8,118</b>	<b>8,118</b>	<b>8,118</b>	<b>8,118</b>	<b>68,817</b>	<b>117,304</b>	<b>79,053</b>

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:	<b>12/5/16</b>	<b>12/5/16</b>	<b>30/6/15</b>	<b>30/6/15</b>
	<b>Carrying</b>	<b>Average</b>	<b>Carrying</b>	<b>Average</b>
	<b>value</b>	<b>interest rate</b>	<b>value</b>	<b>interest rate</b>
Trade/other payables	6,836	0.00%	7,897	0.00%
Loans and advances – fixed interest rate	68,131	6.05%	71,156	6.00%
	<u>74,967</u>		<u>79,053</u>	

#### Note 16. Material budget variations

In accordance with the Supplementary Code 24(a), this note is not applicable for "former Councils".

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,119	208	–	26	(1)	–	1,352	–
Roads	4,479	1,261	–	109	(216)	–	5,633	–
Parking	83	–	–	2	–	–	85	–
Open space	624	616	–	18	(313)	–	945	–
Community facilities	–	–	–	–	–	–	–	–
Voluntary Planning Agreements	–	25	–	–	–	–	25	–
<b>S94 contributions – under a plan</b>	<b>6,305</b>	<b>2,110</b>	<b>–</b>	<b>155</b>	<b>(530)</b>	<b>–</b>	<b>8,040</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>6,305</b>	<b>2,110</b>	<b>–</b>	<b>155</b>	<b>(530)</b>	<b>–</b>	<b>8,040</b>	<b>–</b>
S64 contributions	–	2,455	–	20	(2,475)	–	–	–
<b>Total contributions</b>	<b>6,305</b>	<b>4,565</b>	<b>–</b>	<b>175</b>	<b>(3,005)</b>	<b>–</b>	<b>8,040</b>	<b>–</b>

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - Drainage

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,119	208	–	26	(1)	–	1,352	–
<b>Total</b>	<b>1,119</b>	<b>208</b>	<b>–</b>	<b>26</b>	<b>(1)</b>	<b>–</b>	<b>1,352</b>	<b>–</b>

## CONTRIBUTION PLAN - Roads

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	4,479	1,261	–	109	(216)	–	5,633	–
<b>Total</b>	<b>4,479</b>	<b>1,261</b>	<b>–</b>	<b>109</b>	<b>(216)</b>	<b>–</b>	<b>5,633</b>	<b>–</b>

## CONTRIBUTION PLAN - Open Space

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	624	616	–	18	(311)	–	947	–
<b>Total</b>	<b>624</b>	<b>616</b>	<b>–</b>	<b>18</b>	<b>(311)</b>	<b>–</b>	<b>947</b>	<b>–</b>

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - Parking

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	83	-	-	2	-	-	85	-
<b>Total</b>	<b>83</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>85</b>	<b>-</b>

## CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Voluntary Planning Agreements	-	25	-	-	-	-	25	-
<b>Total</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>-</b>

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

##### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 12/5/2016 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

##### (iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

##### (iv) Other guarantees

Council has provided no other guarantees other than those listed above.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

###### (i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

###### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

###### (iii) Potential claims – contract disputes

Council is currently in dispute with a contractor over the terms of a contract. While Council denies liability for the amount, and liability has not been recognised, there is potential for Council to be required to pay up to \$50,000 in costs in relation to this dispute.

##### ASSETS NOT RECOGNISED:

###### (i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

###### (ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at end of period, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

##### Controlled entities (subsidiaries)

*Note 19(a)*

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

##### Joint ventures and associates

*Note 19(b)*

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

##### Joint operations

*Note 19(c)*

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

##### Unconsolidated structured entities

*Note 19(d)*

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

##### Subsidiaries, joint arrangements and associates not recognised

*Note 19(e)*

#### Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 12/5/16	Actual 30/6/15
Joint ventures	20	18	908	888
<b>Total</b>	<b>20</b>	<b>18</b>	<b>908</b>	<b>888</b>



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 19. Interests in other entities (continued)

\$ '000

##### (a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

##### (b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

##### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	12/5/16	30/6/15
Macquarie Regional Library	Joint venture	Equity	908	888
<b>Total carrying amounts – material joint ventures and associates</b>			<b>908</b>	<b>888</b>

##### (b) Details

Name of entity	Principal activity	Place of business
Macquarie Regional Library	Public library services	Branches in Dubbo Wellington Narromine and Warrumbungle Shire Council Areas

##### (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	12/5/16	30/6/15	2016	2015	2016	2015	2016	2015
Macquarie Regional Library	n/a	n/a	57%	58%	57%	58%	25%	25%



## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 19. Interests in other entities (continued)

\$ '000

## (b) Joint ventures and associates (continued)

## (d) Summarised financial information for joint ventures and associates

	Macquarie Regional Library	
	12/5/16	30/6/15
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	856	215
Other current assets	580	1,164
<b>Total current assets</b>	<b>1,436</b>	<b>1,379</b>
<b>Non-current assets</b>	<b>982</b>	<b>876</b>
<b>Current liabilities</b>		
Other current liabilities	826	689
<b>Total current liabilities</b>	<b>826</b>	<b>689</b>
<b>Non-current liabilities</b>	<b>30</b>	<b>37</b>
<b>Net assets</b>	<b>1,562</b>	<b>1,529</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	1,529	1,503
Profit/(loss) for the period	33	26
<b>Closing net assets</b>	<b>1,562</b>	<b>1,529</b>
<b>Council's share of net assets (%)</b>	<b>58.1%</b>	<b>58.1%</b>
<b>Council's share of net assets (\$)</b>	<b>908</b>	<b>888</b>
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>Statement of comprehensive income</b>		
Income	2,644	2,536
Interest income	36	37
Depreciation and amortisation	(289)	(286)
Other expenses	(2,357)	(2,257)
<b>Profit/(loss) for period</b>	<b>34</b>	<b>30</b>
<b>Total comprehensive income</b>	<b>34</b>	<b>30</b>
<b>Share of income – Council (%)</b>	<b>56.8%</b>	<b>58.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>20</b>	<b>18</b>
<b>Total comprehensive income – Council (\$)</b>	<b>20</b>	<b>18</b>

## (c) Joint operations

Council has no interest in any joint operations.

## (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

## (e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
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##### (a) Retained earnings

###### Movements in retained earnings were as follows:

Balance at beginning of period (from previous year's audited accounts)		813,225	770,172
a. Net operating result for the period		37,838	43,053
<b>Balance at end of the reporting period</b>		<b><u>851,063</u></b>	<b><u>813,225</u></b>

##### (b) Revaluation reserves

###### (i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve		1,167,976	1,164,986
<b>Total</b>		<b><u>1,167,976</u></b>	<b><u>1,164,986</u></b>

###### (ii) Reconciliation of movements in reserves:

<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		1,164,986	714,662
– Revaluations for the period	9(a)	2,990	450,314
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	–	10
<b>– Balance at end of period</b>		<b><u>1,167,976</u></b>	<b><u>1,164,986</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>1,167,976</u></b>	<b><u>1,164,986</u></b>

###### (iii) Nature and purpose of reserves

###### Infrastructure, property, plant and equipment revaluation reserve

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

##### (c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

##### (d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the reporting period.

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16	Actual 1/7/15 to 12/5/16
\$ '000			
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges <sup>2</sup>	4,494	8,283	29,094
User charges and fees	11,736	3,810	17,415
Interest and investment revenue	537	1,265	1,898
Other revenues	35	45	896
Grants and contributions provided for operating purposes	83	81	13,800
Grants and contributions provided for capital purposes	3,398	2,520	16,576
<b>Other income</b>			
Net gains from disposal of assets	(284)	(82)	2,144
Share of interests in joint ventures and associates using the equity method	–	–	20
<b>Total income from continuing operations</b>	<b>19,999</b>	<b>15,922</b>	<b>81,843</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	3,626	3,029	18,237
Borrowing costs	1,275	813	1,585
Materials and contracts	2,937	1,683	14,902
Depreciation and amortisation	3,394	4,261	13,709
Other expenses	1,679	1,012	7,784
<b>Total expenses from continuing operations</b>	<b>12,911</b>	<b>10,798</b>	<b>56,217</b>
<b>Operating result from continuing operations</b>	<b>7,088</b>	<b>5,124</b>	<b>25,626</b>
<b>Net operating result for the period</b>	<b>7,088</b>	<b>5,124</b>	<b>25,626</b>
<b>Net operating result attributable to each council fund</b>	<b>7,088</b>	<b>5,124</b>	<b>25,626</b>
<b>Net operating result for the period before grants and contributions provided for capital purposes</b>	<b>3,690</b>	<b>2,604</b>	<b>9,050</b>

<sup>1</sup> General fund refers to all Council's activities other than Water and Sewer.

<sup>2</sup> Rates and are recognised as revenue at the commencement of the rating year for the period 1/7/15 to 30/6/16. No adjustments have been made for rates not earned during the period 13/5/16 to 30/6/16.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

## The former Dubbo City Council

Notes to the Financial Statements  
as at 12 May 2016

## Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 12/5/16	Actual 12/5/16	Actual 12/5/16
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	3,560	1,315	6,031
Investments	20,500	24,000	36,289
Receivables	5,578	2,321	10,966
Inventories	181	–	1,322
Other	20	12	509
<b>Total current assets</b>	<b>29,839</b>	<b>27,648</b>	<b>55,117</b>
<b>Non-current assets</b>			
Investments	–	11,000	14,360
Receivables	331	199	1,828
Inventories	–	–	1,814
Infrastructure, property, plant and equipment	175,796	184,388	1,603,599
Investments accounted for using the equity method	–	–	908
Other	45	–	450
<b>Total non-current assets</b>	<b>176,172</b>	<b>195,587</b>	<b>1,622,959</b>
<b>TOTAL ASSETS</b>	<b>206,011</b>	<b>223,235</b>	<b>1,678,076</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	953	331	5,812
Borrowings	1,088	2,087	1,814
Provisions	944	–	10,853
<b>Total current liabilities</b>	<b>2,985</b>	<b>2,418</b>	<b>18,479</b>
<b>Non-current liabilities</b>			
Payables	–	–	1
Borrowings	22,792	17,425	22,925
Provisions	43	–	1,215
<b>Total non-current liabilities</b>	<b>22,835</b>	<b>17,425</b>	<b>24,141</b>
<b>TOTAL LIABILITIES</b>	<b>25,820</b>	<b>19,843</b>	<b>42,620</b>
<b>Net assets</b>	<b>180,191</b>	<b>203,392</b>	<b>1,635,456</b>
<b>EQUITY</b>			
Retained earnings	125,545	157,218	568,300
Revaluation reserves	54,646	46,174	1,067,156
<b>Total equity</b>	<b>180,191</b>	<b>203,392</b>	<b>1,635,456</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 22. 'Held for sale' non-current assets and disposal groups

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (12 May 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 15/12/16.

Events that occur after the reporting period represent one of two types:

**(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 12 May 2016.

**(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

**Council is aware of the following 'non-adjusting events' that merit disclosure:**

**Amalgamation of operations for the former Dubbo City Council to form Dubbo Regional Council**

On 12 May 2016, the Local Government (Council Amalgamations) Proclamation 2016 announced that effective from midnight on 12 May 2016, the operations of the former Dubbo City Council would be amalgamated with Wellington Council to form the new council Dubbo Regional Council.

The proclamation automatically transferred the assets, rights and liabilities of the former Dubbo City Council to Dubbo Regional Council on 13 May 2016.

The proclamation ensures that any reference in any document to the former Dubbo City Council is to be read as a reference to Dubbo Regional Council, and that anything done by the former Dubbo City Council before the amalgamation is taken to have been done by Dubbo Regional Council.

These proclamation clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts).

This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position as at 12 May 2016 of the former Dubbo City Council and its financial performance for the period 1 July 2015 to 12 May 2016.

## The former Dubbo City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 24. Discontinued operations

\$ '000

Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	Net Present Value of provision	
		12/5/16	30/6/15
Quarries	2015 to 2055	734	621
<b>Balance at end of the reporting period</b>	10(a)	<b>734</b>	<b>621</b>

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

<b>Reconciliation of movement in provision for the period:</b>	12/5/16	30/6/15
Balance at beginning of period	621	544
Effect of a change in discount rates used in PV calculations	88	52
Amortisation of discount (expensed to borrowing costs)	25	25
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>734</b>	<b>621</b>



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

1/7/15 to 12/5/16	Fair value measurement hierarchy			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
<b>Infrastructure, property, plant and equipment</b>				
Capital works in progress	–	–	7,177	7,177
Plant and equipment	–	18,575	–	18,575
Office equipment	–	619	–	619
Furniture and fittings	–	1,079	–	1,079
Operational land	–	28,101	–	28,101
Community land	–	–	123,842	123,842
Land under roads (post 30/06/2008)	–	–	7,715	7,715
Land improvements – non-depreciable	–	–	1,801	1,801
Land improvements – depreciable	–	–	2,425	2,425
Buildings – non-specialised	–	–	10,848	10,848
Buildings – specialised	–	–	56,303	56,303
Other structures	–	–	52,956	52,956
Roads	–	–	872,875	872,875
Bulk earthworks	–	–	240,343	240,343
Stormwater drainage	–	–	180,594	180,594
Water supply network	–	–	163,988	163,988
Sewerage network	–	–	173,331	173,331
Swimming Pools	–	–	1,822	1,822
Other Infrastructure Airport Runways/Taxiways	–	–	15,785	15,785
Heritage collections	–	–	29	29
Quarry assets	–	1,997	–	1,997
Quarry restoration assets	–	–	285	285
Other assets	–	–	1,293	1,293
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>50,371</b>	<b>1,913,412</b>	<b>1,963,783</b>

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 27. Fair value measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values: (continued)

1/7/14 to 30/6/15	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Capital works in progress	30/06/14	–	–	36,343	36,343
Plant and equipment	30/06/14	–	19,045	–	19,045
Office equipment	30/06/14	–	420	–	420
Furniture and fittings	30/06/14	–	1,008	–	1,008
Operational land	30/06/13	–	27,919	–	27,919
Community land	30/06/11	–	–	123,842	123,842
Land under roads (post 30/06/2008)	At Cost	–	–	6,012	6,012
Land improvements – non-depreciable	30/06/10	–	–	1,801	1,801
Land improvements – depreciable	30/06/08	–	–	2,435	2,435
Buildings – non-specialised	30/06/13	–	–	11,024	11,024
Buildings – specialised	30/06/13	–	–	55,885	55,885
Other structures	30/06/13	–	–	55,935	55,935
Roads	30/06/15	–	–	860,947	860,947
Bulk earthworks	30/06/15	–	–	239,395	239,395
Stormwater drainage	30/06/15	–	–	174,824	174,824
Water supply network	30/06/15	–	–	161,203	161,203
Sewerage network	30/06/15	–	–	145,123	145,123
Heritage collections	30/06/07	–	–	29	29
Quarry assets	30/06/14	–	1,997	–	1,997
Quarry restoration assets	30/06/14	–	–	203	203
Other assets	30/06/07	–	–	17,470	17,470
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>50,389</b>	<b>1,892,471</b>	<b>1,942,860</b>

## (2) Transfers between level 1 and level 2 fair value hierarchies

During the period, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.



## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

##### Infrastructure, property, plant and equipment (IPP&E)

###### Level 2 Inputs

###### Plant & Equipment

It is considered that there is a liquid second hand market for Council's plant and equipment, however, there is subjectivity of prices in this market dependent on the age and condition of the equipment being sold. Council has determined that the Plant and Equipment is to be classified as Level 2 inputs.

###### Office Equipment and Furniture & Fittings

There is a liquid second hand market for these types of assets, but the market is not liquid enough to qualify the assets as valued at Level 1. The reason for retaining book value in Note 9 is that these assets typically have very short useful lives, are held to the end of their economic life and have no residual value, and the Written Down Value reflects their value in use rather than their market value.

###### Operational Land

There is an active liquid market for most of Council's Operational Land, however, the subjectivity of pricing has resulted in this land to be classified as Level 2.

###### Quarry Assets

The Quarry Assets are valued on the basis of the price of acquiring the same quality material from commercial quarries that operate within the Dubbo Local Government area. The reason for Level 2 classification is that there is a degree of estimation required to determine the amount of material remaining in the quarry, and also the potential variation in quality of the material that has yet to be won from the quarry.

###### Level 3 Inputs

###### Capital Works in Progress

The valuation method employed is the cost of construction of the asset. As there is no active market for any of the infrastructure assets that are partially constructed, the only valuation available is cost, or inputs to the construction work, which is a Level 3 Unobservable Input.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Community Land

Community Land was valued using Urban and Rural average municipal site values. These were determined by analysing the total rateable value of urban and rural lands, and then dividing the total valuations by the total area to determine an average rate per hectare or square metre. This was then applied to the areas of Community Land. This work was carried out by Council's rating staff. This method has no market observable inputs as the rating value is the valuation provided by the Valuer General for rating purposes, and may or may not align with the market value of the land. However, it is not a market valuation of the land. The Level 3 Unobservable Inputs are the valuations provided by the Valuer General on which the value of the land is determined.

##### Land Under Roads

Council has elected to only recognise Land Under Roads that have been acquired after 30 June 2008. There are two methods by which this land is valued, neither of which represent the market value of the land as there is no market for land that is currently used for road or road reserve purposes. Land which is transferred to Council from private subdividers is valued using the municipal site value as outlined in valuation of Community Land above. Land under roads relating to Council's own subdivisions is valued at the cost of that land at acquisition, on an area basis. The level 3 Unobservable Inputs are the average municipal site value of subdividers land vested in Council, and the cost of the land acquired by Council for subdivision on an area basis.

##### Land Improvements Depreciable and Non Depreciable

Land Improvements - Non Depreciable are valued at current replacement cost. This is a Level 3 Unobservable Input as the valuation method does not reflect a market rate as there is no active market for sale of Land Improvements - Non Depreciable.

##### Buildings - Specialised and Non Specialised and Other Structures

Valuations of buildings was carried out by an external valuer, but the valuation was on the written down current replacement cost of the buildings rather than the market value. Consequently, all buildings are categorised as Level 3 Unobservable Inputs, as the valuations do not reflect market valuations.

##### Infrastructure Roads

Valuation of roads was undertaken by an external valuer, based on the current written down value of the road assets within Council's network. As this is based on the current costs of construction at time of valuation, and not market value, this valuation is a Level 3 Unobservable Input valuation.

##### Bulk Earthworks Non Depreciable

Valuation of Non Depreciable Bulk Earthworks has two different valuations depending on whether the earthworks relate to roads or stormwater retarding basins. All earthworks relating to roads were valued in conjunction with the valuation of the roads by an external valuer, on a current replacement cost basis. All stormwater retarding basin earthworks were valued on a current replacement cost basis by Council staff as an internal valuation. The basis of determining the value for internal valuations was a combination of the cost of similar works carried out by Council, recent similar contract works, and reference rates for construction of similar earthworks. Both the internal and external valuations are Level 3 Unobservable Inputs valuations due to the fact that market valuation was not a factor in determining the value of the assets.

## The former Dubbo City Council

### Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

###### **Stormwater, Water and Sewer Infrastructure Assets**

All three asset networks were valued by Council staff using recent Council cost of constructing similar assets, recent contractor costs to construct Council assets, and then cross validating the costs to construction cost indexes provided by the NSW Office of Water. The written down value was then assessed by estimating the total and remaining useful lives of the asset to determine the Written Down Current Replacement Cost of each asset.

###### **Heritage Collection Assets**

These items comprise historical artefacts that have been obtained generally by purchase through antique dealers or through private sale. As there is not an active liquid market in the types of items acquired, they are valued at cost, and therefore have been assessed as being Level 3 Unobservable Input valuations.

**There were no changes in Valuation Techniques from prior years.**

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Capital works in progress	Community land	Land under roads	Land improvements non- depreciable	Land improvements depreciable	Buildings non- specialised	Buildings specialised	Other structures	Total
<b>Opening balance – 1/7/14</b>	9,655	123,842	2,296	1,491	2,653	11,251	58,432	52,601	262,221
Purchases (GBV)	29,158	–	3,703	–	45	285	243	7,141	40,575
Disposals (WDV)	–	–	–	–	–	–	(95)	(243)	(338)
Depreciation and impairment	–	–	–	–	(263)	(512)	(2,695)	(3,588)	(7,058)
WIP transfers	(2,470)	–	–	310	–	–	–	–	(2,160)
Transferred from real estate development	–	–	13	–	–	–	–	24	37
<b>Closing balance – 30/6/15</b>	<b>36,343</b>	<b>123,842</b>	<b>6,012</b>	<b>1,801</b>	<b>2,435</b>	<b>11,024</b>	<b>55,885</b>	<b>55,935</b>	<b>293,277</b>
Purchases (GBV)	7,535	–	1,703	–	213	68	1,755	1,601	12,875
Disposals (WDV)	–	–	–	–	–	–	(30)	–	(30)
Depreciation and impairment	–	–	–	–	(223)	(244)	(1,307)	(3,012)	(4,786)
WIP transfers	(36,701)	–	–	–	–	–	–	(1,568)	(38,269)
<b>Closing balance – 12/5/16</b>	<b>7,177</b>	<b>123,842</b>	<b>7,715</b>	<b>1,801</b>	<b>2,425</b>	<b>10,848</b>	<b>56,303</b>	<b>52,956</b>	<b>263,067</b>

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) continued

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Infrastructure – roads	Infrastructure – bulk earthworks	Infrastructure – stormwater drainage	Infrastructure – water supply	Infrastructure – sewerage	Heritage collections	Airport runways and taxiways	Other assets	Total
<b>Opening balance – 1/7/14</b>	571,532	161,449	99,969	151,081	137,292	29	–	17,699	1,139,051
Purchases (GBV)	14,566	1,336	7,430	1,648	3,078	–	–	219	28,277
Disposals (WDV)	–	–	–	(214)	(69)	–	–	–	(283)
Depreciation and impairment	(10,122)	–	(2,036)	(3,479)	(4,400)	–	–	(448)	(20,485)
FV gains – other comprehensive income	284,977	76,615	69,453	10,073	9,196	–	–	–	450,314
WIP transfers	(6)	(5)	8	2,094	26	–	–	–	2,117
<b>Closing balance – 30/6/15</b>	<b>860,947</b>	<b>239,395</b>	<b>174,824</b>	<b>161,203</b>	<b>145,123</b>	<b>29</b>	<b>–</b>	<b>17,470</b>	<b>1,598,991</b>
Purchases (GBV)	9,246	948	5,740	2,238	6,192	–	–	–	24,364
Disposals (WDV)	–	–	–	(286)	(89)	–	–	–	(375)
Depreciation and impairment	(6,167)	–	(694)	(3,098)	(4,083)	–	(350)	(42)	(14,434)
FV gains – other comprehensive income	–	–	–	1,596	1,424	–	–	–	3,020
WIP transfers	8,849	–	753	2,335	24,764	–	16,135	(16,135)	36,701
Other Revaluation Reversal Asset Sold	–	–	(29)	–	–	–	–	–	(29)
<b>Closing balance – 12/5/16</b>	<b>872,875</b>	<b>240,343</b>	<b>180,594</b>	<b>163,988</b>	<b>173,331</b>	<b>29</b>	<b>15,785</b>	<b>1,293</b>	<b>1,648,238</b>

## The former Dubbo City Council

## Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

## Note 27. Fair value measurement (continued)

\$ '000

## (4). Fair value measurements using significant unobservable inputs (level 3) continued

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Quarry restoration assets	Swimming pools	Total
<b>Opening balance – 1/7/14</b>	158	–	158
Depreciation and impairment	(7)	–	(7)
Other movement unwinding of discounts	52	–	52
<b>Closing balance – 30/6/15</b>	<b>203</b>	<b>–</b>	<b>203</b>
Transfers from/(to) another asset class	–	1,865	1,865
Depreciation and impairment	(7)	(44)	(51)
Other movement unwinding of discounts	89	–	89
<b>Closing balance – 12/5/16</b>	<b>285</b>	<b>1,821</b>	<b>2,106</b>

## (5). Highest and best use

All of Council's non-financial assets are considered to being utilised for their highest and best use.

## The former Dubbo City Council

### Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

#### Note 28. Council information and contact details

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**Principal place of business:**

Church Street  
Dubbo NSW 2830

**Contact details****Mailing address:**

PO Box 81  
Dubbo NSW 2830

**Opening hours:**

9.00 am to 5.00 pm  
Monday to Friday

**Telephone:** 02 6801 4000**Facsimile:** 02 6801 4259**Internet:** [www.dubbo.nsw.gov.au](http://www.dubbo.nsw.gov.au)**Email:** [dcc@dubbo.nsw.gov.au](mailto:dcc@dubbo.nsw.gov.au)**Officers****INTERIM GENERAL MANAGER**

Mark Riley

**Members****ADMINISTRATOR**

Michael Kneipp

**RESPONSIBLE ACCOUNTING OFFICER**

Craig Giffin

**PUBLIC OFFICER**

Craig Giffin

**AUDITORS**

Luka Group  
2 River Street  
Dubbo NSW 2830

**Other information****ABN:** 77 296 185 278



# Luka Group

ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF THE FORMER DUBBO CITY COUNCIL

### Report on the Financial Statements

We have audited the accompanying general purpose financial statements of the former Dubbo City Council for the financial period 1 July 2015 to 12 May 2016. The financial statements comprise the Statement by Councillors and Management, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the projected revenue and expenditure of developer contributions reported in Note 17 and accordingly, we express no opinion on them.

### Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



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#### Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of the former Dubbo City Council for the period 1 July 2015 to 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of these statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

#### Audit Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
  - (i) has been prepared in accordance with the requirements of this Division;
  - (ii) is consistent with the Council's accounting records;
  - (iii) presents fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) is in accordance with applicable Australian Accounting Standards, and other mandatory professional reporting requirements.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



LUKA GROUP

2 River Street  
Dubbo  
Dated: 15 December 2016



JM SHANKS  
PARTNER

# Luka Group

ACCOUNTANTS & ADVISORS

15 December 2016

The Administrator  
Michael Kneipp  
Dubbo Regional Council  
PO Box 81  
DUBBO NSW 2830

Dear Michael

## INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT OF THE FORMER DUBBO CITY COUNCIL

We advise having completed our audit of the financial statements of the former Dubbo City Council for the financial period 1 July 2015 to 12 May 2016. The financial statements include the general purpose consolidated accounts of the economic entity comprising the Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at reporting date. The contents of both of these statements include the Council's Certificate as required by section 413(2)(c) of the Local Government Act 1993. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council.

In accordance with Section 417 of the Local Government Act 1993 we submit our statements on the conduct of the audit of the former Dubbo City Council for the period 1 July 2015 to 12 May 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

### Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.



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The following comments are provided in accordance with Section 415(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (general) regulation 2005 to assist in the understanding of the financial statements and our reports.

### *Review of the Financial Statements*

In May 2016, Dubbo City Council was advised that it was merging with Wellington Council to form the new Dubbo Regional Council. As a result, the financial statements cover the period 1 July 2015 to 12 May 2016.

For preparation of the financial statements, the Office of Local Government advised as follows:

- Rates are recognised as revenue at the commencement of the rating year for the period 1 July 2015 to 30 June 2016. No adjustments have been made for rates not earned during the period 13 May 2016 to 30 June 2016.
- Financial assistance grants are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenues from the financial assistance grant includes the last quarter payment which was received on 17 May 2016.
- No budget figures are required for the Income Statement, Statement of Cash Flows, Note 2 and Note 16 as budgets were prepared for a full year ended 30 June 2016.
- The comparative year is for the full financial year of 1 July 2014 to 30 June 2015.

#### (a) Operating Result from Continuing Operations

As disclosed in Council's Income Statement the operations for the period 1 July 2015 to 12 May 2016 resulted in a surplus from continuing operations after capital amounts of \$37,838,000 (2015 - \$43,053,000). Some items of note in the income statement include:

- The operating result from continuing operations *before* capital amounts was a surplus of \$15,344,000 (2015 - \$4,730,000).
- Rates and annual charges decreased by \$995,000 to \$41,871,000 (2015 - \$42,866,000). Ordinary rates increased by \$477,000 to \$24,094,000 which is consistent with the approved variation increase for general rates and the movement in land values. Annual charges decreased by \$1,472,000 to \$17,777,000 and have been impacted by the early cut off period. While domestic waste management services decreased by \$310,000 to \$3,920,000, there was an actual 5% increase in charges and additional services provided. Water supply services decreased by \$356,000 to \$4,101,000 but there was an actual 3% increase in charges and additional services provided. Sewerage services decreased by \$736,000 to \$8,376,000, but there was an actual 3% increase in charges and additional services provided.
- User charges and fees decreased by \$3,569,000 to \$32,961,000 (2015 - \$36,530,000) and were impacted by the early cut off period. Water supply services decreased by \$764,000 to \$11,421,000 but there was a 3% increase in the consumption charge and an increase in the number of services provided. Sewerage services decreased by \$193,000 to \$3,374,000 but there was a 2% increase in charges and in the number of services provided. Waste management services non-domestic increased by \$599,000 to \$2,779,000 due to some large demolition contracts in the area where the waste was disposed at the Whylandra Waste Facility. Regulatory and statutory fees decreased by \$527,000 to \$1,679,000 due to decreased building activity within the city over the financial period. Private works decreased by \$172,000 to \$356,000 due to less works performed compared to the previous year. RMS charges - State Roads decreased by \$357,000 to \$1,009,000 due to a decrease in National Highway 17 maintenance compared to the previous year.
- Interest and investment revenue decreased by \$348,000 to \$3,700,000 (2015 - \$4,048,000) and is impacted by the early cut off of period end. Council's cash and cash equivalents at 12 May 2016 were \$7,921,000 higher than the previous year.
- Grant and contributions provided for operating purposes decreased by \$1,349,000 to \$13,964,000 (2015 - \$15,313,000). The financial assistance grant decreased by \$226,000 to \$6,571,000. Transport - roads to recovery increased by \$1,523,000 to \$2,343,000 due to the commencement of a new program and additional funding provided by the Department of Transport. Transport - other roads and bridges funding decreased by \$1,825,000 to \$1,353,000 primarily due to the Troy Junction railway deviation project in the prior year.



- Grants and contributions provided for capital purposes decreased by \$15,829,000 to \$22,494,000 (2015 - \$38,323,000). Capital grants decreased by \$3,127,000 to \$2,294,000. Environmental trust decreased by \$1,630,000 due to projects in the prior year. Bushfire and emergency services decreased by \$1,095,000 due to no new equipment being received this year compared to the prior year. Sporting facilities decreased by \$1,655,000 due to the completion of the Barden Park Sporting Facility in the prior year. Tourism increased by \$625,000 to \$712,000 due to funding for the refurbishment of Old Dubbo Gaol. Environmental trust organics collection increased by \$796,000 due to the first instalment of a grant for the implementation of a composting facility at the Whylandra Waste Facility. Capital contributions decreased by \$12,702,000 to \$20,200,000. Section 94 and Section 64 developer contributions decreased by \$796,000 to \$4,565,000 due to decreased subdivision activity within the city. Non cash contributions for road works, drainage, water, sewerage, footpaths and land under roads decreased collectively by \$11,841,000 to \$15,567,000 due to a reduction in private subdivisions released during the year.
- Other revenue increased by \$20,000 to \$976,000 (2015 - \$956,000). Rental income – other council properties decreased by \$58,000 to \$347,000 due to the early cut off period.
- Council had a gain on disposal of assets of \$1,778,000 (2015 - \$3,926,000) during the year. Real estate assets held for sale generated a surplus of \$2,130,000 (2015 - \$4,488,000) which was mainly due to sales in Keswick estate, while infrastructure, property, plant and equipment generated a loss on disposal of \$352,000 (2015 - \$562,000).
- The employee costs of Council decreased by \$3,049,000 to \$24,892,000 (2015 - \$27,941,000) after capitalisation of costs which has been driven by the early cut off period. The pre capitalisation employee costs decreased by \$3,451,000 to \$28,408,000. Salary and wages decreased by \$2,545,000 to \$21,569,000 due to the early cut off, but there was a general wage increase for all staff and the number of full time equivalent employees increased by 9 to 330.
- Borrowing costs decreased by \$442,000 to \$3,673,000 (2015 - \$4,115,000). Interest on loans decreased by \$289,000 to \$3,648,000 due to the early cut off period.
- Materials and contracts decreased by \$5,680,000 to \$19,522,000 (2015 - \$25,202,000). Raw materials and consumables decreased by \$2,315,000 to \$12,847,000 and contractor and consultancy cost decreased by \$3,331,000 to \$6,115,000. These movements are impacted by the timing and extent of various projects during the period and the early cut off period.
- Depreciation and amortisation decreased by \$7,931,000 to \$21,364,000 (2015 - \$29,295,000) due to the early cut off period and roads decreasing by \$3,955,000 and storm water drainage decreasing by \$1,342,000 as a result of the first year of depreciation following the revaluation in the prior year.
- Other expenses decreased by \$1,899,000 to \$10,475,000 (2015 - \$12,374,000). Electricity and heating decreased by \$829,000 to \$2,288,000 due to the early cut off period and a renegotiation of the electricity contract for Council's various sites resulting in an estimated reduction of 17% across all contestable sites. Insurance decreased by \$274,000 to \$1,231,000 due to the early period cut off and a reduction in premiums for the period.

#### (b) Financial Position

The Statement of Financial Position disclosed that for the period ended 12 May 2016 Council's net assets stood at \$2,019,039,000 (2015 - \$1,978,211,000) which represents an increase of \$40,828,000 being the surplus from continuing operations after capital amounts of \$37,838,000 and the revaluation of infrastructure assets for \$2,990,000 being the indexation of the water and sewerage networks.

To assess the appropriateness or otherwise of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised as follows:-

	12/5/16 \$'000	30/6/15 \$'000
Net current assets	88,722	67,695
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(63,903)	(48,305)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(34,957)	(33,635)
Add: Applicable liabilities (refer Note 10) matched by a current cash restriction		
- Water	2,985	2,028
- Sewerage	2,418	1,806
- Stormwater drainage	238	182
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	7,432	7,208
	<u>2,935</u>	<u>(3,021)</u>
Unrestricted net current asset surplus/(deficit)		
Unrestricted net current assets comprise:		
<i>Unrestricted Current Assets</i>		
Cash and Investments	1,339	2,131
Receivables	10,574	5,173
Inventories	1,322	1,772
Other assets	509	319
	<u>13,744</u>	<u>9,395</u>
Less:		
<i>Unrestricted Current Liabilities</i>		
Payables	(5,574)	(7,427)
Provisions	(10,853)	(10,694)
Borrowings	(1,814)	(1,503)
	<u>(18,241)</u>	<u>(19,624)</u>
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	7,432	7,208
	<u>2,935</u>	<u>(3,021)</u>
Unrestricted net current asset surplus/(deficit)		

The unrestricted net current asset position of Council has increased by \$5,956,000 over the past year to a surplus of \$2,935,000. Coupled with Council's very strong level of internal restrictions, Council is in a very sound position.

#### *Liquidity*

Note 6 to the accounts discloses total cash and investments of \$117,055,000 (2015 - \$109,141,000). Of this amount \$80,759,000 (2015 - \$73,375,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$34,957,000 (2015 - \$33,635,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their management plan.

The unrestricted balance of \$1,339,000 (2015 - \$2,131,000) represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements. Overall, Council's cash position is regarded as financially very strong.

(c) Performance Indicators

Note 13 to the financial statements provide a measure of Council's performance using a number of selected ratios as follows:

*Operating Performance Ratio*

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of a surplus of 14.49% (2015 - 0.79%) exceeds the benchmark of 0%. This is the second year in a row that Council has exceeded the benchmark.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water, Sewer, etc.) may vary significantly.

*Own source operating revenue*

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 68.56% (2015 - 61.14%) is above the benchmark of 60% and indicates Council is not reliant on government grants and contributions to provide services to the community. This is a sound position.

*Unrestricted Current Ratio*

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 4.51:1 (2015 - 3.47:1) is considered strong. The benchmark is a minimum of 1.5:1. Council has been consistently well above this benchmark minimum.

*Debt Service Cover Ratio*

The debt service cover ratio measures the availability of operating cash to service debt including interest, principal and lease payments.

Council's ratio of 5.76:1 (2015 - 5.04:1) is considered sound, as the benchmark is a minimum of 2:1. This result means that Council has \$5.76 of cash to meet every \$1 of debt. It indicates that Council has the ability to borrow further if required.

*Rates and Annual Charges Outstanding Ratio*

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Council's rates and annual charges outstanding percentage of 15.14% (2015 - 4.13%) has been adversely impacted by early period close date of 12 May 2016. The final instalment of rates for ratepayers was not due until 31 May 2016. As a result, rates debtors at 12 May 2016 were still very high. If these subsequent rate payments were taken into account, Council's rates and annual charges outstanding ratio would range from 4% to 5% as has traditionally been the case for many years.

*Cash Expense Cover Ratio*

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Council's ratio of 19.27 months (2015 - 16.01 months) is well above the minimum benchmark of 3 months and indicates that Council is in a very strong cash and investment position.

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**(d) Statement of Cash Flows**

The Statement of Cash Flows reports a net decrease in cash assets held of \$6,043,000 (2015 – increase of \$2,021,000) as follows:

	12/5/16 \$'000	30/6/15 \$'000	Movement \$'000
<b>Cash flow provided by / (used in)</b>			
Operating activities	33,724	39,291	(5,567)
Investing activities	(36,742)	(56,400)	19,658
Financing activities	(3,025)	19,130	(22,155)
Net increase / (decrease) in cash held during the year	<u>(6,043)</u>	<u>2,021</u>	<u>(8,064)</u>

***Cash Flows from Operating Activities***

The net cash flow provided by operating activities totalled \$39,724,000 (2015 - \$39,291,000). The significant movements have been a decrease in rates and annual charges receipts of \$5,815,000, a decrease in user charges and fees receipts of \$6,799,000, a decrease in grants and contributions receipts of \$3,809,000, a decrease in payments for employee benefits and on-costs of \$2,602,000 and a decrease in payments for materials and contracts of \$6,029,000.

***Cash Flows from Investing Activities***

The net cash flow used in investing activities totalled \$36,742,000 (2015 – \$56,400,000). The major cash movements relate to the outflow movement of investments of \$13,953,000 (2015 - \$17,655,000), sale of real estate assets of \$2,934,000 (2015 – 6,643,000) and the acquisition of property, plant and equipment by Council of \$26,985,000 (2015 - \$42,997,000). The major areas of asset acquisition were roads for \$9,246,000, stormwater drainage for \$5,740,000 and sewerage for \$6,192,000.

***Cash Flows from Financing Activities***

The net cash flow used in financing activities was \$3,025,000 (2015 – \$19,130,000 provided by). There were no new borrowings during the year (2015 - \$21,800,000). Repayments of borrowings of \$3,025,000 (2015 - \$2,670,000) were in line with the repayment requirements of the loans.

**(e) Comparison of Actual and Budgeted Performance**

There is no comparison of actual to budgeted performance for Council, as the budgets were developed over a full financial year, whereas Council operated for the period 1 July 2015 to 12 May 2016.

As a result, Council was not required to report budgeted figures and Note 16 is not required.

***Other Matters*****(a) National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, the former Dubbo City Council has prepared special purpose financial statements on its business units for the period ended 12 May 2016. Council has determined that it has seven business units within its operations: Water, Sewerage, Livestock Markets, Airport, Property Development, Caravan Park and Rainbow Cottage.

The Office of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.



An unmodified audit report on the special purpose statements for the period ended 12 May 2016 has been issued.

**(b) Management Letters**

A management letter will be issued in the next few weeks.

**(c) Legislative Compliance**

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements that have come to our attention during the conduct of the audit and that the former Dubbo City Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

**(d) Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the financial statements of the former Dubbo City Council for the period ended 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of these statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

***Conclusion***

- (a) The former Dubbo City Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of this report;
- (b) The former Dubbo City Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of this report; and
- (c) all information relevant to the conduct of the audit has been obtained.



LUKA GROUP

2 River Street  
Dubbo  
Dated: 15 December 2016



JM SHANKS  
PARTNER



# The former Dubbo City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the period 1 July 2015 to 12 May 2016

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*"A vibrant city of lifestyle and opportunity"*



## The former Dubbo City Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

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#### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.
- Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.
- These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
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## The former Dubbo City Council

### Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

**The attached Special Purpose Financial Statements have been prepared in accordance with:**

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

**To the best of our knowledge and belief, these financial statements:**

- present fairly the operating result and financial position for each of Council's declared business activities for the period, and
- accord with Council's accounting and other records.

**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Dubbo Regional Council made on 28 November 2016.**

  
\_\_\_\_\_  
Michael Kneipp  
Administrator

  
\_\_\_\_\_  
Mark Riley  
Interim General Manager

  
\_\_\_\_\_  
Craig Giffin  
Responsible Accounting Officer

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## The former Dubbo City Council

Income Statement of Council's Water Supply Business Activity  
for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Income from continuing operations</b>		
Access charges	4,494	4,868
User charges	11,736	12,603
Fees	-	-
Interest	537	406
Grants and contributions provided for non-capital purposes	83	95
Profit from the sale of assets	-	-
Other income	35	38
<b>Total income from continuing operations</b>	<b>16,885</b>	<b>18,010</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,626	3,671
Borrowing costs	1,275	1,364
Materials and contracts	2,937	3,239
Depreciation and impairment	3,394	3,597
Loss on sale of assets	284	98
Calculated taxation equivalents	82	78
Debt guarantee fee (if applicable)	-	-
Other expenses	1,679	2,096
<b>Total expenses from continuing operations</b>	<b>13,277</b>	<b>14,143</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>3,608</b>	<b>3,867</b>
Grants and contributions provided for capital purposes	3,398	2,949
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>7,006</b>	<b>6,816</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from all operations before tax</b>	<b>7,006</b>	<b>6,816</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,082)	(1,160)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>5,924</b>	<b>5,656</b>
<b>Plus opening retained profits</b>	<b>118,457</b>	<b>111,563</b>
<b>Plus/less: prior period adjustments</b>	<b>-</b>	<b>-</b>
<b>Plus adjustments for amounts unpaid:</b>		
- Taxation equivalent payments	82	78
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1,082	1,160
<b>Less:</b>		
- Tax equivalent dividend paid	-	-
- Surplus dividend paid	-	-
<b>Closing retained profits</b>	<b>125,545</b>	<b>118,457</b>
<b>Return on capital %</b>	<b>2.8%</b>	<b>3.1%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	5,924	5,656
Less: capital grants and contributions (excluding developer contributions)	(2,174)	(1,388)
<b>Surplus for dividend calculation purposes</b>	<b>3,750</b>	<b>4,268</b>
<b>Potential dividend calculated from surplus</b>	<b>1,875</b>	<b>2,134</b>

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## The former Dubbo City Council

Income Statement of Council's Sewerage Business Activity  
for the period 1 July 2015 to 12 May 2016

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>Income from continuing operations</b>		
Access charges	8,284	9,002
User charges	3,387	3,588
Liquid trade waste charges	16	14
Fees	406	651
Interest	1,265	1,614
Grants and contributions provided for non-capital purposes	81	93
Profit from the sale of assets	-	-
Other income	45	58
<b>Total income from continuing operations</b>	<b>13,484</b>	<b>15,020</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	3,030	3,142
Borrowing costs	813	683
Materials and contracts	1,683	1,620
Depreciation and impairment	4,260	4,453
Loss on sale of assets	82	70
Calculated taxation equivalents	225	250
Other expenses	1,012	1,111
<b>Total expenses from continuing operations</b>	<b>11,105</b>	<b>11,329</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,379</b>	<b>3,691</b>
Grants and contributions provided for capital purposes	2,520	3,830
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,899</b>	<b>7,521</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from all operations before tax</b>	<b>4,899</b>	<b>7,521</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(714)	(1,107)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,185</b>	<b>6,414</b>
Plus opening retained profits	152,093	144,322
Plus/less: prior period adjustments	-	-
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	225	250
- Debt guarantee fees	-	-
- Corporate taxation equivalent	714	1,107
Less:		
- Tax equivalent dividend paid	-	-
- Surplus dividend paid	-	-
<b>Closing retained profits</b>	<b>157,217</b>	<b>152,093</b>
<b>Return on capital %</b>	<b>1.7%</b>	<b>2.4%</b>
<b>Subsidy from Council</b>	<b>1,067</b>	<b>1,078</b>
Calculation of dividend payable:		
Surplus (deficit) after tax	4,185	6,414
Less: capital grants and contributions (excluding developer contributions)	(1,289)	(2,496)
<b>Surplus for dividend calculation purposes</b>	<b>2,896</b>	<b>3,918</b>
<b>Potential dividend calculated from surplus</b>	<b>1,448</b>	<b>1,959</b>

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## The former Dubbo City Council

## Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Dubbo City Regional Airport		Livestock Markets	
	Category 1		Category 1	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>\$ '000</b>				
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	2,797	3,198	3,280	4,013
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	12	–
Profit from the sale of assets	–	–	–	–
Other income	131	146	28	28
<b>Total income from continuing operations</b>	<b>2,928</b>	<b>3,344</b>	<b>3,320</b>	<b>4,041</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	320	390	416	439
Borrowing costs	80	87	–	–
Materials and contracts	1,568	1,987	967	1,249
Depreciation and impairment	625	807	917	932
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	99	97	8	7
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	211	294	166	210
<b>Total expenses from continuing operations</b>	<b>2,903</b>	<b>3,662</b>	<b>2,474</b>	<b>2,837</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>25</b>	<b>(318)</b>	<b>846</b>	<b>1,204</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>25</b>	<b>(318)</b>	<b>846</b>	<b>1,204</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>25</b>	<b>(318)</b>	<b>846</b>	<b>1,204</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(8)	–	(254)	(361)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>18</b>	<b>(318)</b>	<b>592</b>	<b>843</b>
Plus opening retained profits	11,631	12,497	11,225	10,251
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	99	97	8	7
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	8	–	254	361
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	–	(645)	–	(237)
<b>Closing retained profits</b>	<b>11,755</b>	<b>11,631</b>	<b>12,079</b>	<b>11,225</b>
<b>Return on capital %</b>	<b>0.4%</b>	<b>-0.9%</b>	<b>5.0%</b>	<b>7.0%</b>
<b>Subsidy from Council</b>	<b>511</b>	<b>1,046</b>	<b>–</b>	<b>–</b>

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## The former Dubbo City Council

## Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

	Property Development Category 2		Dubbo City Holiday Park Category 2	
	Actual	Actual	Actual	Actual
	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>\$ '000</b>				
<b>Income from continuing operations</b>				
Access charges	–	–	–	–
User charges	–	–	1,353	1,487
Fees	–	–	–	–
Interest	50	54	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	1,381	4,487	79	–
Other income	11	74	–	23
<b>Total income from continuing operations</b>	<b>1,442</b>	<b>4,615</b>	<b>1,432</b>	<b>1,510</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	–	–	–	22
Borrowing costs	–	–	–	–
Materials and contracts	1,363	2,676	931	936
Depreciation and impairment	–	–	138	185
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	249	215	63	69
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	–	1	174	214
<b>Total expenses from continuing operations</b>	<b>1,612</b>	<b>2,892</b>	<b>1,306</b>	<b>1,426</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(170)</b>	<b>1,723</b>	<b>126</b>	<b>84</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(170)</b>	<b>1,723</b>	<b>126</b>	<b>84</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(170)</b>	<b>1,723</b>	<b>126</b>	<b>84</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(517)	(38)	(25)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(170)</b>	<b>1,206</b>	<b>88</b>	<b>59</b>
Plus opening retained profits	7,279	5,445	2,148	1,995
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	249	215	63	69
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	–	517	38	25
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	–
<b>Less:</b>				
– TER dividend paid	–	–	–	–
– Dividend paid	–	(104)	–	–
<b>Closing retained profits</b>	<b>7,358</b>	<b>7,279</b>	<b>2,337</b>	<b>2,148</b>
Return on capital %	n/a	n/a	2.7%	1.9%
Subsidy from Council	170	–	–	49

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## The former Dubbo City Council

Income Statement of Council's Other Business Activities  
for the period 1 July 2015 to 12 May 2016

	Rainbow Cottage	
	Category 2	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
<b>\$ '000</b>		
<b>Income from continuing operations</b>		
Access charges	–	–
User charges	549	636
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	387	441
Profit from the sale of assets	–	–
Other income	186	–
<b>Total income from continuing operations</b>	<b>1,122</b>	<b>1,077</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	752	850
Borrowing costs	–	–
Materials and contracts	250	236
Depreciation and impairment	24	54
Loss on sale of assets	–	–
Calculated taxation equivalents	7	4
Debt guarantee fee (if applicable)	–	–
Other expenses	19	24
<b>Total expenses from continuing operations</b>	<b>1,052</b>	<b>1,168</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>70</b>	<b>(91)</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>70</b>	<b>(91)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>70</b>	<b>(91)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(21)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>49</b>	<b>(91)</b>
Plus opening retained profits	197	284
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	7	4
– Debt guarantee fees	–	–
– Corporate taxation equivalent	21	–
<b>Add:</b>		
– Subsidy paid/contribution to operations	–	–
<b>Less:</b>		
– TER dividend paid	–	–
– Dividend paid	–	–
<b>Closing retained profits</b>	<b>274</b>	<b>197</b>
<b>Return on capital %</b>	<b>10.5%</b>	<b>-13.3%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>112</b>

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## The former Dubbo City Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,560	9,788
Investments	20,500	11,800
Receivables	5,578	3,333
Inventories	181	166
Other	20	16
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>29,839</b>	<b>25,103</b>
<b>Non-current assets</b>		
Investments	–	1,000
Receivables	331	305
Inventories	–	–
Infrastructure, property, plant and equipment	175,796	170,788
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	45	45
<b>Total non-current assets</b>	<b>176,172</b>	<b>172,138</b>
<b>TOTAL ASSETS</b>	<b>206,011</b>	<b>197,241</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	953	293
Borrowings	1,088	807
Provisions	944	928
<b>Total current liabilities</b>	<b>2,985</b>	<b>2,028</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	22,792	23,643
Provisions	43	51
<b>Total non-current liabilities</b>	<b>22,835</b>	<b>23,694</b>
<b>TOTAL LIABILITIES</b>	<b>25,820</b>	<b>25,722</b>
<b>NET ASSETS</b>	<b>180,191</b>	<b>171,519</b>
<b>EQUITY</b>		
Retained earnings	125,545	118,457
Revaluation reserves	54,646	53,062
Council equity interest	180,191	171,519
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>180,191</b>	<b>171,519</b>

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## The former Dubbo City Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 12 May 2016

\$ '000	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,315	6,086
Investments	24,000	15,050
Receivables	2,321	1,905
Inventories	–	–
Other	12	4
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>27,648</b>	<b>23,045</b>
<b>Non-current assets</b>		
Investments	11,000	14,000
Receivables	199	183
Inventories	–	–
Infrastructure, property, plant and equipment	184,388	180,516
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>195,587</b>	<b>194,699</b>
<b>TOTAL ASSETS</b>	<b>223,235</b>	<b>217,744</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	331	219
Borrowings	2,087	1,587
Provisions	–	–
<b>Total current liabilities</b>	<b>2,418</b>	<b>1,806</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	17,425	19,085
Provisions	–	–
<b>Total non-current liabilities</b>	<b>17,425</b>	<b>19,085</b>
<b>TOTAL LIABILITIES</b>	<b>19,843</b>	<b>20,891</b>
<b>NET ASSETS</b>	<b>203,392</b>	<b>196,853</b>
<b>EQUITY</b>		
Retained earnings	157,217	152,093
Revaluation reserves	46,175	44,760
Council equity interest	203,392	196,853
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>203,392</b>	<b>196,853</b>

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## The former Dubbo City Council

## Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Dubbo City Regional Airport		Livestock Markets	
	Category 1		Category 1	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	1	1	-	-
Investments	1,223	352	4,820	3,668
Receivables	123	445	342	266
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>1,347</b>	<b>798</b>	<b>5,162</b>	<b>3,934</b>
<b>Non-current assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	26,668	26,983	16,849	17,223
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Intangible assets	-	-	-	-
Other	-	-	-	-
<b>Total non-current assets</b>	<b>26,668</b>	<b>26,983</b>	<b>16,849</b>	<b>17,223</b>
<b>TOTAL ASSETS</b>	<b>28,015</b>	<b>27,781</b>	<b>22,011</b>	<b>21,157</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	-	-	-	-
Payables	135	109	40	72
Borrowings	372	-	-	-
Provisions	204	197	138	119
<b>Total current liabilities</b>	<b>711</b>	<b>306</b>	<b>178</b>	<b>191</b>
<b>Non-current liabilities</b>				
Payables	-	-	-	-
Borrowings	1,326	1,628	-	-
Provisions	7	4	15	6
<b>Total non-current liabilities</b>	<b>1,333</b>	<b>1,632</b>	<b>15</b>	<b>6</b>
<b>TOTAL LIABILITIES</b>	<b>2,044</b>	<b>1,938</b>	<b>193</b>	<b>197</b>
<b>NET ASSETS</b>	<b>25,971</b>	<b>25,843</b>	<b>21,818</b>	<b>20,960</b>
<b>EQUITY</b>				
Retained earnings	11,755	11,631	12,079	11,225
Revaluation reserves	14,216	14,212	9,739	9,735
Council equity interest	25,971	25,843	21,818	20,960
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>25,971</b>	<b>25,843</b>	<b>21,818</b>	<b>20,960</b>

## The former Dubbo City Council

## Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Property Development		Dubbo City Holiday Park	
	Category 2		Category 2	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	1	–
Investments	3,993	3,963	1,122	603
Receivables	27	438	–	–
Inventories	622	1,077	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
<b>Total Current Assets</b>	<b>4,642</b>	<b>5,478</b>	<b>1,123</b>	<b>603</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	902	–	–	–
Inventories	1,814	1,801	–	–
Infrastructure, property, plant and equipment	–	–	4,703	4,414
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Other	–	–	–	–
<b>Total non-current assets</b>	<b>2,716</b>	<b>1,801</b>	<b>4,703</b>	<b>4,414</b>
<b>TOTAL ASSETS</b>	<b>7,358</b>	<b>7,279</b>	<b>5,826</b>	<b>5,017</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	100	61
Borrowings	–	–	282	–
Provisions	–	–	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>	<b>382</b>	<b>61</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	299	–
Provisions	–	–	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>299</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>	<b>681</b>	<b>61</b>
<b>NET ASSETS</b>	<b>7,358</b>	<b>7,279</b>	<b>5,145</b>	<b>4,956</b>
<b>EQUITY</b>				
Retained earnings	7,358	7,279	2,337	2,148
Revaluation reserves	–	–	2,808	2,808
Council equity interest	7,358	7,279	5,145	4,956
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>7,358</b>	<b>7,279</b>	<b>5,145</b>	<b>4,956</b>

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## The former Dubbo City Council

## Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

\$ '000	Rainbow Cottage	
	Category 2	
	Actual 12/5/16	Actual 30/6/15
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	216
Investments	311	–
Receivables	–	–
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>311</b>	<b>216</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	668	682
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>668</b>	<b>682</b>
<b>TOTAL ASSETS</b>	<b>979</b>	<b>898</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	10	9
Borrowings	–	–
Provisions	203	203
<b>Total current liabilities</b>	<b>213</b>	<b>212</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	6	3
<b>Total non-current liabilities</b>	<b>6</b>	<b>3</b>
<b>TOTAL LIABILITIES</b>	<b>219</b>	<b>215</b>
<b>NET ASSETS</b>	<b>760</b>	<b>683</b>
<b>EQUITY</b>		
Retained earnings	274	197
Revaluation reserves	486	486
Council equity interest	760	683
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>760</b>	<b>683</b>

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## The former Dubbo City Council

### Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	14
2	Water Supply Business Best-Practice Management disclosure requirements	17
3	Sewerage Business Best-Practice Management disclosure requirements	19

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## The former Dubbo City Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies

These financial statements are Special Purpose Financial Statements prepared for use by Council and the Office of Local Government.

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the Special Purpose Financial Statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the Special Purpose Financial Statements have been prepared in accordance with:

- the Local Government Act NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, Application of National Competition Policy to Local Government.

The Pricing and Costing for Council Businesses, A Guide to Competitive Neutrality, issued by the Office of Local Government in July 1997, has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared Business Activities

In accordance with Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality, Council has declared that the following are to be considered as business activities:

##### Category 1

(where gross operating turnover is over \$2 million)

##### a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the city of Dubbo and the villages of Wongarbron, Ballimore and Brocklehurst.

##### b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the City of Dubbo and the villages of Wongarbron and Brocklehurst.

##### c. Dubbo City Regional Airport

Comprising the whole of the Airport operations and assets located on Coreena Road.

##### d. Dubbo Regional Livestock Markets

Comprising the whole of the Livestock Markets operations and net assets located on Boothernba Road.

##### Category 2

(where gross operating turnover is less than \$2 million)

##### a. Property Development

Council's property development function competes with other private land developers in Dubbo in the development of both industrial and residential land for purchase.

NB. The surplus on disposal of land is disclosed in the Income Statement of the Business Activities as Operating Revenue. In

## The former Dubbo City Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies (continued)

the General Purpose Financial Reports this is disclosed as Gain/(Loss) on disposal of assets.

##### b. Dubbo City Holiday Park

Comprising the whole of the Holiday Park operations and net assets located on Whylandra Street.

The park offers accommodation for caravans, provides cabin accommodation as well as tent sites. The Dubbo City Caravan Park is in direct competition with other caravan parks within Dubbo.

##### c. Rainbow Cottage Long Day Care Centre

Rainbow Cottage, located in Mitchell Street, provides day care for children between 0 and 5 years.

Several other long day care facilities operate within Dubbo, and Rainbow Cottage is in direct competition with these centres.

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

##### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied

to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

#### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested.

Accordingly, the return on capital invested is set at a pre-tax level (gain or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved.

## The former Dubbo City Council

### Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

#### Note 1. Significant accounting policies (continued)

Since this taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations, it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the period.

##### Local Government Rates and Charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

##### Loan and Debt Guarantee Fees

Council has determined that there is no significant differential between the Council borrowing rate and the rates that are available to commercial operations, and therefore has not included a loan and debt guarantee component.

##### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from rate of return pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

##### (iii) Return on investments (Rate of Return)

The policy statement requires that councils with Category 1 businesses would be expected to generate a return on capital funds employed that is

comparable to rates of return for private businesses operating in a similar field.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The rate of return on capital is calculated as follows:

##### Operating result before capital income + interest expense

**Written down value of Infrastructure, Property, Plant & Equipment as at 12 May**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

##### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local Government Water Supply and Sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 12 May 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewerage Guidelines, a Dividend Payment Form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## The former Dubbo City Council

Notes to the Special Purpose Financial Statements  
for the period 1 July 2015 to 12 May 2016Note 2. Water supply business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

12/5/16

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i) Calculated tax equivalents	82,000
(ii) Number of assessments multiplied by \$3/assessment	47,859
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	47,859
(iv) Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,874,800
(ii) Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	430,731
(iii) Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	10,291,400

2016 Surplus	3,749,600	2015 Surplus	4,267,900	2014 Surplus	2,273,900
		2015 Dividend	-	2014 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	430,731
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i) Completion of strategic business plan (including financial plan)	YES
(ii) Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
– Complying charges [item 2 (b) in table 1]	YES
– DSP with commercial developer charges [item 2 (e) in table 1]	YES
– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii) Sound water conservation and demand management implemented	YES
(iv) Sound drought management implemented	YES
(v) Complete performance reporting form (by 15 September each year)	YES
(vi) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	YES



## The former Dubbo City Council

Notes to the Special Purpose Financial Statements  
for the period 1 July 2015 to 12 May 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)		12/5/16
<b>National Water Initiative (NWI) financial performance indicators</b>		
<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000 19,746
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	% 74.10%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000 174,904
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000 7,652
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000 6,168
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	% 5.10%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000 –

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

## The former Dubbo City Council

Notes to the Special Purpose Financial Statements  
for the period 1 July 2015 to 12 May 2016Note 3. Sewerage business  
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

12/5/16

**1. Calculation and payment of tax-equivalents**

[all local government local water utilities must pay this dividend for tax equivalents]

(i) Calculated tax equivalents	225,000
(ii) Number of assessments multiplied by \$3/assessment	44,649
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	44,649
(iv) Amounts actually paid for tax equivalents	-

**2. Dividend from surplus**

(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,448,150
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	401,841
(iii) Cumulative surplus before dividends for the 3 years to 12 May 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	8,923,700

2016 Surplus	2,896,300	2015 Surplus	3,917,700	2014 Surplus	2,109,700
		2015 Dividend	-	2014 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	401,841
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 4 criteria**

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i) Completion of strategic business plan (including financial plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
Complying charges (a) Residential [item 2 (c) in table 1]	YES
(b) Non-residential [item 2 (c) in table 1]	YES
(c) Trade waste [item 2 (d) in table 1]	YES
DSP with commercial developer charges [item 2 (e) in table 1]	YES
Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii) Complete performance reporting form (by 15 September each year)	YES
(iv) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	YES

## The former Dubbo City Council

Notes to the Special Purpose Financial Statements  
for the period 1 July 2015 to 12 May 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)Dollars amounts shown below are in whole dollars (unless otherwise indicated) 12/5/16**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	14,739
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	183,644
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	5,781
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	7,600
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.63%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

**National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)**

<b>NWI F3</b>	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	34,119
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.48%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	13,768
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	3.83%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%



## The former Dubbo City Council

Notes to the Special Purpose Financial Statements  
for the period 1 July 2015 to 12 May 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 12/5/16


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National Water Initiative (NWI) financial performance indicators  
Water and sewer (combined)

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-4.43%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and tax (EBIT): <span style="border: 1px solid black; padding: 0 10px;">13,804</span> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)  Net interest: <span style="border: 1px solid black; padding: 0 10px;">286</span> Interest expense (w4a + s4a) – interest income (w9 + s10)		-
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	12,212
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	164

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
  2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
    - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

# Luka Group

ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF THE FORMER DUBBO CITY COUNCIL

### Report on the Financial Statements

We have audited the special purpose financial statements of the former Dubbo City Council for the period 1 July 2015 to 12 May 2016, comprising the Statement by Councillors and Management, Income Statement by Business Activities, Statement of Financial Position by Business Activities and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

### Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.



Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

**Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the financial statements of the former Dubbo City Council for the period 1 July 2015 to 12 May 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial statements presented on this web site.

**Audit Opinion**

In our opinion, the special purpose financial statements of the former Dubbo City Council is presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

**Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describe the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.



LUKA GROUP

2 River Street  
Dubbo  
Dated: 15 December 2016

  
JM SHANKS  
PARTNER

# The former Dubbo City Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

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*"A vibrant city of lifestyle and opportunity"*



## The former Dubbo City Council

### Special Schedules

for the period 1 July 2015 to 12 May 2016

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<sup>1</sup> Special Schedules are not audited.

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#### Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

## The former Dubbo City Council

Special Schedule 1 – Net Cost of Services  
for the period 1 July 2015 to 12 May 2016

\$'000				
Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	1,470	22	–	(1,448)
<b>Administration</b>	1,039	1,048	–	9
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,442	202	22	(1,218)
Beach control	76	–	–	(76)
Enforcement of local government regulations	317	1	–	(316)
Animal control	807	200	–	(607)
Other	13	–	–	(13)
<b>Total public order and safety</b>	<b>2,655</b>	<b>403</b>	<b>22</b>	<b>(2,230)</b>
<b>Health</b>	<b>163</b>	<b>47</b>	<b>–</b>	<b>(116)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	250	45	–	(205)
Other environmental protection	236	26	–	(210)
Solid waste management	5,248	7,030	804	2,586
Street cleaning	276	–	–	(276)
Drainage	1,582	1,140	5,948	5,506
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>7,592</b>	<b>8,241</b>	<b>6,752</b>	<b>7,401</b>
<b>Community services and education</b>				
Administration and education	591	93	–	(498)
Social protection (welfare)	274	2	–	(272)
Aged persons and disabled	–	–	–	–
Children's services	2,731	2,541	–	(190)
<b>Total community services and education</b>	<b>3,596</b>	<b>2,636</b>	<b>–</b>	<b>(960)</b>
<b>Housing and community amenities</b>				
Public cemeteries	278	152	–	(126)
Public conveniences	–	–	–	–
Street lighting	763	127	–	(636)
Town planning	1,334	558	–	(776)
Other community amenities	36	–	–	(36)
<b>Total housing and community amenities</b>	<b>2,411</b>	<b>837</b>	<b>–</b>	<b>(1,574)</b>
<b>Water supplies</b>	<b>12,594</b>	<b>16,601</b>	<b>2,663</b>	<b>6,670</b>
<b>Sewerage services</b>	<b>10,793</b>	<b>13,402</b>	<b>2,506</b>	<b>5,115</b>

## The former Dubbo City Council

Special Schedule 1 – Net Cost of Services (continued)  
for the period 1 July 2015 to 12 May 2016

\$'000				
Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,767	135	–	(1,632)
Museums	–	–	–	–
Art galleries	1,664	292	60	(1,312)
Community centres and halls	–	–	–	–
Performing arts venues	2,951	1,264	–	(1,687)
Other performing arts	–	–	–	–
Other cultural services	991	8	–	(983)
Sporting grounds and venues	3,710	210	–	(3,500)
Swimming pools	793	296	–	(497)
Parks and gardens (lakes)	1,548	195	636	(717)
Other sport and recreation	1,264	201	68	(995)
<b>Total recreation and culture</b>	<b>14,688</b>	<b>2,601</b>	<b>764</b>	<b>(11,323)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	1,537	831	–	(706)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>1,537</b>	<b>831</b>	–	<b>(706)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	4,187	1,705	7,374	4,892
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	3,114	2,191	338	(585)
Sealed rural roads (SRR) – regional	338	464	–	126
Unsealed rural roads (URR) – local	1,890	–	–	(1,890)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	13	–	–	(13)
Bridges on SRR – local	175	–	–	(175)
Bridges on URR – local	37	–	–	(37)
Bridges on regional roads	30	–	–	(30)
Parking areas	109	–	–	(109)
Footpaths	530	48	101	(381)
Aerodromes	2,729	2,928	–	199
Other transport and communication	2,323	1,213	1,261	151
<b>Total transport and communication</b>	<b>15,475</b>	<b>8,549</b>	<b>9,074</b>	<b>2,148</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	1,212	1,433	–	221
Other economic affairs	4,701	6,362	713	2,374
<b>Total economic affairs</b>	<b>5,913</b>	<b>7,795</b>	<b>713</b>	<b>2,595</b>
<b>Totals – functions</b>	<b>79,926</b>	<b>63,013</b>	<b>22,494</b>	<b>5,581</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>32,237</b>		<b>32,237</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	<b>20</b>		<b>20</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>79,926</b>	<b>95,270</b>	<b>22,494</b>	<b>37,838</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As per the Income Statement



## The former Dubbo City Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	3,897	67,259	<b>71,156</b>	–	3,025	–	–	3,648	4,989	63,142	<b>68,131</b>
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>3,897</b>	<b>67,259</b>	<b>71,156</b>	–	<b>3,025</b>	–	–	<b>3,648</b>	<b>4,989</b>	<b>63,142</b>	<b>68,131</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	–	–	–	–	–	–	–	–	–	–	–
<b>Total debt</b>	<b>3,897</b>	<b>67,259</b>	<b>71,156</b>	–	<b>3,025</b>	–	–	<b>3,648</b>	<b>4,989</b>	<b>63,142</b>	<b>68,131</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which is reported in the GPFS).

## The former Dubbo City Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals	Actuals
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	2,669	2,396
b. Engineering and supervision	406	421
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	107	203
d. Maintenance expenses	782	1,095
– Reservoirs		
e. Operation expenses	30	19
f. Maintenance expenses	88	225
– Pumping stations		
g. Operation expenses (excluding energy costs)	35	55
h. Energy costs	143	223
i. Maintenance expenses	40	39
– Treatment		
j. Operation expenses (excluding chemical costs)	1,822	2,137
k. Chemical costs	740	858
l. Maintenance expenses	387	361
– Other		
m. Operation expenses	395	442
n. Maintenance expenses	8	4
o. Purchase of water	–	–
<b>3. Depreciation expenses</b>		
a. System assets	3,060	3,435
b. Plant and equipment	77	84
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	1,275	1,364
b. Revaluation decrements	–	–
c. Other expenses	847	607
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>12,911</b>	<b>13,968</b>

## The former Dubbo City Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	3,093	3,355
b. Usage charges	8,849	9,391
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,397	1,513
b. Usage charges	2,559	2,778
<b>8. Extra charges</b>	-	-
<b>9. Interest income</b>	537	406
<b>10. Other income</b>	435	488
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	-	-
<b>11. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	83	95
c. Other grants	-	-
<b>12. Contributions</b>		
a. Developer charges	1,224	1,561
b. Developer provided assets	1,371	1,373
c. Other contributions	735	-
<b>13. Total income</b>	<b>20,283</b>	<b>20,960</b>
<b>14. Gain (or loss) on disposal of assets</b>	<b>(284)</b>	<b>(98)</b>
<b>15. Operating result</b>	<b>7,088</b>	<b>6,894</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	<b>7,088</b>	<b>6,894</b>

## The former Dubbo City Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	2,606	387
c. Renewals	3,527	1,635
d. Plant and equipment	35	140
<b>17. Repayment of debt</b>	567	460
<b>18. Totals</b>	<u>6,735</u>	<u>2,622</u>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	15	39
<b>20. Borrowing utilised</b>	–	3,800
<b>21. Totals</b>	<u>15</u>	<u>3,839</u>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	14,071	13,998
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	1,882	1,852
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>23. Number of ETs for which developer charges were received</b>	223 ET	166 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 173,883	\$ 173,160

## The former Dubbo City Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	24,060	–	24,060
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	147	–	147
c. User charges	5,242	271	5,513
d. Other	189	60	249
<b>27. Inventories</b>	181	–	181
<b>28. Property, plant and equipment</b>			
a. System assets	–	174,904	174,904
b. Plant and equipment	–	892	892
<b>29. Other assets</b>	20	45	65
<b>30. Total assets</b>	<u>29,839</u>	<u>176,172</u>	<u>206,011</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	953	–	953
<b>33. Borrowings</b>	1,088	22,792	23,880
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	944	43	987
<b>35. Total liabilities</b>	<u>2,985</u>	<u>22,835</u>	<u>25,820</u>
<b>36. NET ASSETS COMMITTED</b>	<u>26,854</u>	<u>153,337</u>	<u>180,191</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			125,545
<b>38. Asset revaluation reserve</b>			54,646
<b>39. TOTAL EQUITY</b>			<u>180,191</u>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			232,810
<b>41. Accumulated current cost</b> depreciation of system assets			(57,906)
<b>42. Written down current cost</b> of system assets			<u>174,904</u>

## The former Dubbo City Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals	Actuals
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	2,489	2,326
b. Engineering and supervision	247	241
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	637	418
b. Maintenance expenses	–	–
– Pumping stations		
c. Operation expenses (excluding energy costs)	151	214
d. Energy costs	123	175
e. Maintenance expenses	239	243
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,033	1,215
g. Chemical costs	20	29
h. Energy costs	403	427
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	254	233
– Other		
l. Operation expenses	171	190
m. Maintenance expenses	14	31
<b>3. Depreciation expenses</b>		
a. System assets	4,037	4,350
b. Plant and equipment	74	100
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	813	683
b. Revaluation decrements	–	–
c. Other expenses	93	134
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>10,798</b>	<b>11,009</b>

## The former Dubbo City Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	11,255	12,170
<b>7. Non-residential charges</b>		
a. Access (including rates)	-	-
b. Usage charges	-	-
<b>8. Trade waste charges</b>		
a. Annual fees	410	409
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	-	-
<b>10. Interest income</b>	1,265	1,614
<b>11. Other income</b>	690	1,031
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	-	-
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	81	93
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	1,231	1,468
b. Developer provided assets	1,058	2,065
c. Other contributions	14	-
<b>14. Total income</b>	<u>16,004</u>	<u>18,850</u>
<b>15. Gain (or loss) on disposal of assets</b>	(82)	(70)
<b>16. Operating result</b>	<u>5,124</u>	<u>7,771</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	5,124	7,771



## The former Dubbo City Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the period 1 July 2015 to 12 May 2016

\$'000	Actuals 1/7/15 to 12/5/16	Actuals 1/7/14 to 30/6/15
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	7,182	17,560
c. Renewals	334	1,200
d. Plant and equipment	84	163
<b>18. Repayment of debt</b>	1,160	807
<b>19. Totals</b>	<b>8,760</b>	<b>19,730</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	29	87
<b>21. Borrowing utilised</b>	–	18,000
<b>22. Totals</b>	<b>29</b>	<b>18,087</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	13,488	13,416
b. Residential (unoccupied, ie. vacant lot)	–	–
c. Non-residential (occupied)	1,395	1,381
d. Non-residential (unoccupied, ie. vacant lot)	–	–
<b>24. Number of ETs for which developer charges were received</b>	224 ET	188 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 169,901	\$ 169,360

## The former Dubbo City Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 12 May 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	25,315	11,000	36,315
<b>27. Receivables</b>			
a. Specific purpose grants	10	–	10
b. Rates and availability charges	1,831	199	2,030
c. User charges	–	–	–
d. Other	479	–	479
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	183,644	183,644
b. Plant and equipment	–	744	744
<b>30. Other assets</b>	13	–	13
<b>31. Total assets</b>	<u>27,648</u>	<u>195,587</u>	<u>223,235</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	331	–	331
<b>34. Borrowings</b>	2,087	17,425	19,512
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>2,418</u>	<u>17,425</u>	<u>19,843</u>
<b>37. NET ASSETS COMMITTED</b>	<u>25,230</u>	<u>178,162</u>	<u>203,392</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			157,218
<b>39. Asset revaluation reserve</b>			46,174
<b>40. TOTAL EQUITY</b>			<u>203,392</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			267,480
<b>42. Accumulated current cost</b> depreciation of system assets			(83,836)
<b>43. Written down current cost</b> of system assets			<u>183,644</u>

## The former Dubbo City Council

### Notes to Special Schedules 3 and 5 for the period 1 July 2015 to 12 May 2016

#### Administration <sup>(1)</sup>

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

#### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## The former Dubbo City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	2,050	–	32	11	67,151	133,083	50%	39%	9%	2%	0%
	<b>Sub-total</b>	<b>2,050</b>	<b>–</b>	<b>32</b>	<b>11</b>	<b>67,151</b>	<b>133,083</b>	<b>50.0%</b>	<b>39.0%</b>	<b>9.0%</b>	<b>2.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	–	–	–	–	52,956	101,604					100%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>52,956</b>	<b>101,604</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>
<b>Roads</b>	Sealed roads	7,761	–	2,255	1,881	647,245	789,771	36%	30%	27%	6%	1%
	Unsealed roads	–	–	911	782	43,590	62,224	2%	13%	19%	52%	14%
	Bridges	250	–	122	54	11,545	19,020	34%	57%	6%	0%	3%
	Footpaths	715	–	198	159	24,800	32,873	68%	23%	6%	2%	1%
	Other road assets	–	–	296	190	145,695	175,570	37%	35%	26%	2%	0%
	Bulk earthworks	–	–	–	–	240,343	240,343	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>8,726</b>	<b>–</b>	<b>3,782</b>	<b>3,066</b>	<b>1,113,218</b>	<b>1,319,801</b>	<b>47.0%</b>	<b>24.6%</b>	<b>20.7%</b>	<b>6.4%</b>	<b>1.3%</b>
<b>Water supply network</b>	Other	4,469	–	1,693	1,272	163,988	218,131	44%	38%	15%	2%	1%
	<b>Sub-total</b>	<b>4,469</b>	<b>–</b>	<b>1,693</b>	<b>1,272</b>	<b>163,988</b>	<b>218,131</b>	<b>44.0%</b>	<b>38.0%</b>	<b>15.0%</b>	<b>2.0%</b>	<b>1.0%</b>
<b>Sewerage network</b>	Other	6,334	–	969	927	173,331	230,266	53%	26%	16%	4%	1%
	<b>Sub-total</b>	<b>6,334</b>	<b>–</b>	<b>969</b>	<b>927</b>	<b>173,331</b>	<b>230,266</b>	<b>44.0%</b>	<b>38.0%</b>	<b>15.0%</b>	<b>2.0%</b>	<b>1.0%</b>

## The former Dubbo City Council

## Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Other	1,903	–	55	67	180,594	204,805	52%	39%	8%	0%	1%
	<b>Sub-total</b>	<b>1,903</b>	<b>–</b>	<b>55</b>	<b>67</b>	<b>180,594</b>	<b>204,805</b>	<b>52.0%</b>	<b>39.0%</b>	<b>8.0%</b>	<b>0.0%</b>	<b>1.0%</b>
Open space/recreational assets	Swimming pools	–	–	31	32	1,822	3,287	29%	55%	12%	3%	1%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>31</b>	<b>32</b>	<b>1,822</b>	<b>3,287</b>	<b>29.0%</b>	<b>55.0%</b>	<b>12.0%</b>	<b>3.0%</b>	<b>1.0%</b>
Other infrastructure assets	Other	–	–	4	26	15,785	32,129	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>26</b>	<b>15,785</b>	<b>32,129</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>23,482</b>	<b>–</b>	<b>6,566</b>	<b>5,401</b>	<b>1,768,845</b>	<b>2,243,106</b>	<b>46.5%</b>	<b>26.8%</b>	<b>16.6%</b>	<b>4.5%</b>	<b>5.6%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## The former Dubbo City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	14,707	77.41%	100.47%	10.76%
Depreciation, amortisation and impairment	18,999			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	23,482	1.53%	0.95%	1.00%
Carrying value of infrastructure assets	1,530,927			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	5,401	0.82	0.97	0.91
Required asset maintenance	6,566			

## Notes

\* All asset performance indicators are calculated using the asset classes identified in the previous table.

<sup>(1)</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

The former Dubbo City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the period 1 July 2015 to 12 May 2016

<p><b>1. Infrastructure renewals ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>19%</td> </tr> <tr> <td>2014</td> <td>11%</td> </tr> <tr> <td>2015</td> <td>100%</td> </tr> <tr> <td>2016</td> <td>77%</td> </tr> </tbody> </table>	Year	Ratio %	2013	19%	2014	11%	2015	100%	2016	77%	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<table border="1"> <thead> <tr> <th colspan="2">12/5/16 ratio</th> </tr> </thead> <tbody> <tr> <td>12/5/16 ratio</td> <td>77.41%</td> </tr> </tbody> </table>	12/5/16 ratio		12/5/16 ratio	77.41%
Year	Ratio %															
2013	19%															
2014	11%															
2015	100%															
2016	77%															
12/5/16 ratio																
12/5/16 ratio	77.41%															
<p>Benchmark: Minimum <math>\geq 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p> <p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark                 </p>																
<p><b>2. Infrastructure backlog ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>5.00%</td> </tr> <tr> <td>2014</td> <td>1.00%</td> </tr> <tr> <td>2015</td> <td>0.95%</td> </tr> <tr> <td>2016</td> <td>1.53%</td> </tr> </tbody> </table>	Year	Ratio %	2013	5.00%	2014	1.00%	2015	0.95%	2016	1.53%	<p><b>Purpose of infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 12/5/16 result</b></p> <table border="1"> <thead> <tr> <th colspan="2">12/5/16 ratio</th> </tr> </thead> <tbody> <tr> <td>12/5/16 ratio</td> <td>1.53%</td> </tr> </tbody> </table> <p>Council has continued to review the condition of assets, and refined the asset information in relation to infrastructure assets. The 2016 result indicates that the cost to renew assets that have fallen below a satisfactory standard is \$23.482m or 1.6% of the total value of assets, which is below the required benchmark.</p>	12/5/16 ratio		12/5/16 ratio	1.53%
Year	Ratio %															
2013	5.00%															
2014	1.00%															
2015	0.95%															
2016	1.53%															
12/5/16 ratio																
12/5/16 ratio	1.53%															
<p>Benchmark: Maximum <math>&lt; 2.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p> <p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark                 </p>																
<p><b>3. Asset maintenance ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2013</td> <td>0.86</td> </tr> <tr> <td>2014</td> <td>0.91</td> </tr> <tr> <td>2015</td> <td>0.97</td> </tr> <tr> <td>2016</td> <td>0.82</td> </tr> </tbody> </table>	Year	Ratio (x)	2013	0.86	2014	0.91	2015	0.97	2016	0.82	<p><b>Purpose of asset maintenance ratio</b></p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p><b>Commentary on 12/5/16 result</b></p> <table border="1"> <thead> <tr> <th colspan="2">12/5/16 ratio</th> </tr> </thead> <tbody> <tr> <td>12/5/16 ratio</td> <td>0.82 x</td> </tr> </tbody> </table> <p>While the asset maintenance ratio is slightly below the required benchmark, it has been consistent across the last four years at a high level.</p>	12/5/16 ratio		12/5/16 ratio	0.82 x
Year	Ratio (x)															
2013	0.86															
2014	0.91															
2015	0.97															
2016	0.82															
12/5/16 ratio																
12/5/16 ratio	0.82 x															
<p>Benchmark: Minimum <math>&gt; 1.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #24</p> <p> <span style="color: green;">■</span> Ratio achieves benchmark  <span style="color: red;">■</span> Ratio is outside benchmark                 </p>																



## The former Dubbo City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the period 1 July 2015 to 12 May 2016

\$ '000	Water 12/5/16	Sewer 12/5/16	General <sup>(1)</sup> 12/5/16
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>24.86%</b>	<b>53.21%</b>	<b>99.71%</b>
Depreciation, amortisation and impairment			
prior period:	38.83%	314.96%	63.12%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>2.73%</b>	<b>3.65%</b>	<b>1.06%</b>
Carrying value of infrastructure assets			
prior period:	1.77%	3.10%	0.48%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>0.75</b>	<b>0.96</b>	<b>0.82</b>
Required asset maintenance			
prior period:	1.10	0.80	0.97

## Notes

(1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

(2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



**REPORT: Internal Audit Programme Status Report**

**AUTHOR: Internal Auditor**  
**REPORT DATE: 29 November 2016**  
**TRIM REFERENCE: ID16/2180**

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**EXECUTIVE SUMMARY**

The former Dubbo City Council internal audit programme was driven by a 3 year plan covering various areas of Council. This programme was informed with results of the Council's risk assessments completed by management. In addition the internal audit programme also considered other priorities as determined by the Internal Auditor in consultation with management and the former Audit and Risk Management Committee.

At this stage no internal audit programme for the Dubbo Regional Council has been prepared. The Internal Auditor is currently assigned to the Service review project team. It is expected that when risk assessments for the new council have been completed, a new 3 year internal audit programme will be developed and presented to the Interim General Manager and the Audit, Risk and Improvement Committee for approval and input.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the information contained in this report be noted.**

*Shephard Shambira*  
Internal Auditor

**BACKGROUND**

**The purpose of the Audit, Risk and Improvement Committee (ARIC)**

The ARIC is an independent advisory Committee assisting the Council to fulfil its governance and oversight responsibilities.

The ARIC achieves its mandate by working closely with the Interim General Manager, Council Directors, the External Auditor and the Internal Auditor. When required, the ARIC charter provides for the engagement of other external expertise subject to approval of the Interim General Manager and/or Council.

The ARIC Charter submitted to this meeting is generally consistent with a template suggested by the Office of Local Government (OLG) Internal Audit Guidelines of September 2010. The Charter submitted to this meeting was updated to include the 2016 changes to the Local Government Act 1993.

**What is the aim of an internal audit function in the organisation?**

Internal auditors are internal management consultants whose focus is to support management’s risk management efforts.

*“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”*  
**(Institute of Internal Auditors).**

The Office of Local Government Internal Audit Guidelines of September 2010 include an Internal Audit Activity Charter which clarifies the terms of reference for the Internal Audit function in Council.

**What is the difference between internal and external auditors?**

	<b>Internal Auditors</b>	<b>External Auditor</b>
<i>Appointment</i>	By management	By statute
<i>Status</i>	Can be an employee of Council	External auditor is an independent person/company
<i>Accountability</i>	To management	To Council and Division of Local Government
<i>Objectives</i>	<ul style="list-style-type: none"> <li>• Generally focused on process improvement.</li> <li>• Set by management</li> </ul>	<ul style="list-style-type: none"> <li>• Set by statute</li> <li>• To express an opinion on whether financial statements prepared by management show a true and fair view of Council operations.</li> </ul>
<i>Kinds of audit</i>	<ul style="list-style-type: none"> <li>• Continuous review of processes and procedures</li> </ul>	Audit normally occurs at financial half year and financial year end only.

**REPORT**

A 3 year internal audit programme informed with the Council's risk assessments will be prepared and presented to the Audit, Risk and Improvement Committee once an assessment of all the risks of the Council has been completed. In the meantime, internal audit priorities will be determined by the Interim General Manager's requirements.



**REPORT: Data Analytics Software Systems**

**AUTHOR: Internal Auditor**  
**REPORT DATE: 28 November 2016**  
**TRIM REFERENCE: ID16/2167**

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**EXECUTIVE SUMMARY**

The Internal Auditor was requested to investigate the potential for acquisition of a data analytics software system. Data analytics software systems facilitate the audit process by enabling the audit of large volumes of data with limited audit resources. When properly utilised, data analytics audit techniques provide assurance on the basis of larger samples than what can be economically achieved using manual sampling methods. A number of functions across Council process large volumes of data. For an example, the rates and charges database has thousands of records which can be audited for effectively with the use of appropriate database integration software systems. This report highlights information about 5 different audit software systems. The solution being recommended is ACL (Audit Command Language). ACL is the oldest specialised audit software system and has been in use for longer than all the other audit software systems in the market.

**FINANCIAL IMPLICATIONS**

The report recommends acquisition of ACL software system at an annual system access fee of \$2,530 plus training costs of \$5,747.50.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the purchase of ACL software system and related training sessions be approved.**

*Shephard Shambira*  
Internal Auditor

## BACKGROUND

### The nature of data analytics

Data analytics involves the use of various tools and technology to gain insight on business processes and issues by analysing data based on various permutations. It is concerned with the science of drawing conclusions about information based on the examination of raw data. The power of data analytics in auditing is that it enables the auditor to evaluate large volumes of data in a relatively short period of time. The manual examination of large volumes of data can be time consuming. Automating this process therefore enhances accuracy and depth of the examination. The conclusions reached after analysing the whole population of data sets gives more assurance to users of the audit report, than a sample based test result. A comprehensive understanding of underlying business processes and related qualities of data variables is important in order to effectively define suitable and value adding data analytics audit tests. This report considered Global Technology Audit Guide (GTAG) guidance notes provided by the Institute of Internal Auditors on the nature and benefits of data analytics. While this proposal summarises some of the ideas in the Institute of Internal Auditors guidance document, the GTAG document provides more detailed information.

The business problem solved by data analytics audit techniques is best explained by the **Institute of Internal Auditors Practice Advisory 2320-1: Analytical Procedures** which stipulates that:

*Internal auditors may use analytical procedures to obtain audit evidence. Analytical procedures involve studying and comparing relationships among both financial and nonfinancial information. The application of analytical procedures is based on the premise that, in the absence of known conditions to the contrary, relationships among information may reasonably be expected to exist and continue. Examples of contrary conditions include unusual or nonrecurring transactions or events; accounting, organizational, operational, environmental, and technological changes; inefficiencies; ineffectiveness; errors; fraud; or illegal acts.*

## REPORT

### Potential Opportunities for Data Analytics at Council

#### Insight on the current environment

Data analytics can be used to give insight on the current business environment. For an example, data analytics software can be used to mine data matching a specified pattern. The data mined is then used to make decisions such as determining the test sample size for an

audit. Data analytics software can be used by staff with little IT skills to extract data matching various criteria, which gives information about the risk profile of transactions.

**Business Process Improvement**

Data analytics software can be used as a tool to identify business process improvement initiatives. For an example, a “Benford Analysis” of accounts payable transactions can indicate areas where potential fraud and/or errors may occur. This information can be used to direct internal audit and management attention to aspects of the process which require review.

Data analytics software can be used to mine data matching specified criteria as a way of identifying cost saving opportunities. For an example, profiling costs and revenue based on criteria which may not be readily available in regular reports. Data analytics software can identify potential or actual duplicate payments for further investigation.

**Supporting Decision-making**

Data analytics software can be configured to continuously monitor certain processes and parameters with a view to support the decision-making process. The data mining capabilities of data analytics software enable management to review the quality of data used for decision-making. The Internal Auditor noted that management currently utilises chrystal reports software system and other tools to analyse data for accounts payable, revenue and other functions, on a regular basis. This routine management procedure and the occasional internal audit and external audit reviews give assurance as to the integrity of Council data.

**Data Analytics for Specific Council Processes**

The internal auditor has previously used data analytics techniques in a number of internal audit reviews carried out at Council. The main approach has been to utilise in-house IT database administrators to develop programmes to interrogate databases for various operations of the Council. In addition, the Internal Auditor utilised the Microsoft Query tool to interrogate the Authority System database. The following table highlights the areas which can be reviewed using the data analytics audit technique. The table also includes a comment on the limitations of the current approach, and potential benefits of a specialised audit software system such as ACL.

<b>Audit area</b>	<b>Extent of data analytics</b>	<b>Current Limitations and future opportunities presented by the use of specialised software</b>
Payroll	<ul style="list-style-type: none"> <li>• Timesheet data analysis.</li> <li>• Hours worked analysis.</li> <li>• Leave balances and leave taken analysis.</li> </ul>	<ul style="list-style-type: none"> <li>• The current test was focused on providing results at a particular point in time.</li> <li>• Specialised software can be used to continuously monitor specified data variables and highlight any anomalies as they</li> </ul>



Audit area	Extent of data analytics	Current Limitations and future opportunities presented by the use of specialised software
		occur.
Construction and subdivision certificates	<ul style="list-style-type: none"> <li>Identify transactions for which a certificate was issued even though conditions precedent remain outstanding. E.g. certificate issued before payment of section contributions.</li> </ul>	<ul style="list-style-type: none"> <li>Continuous monitoring may be possible.</li> <li>Results produced not conclusive due to some limitations with data extraction process.</li> </ul>
Procurement and Accounts payable transactions	<ul style="list-style-type: none"> <li>Test for duplicate invoices, payments.</li> <li>Test for breach of approval authority limits.</li> <li>Extract test samples based on specified criteria.</li> <li>And so on.</li> </ul>	<ul style="list-style-type: none"> <li>Limited availability of IT staff with requisite skills to drill down the database. Turnaround times rather long.</li> <li>Specialised audit software facilitates the interrogation of databases with little specialist IT skills.</li> </ul>
Rates and charges	<ul style="list-style-type: none"> <li>Evaluate changes to data such as movements in land values against set criteria.</li> <li>Review changes in rating status.</li> <li>Evaluate other parameters such as pension rebate should be supported with a pension number.</li> <li>Verify rates calculations.</li> <li>Verify charges against revenue policy.</li> </ul>	<ul style="list-style-type: none"> <li>This test has not yet been carried out at 2 of the BOD Councils. At 1 of the BOD Alliance member Council a specialist database administrator has written a code to carry out some of the possible audit tests but not others.</li> <li>Specialist audit software can facilitate a number of unique data comparisons.</li> </ul>
Records system	<ul style="list-style-type: none"> <li>Carry out audit tests whereby data extracted from the accounting system is validated against the council records system (TRIM) automatically.</li> </ul>	<ul style="list-style-type: none"> <li>This test is currently performed manually which obviously restricts the sample sizes and quality of search results.</li> </ul>
Section contributions	<ul style="list-style-type: none"> <li>Review completeness of revenue by comparing development applications consent conditions against revenue due and received.</li> </ul>	<ul style="list-style-type: none"> <li>The current approach has been limited by availability of IT staff time and in some cases capability to develop an appropriate database</li> </ul>

Audit area	Extent of data analytics	Current Limitations and future opportunities presented by the use of specialised software
	<ul style="list-style-type: none"> <li>• Compare contributions registers against source records.</li> <li>• Review interest calculations.</li> </ul>	interrogation code.
Revenue transactions	<ul style="list-style-type: none"> <li>• Test that certain transactions occurred at the set amount. E.g. charges set in the revenue policy can only be a multiple of the approved amount and not any other value.</li> <li>• Test that the revenue receipts for a specific receipting site are consistent with expectations. E.g. continuity of receipt numbers and reconciliation dates etc. Compare main council accounting system to stand alone receipting system databases.</li> </ul>	<ul style="list-style-type: none"> <li>• This type of test is currently being done manually and automation is likely to enhance efficiency and accuracy.</li> </ul>

**Key Factors to consider in selecting Data analytics software:**

**1. Cost**

The cost of software system acquisition, training and on-going licensing is a key consideration in selecting a data analytics tool.

**2. System functionality**

A data analytics software system should be able to offer as many features as possible in order to facilitate the performance of a wide range of audit tests. The Internal Auditor considered the results and findings on academic research into how various audit software systems rank on an analysis of a list of 16 data analytics functionalities.

**3. Nature of interface with source data**

It is important to ensure that a data analytics software tool does not result in corruption of source data. There are some data analytics software systems which alter the source data. The use of such systems requires involvement of information technology experts with appropriate skills.

**4. Capacity to process large files**

The software system should have capacity to process large files and produce results within a reasonable period of time.

**5. Data import capability**

The data analytics software system should allow easy importation of data from a wide range of systems. The source of data to be analysed can vary from 'pdf' documents, spread sheets, to databases such as TRIM records and Authority accounting systems.

**6. Training**

The availability or suitable training and related cost are key considerations to ensure that Councils make the best use of a data analytics software system. In the event that there is a significant change in the council computer systems and/or data structures, it should be possible to access suitable training for the auditor to make the best use of the data analytics software.

**7. Scrip development/Procedure log**

A scrip or log procedure is a text file with details of instructions on how a system achieves a specific audit test. It is a macro code defining a set procedure for achieving an audit data analysis test. A scrip can be used to automatically "batch process" a set of audit procedures at the push of a button as and when required. It is possible to set a script to continuously monitor set parameters and report exceptions. This makes scripting an invaluable tool for continuous auditing with little human intervention. The main disadvantage with scripting is that where a code has been incorrectly written, it produces incorrect and misleading results. Absolute accuracy is required for a script to produce meaningful and useful results.

**8. Remote access**

The software and hardware architecture for Council is always evolving. The topology of council systems may restrict the nature of data access options available. The Civica system is now cloud based and Council uses virtual servers and various operating systems. Whether the data analytics software system will utilise the laptop processing capacity or the server can influence potential uses of the system. The Internal Auditor works remotely across the 3 BOD Alliance member councils and as such, the capability of any data analytics software in promoting remote access is critical.

The Institute of Internal Auditors has a recommended checklist for use in selecting audit software systems. The 3 software systems for which the Internal Auditor obtained quotations substantially satisfy the suggested functionality test. Microsoft Excel query tools which the Internal Auditor has previously applied at council do not have some of the capabilities which are considered to be useful. An analysis of 5 software systems functionality carried out by the *Fraud Magazine* ranked the software systems as follows based on how easy it is to apply each of the 5 software systems in carrying out a list of 16 data analysis features.

	Software system	ACL	Active Data for Excel	Excel	IDEA	Access
Number of data analysis features available		15	13	9	15	9
Total number of data analysis features in comparative analysis		16	16	16	16	16

The ACL software system and IDEA, both do not have capability to perform regression analysis.

### Systems considered in this evaluation

The Internal Auditor contacted 3 suppliers of data analytics software and obtained quotations and system specifications. The Internal Auditor also enquired with other Councils to establish the types of software system which they use, and related user experiences. A survey showing the popularity of different types of software used by internal auditors generally was carried out by *Auditnet LLC* in 2012. In this survey, ACL and IDEA came out to be the most used software. The Internal Auditor also reviewed Institute of Internal Auditors of Australia website which highlights a list of data analytics software suppliers.

The initial cost of purchasing data analytics software is less than \$5,000 and on-going costs range from \$250 to significantly higher amounts above \$2000 per annum, depending on the type of software and its uses. These quotations were valid as at May 2016. Current prices at the time of purchase are likely to be higher. Considering the value of the transaction, and provisions of the purchasing policy, it was considered that sourcing 3 quotations is appropriate.

Supplier/System	Initial Cost	Initial training cost	On-going cost per annum	Other Councils using this software
ACL	Nil	ACL 101 Introductory Course - \$1,875ex GST ACL201 Intermediate Course - \$1,495ex GST ACL 303 Advanced Course - \$1,875ex GST	\$2,300 plus GST	North Shore Councils Parramatta City Council Randwick Council City of Melbourne City of Stirling City of Yarra
IDEA	\$2,888 Licence cost is for lifetime of use.	\$1,375 Basic	\$650 Annual fee covers support and maintenance.	City of Ryde , Liverpool City Council , Cambelltown City Council , Gold Coast City Council City of Boroondara
TEAMMATE	Nil	\$3,000	\$755	None identified

The Internal Auditor also considered a certain software system which was suggested to the Council. The EFTSURE software system facilitates continuous monitoring of accounts payable transactions.

The Internal Auditor reviewed the information factsheet for the product and established 4 questions to clarify with the software vendor. The responses to the questions are shown in bullet points under each question listed below.

1. Does the EFTSURE system have access to bank details through a link with all banks such that they can objectively validate that the name and bank details on Council payments file match with the name and bank details at the banks?
  - EFTSURE does not have access to actual banks' databases.
  - EFTSURE will contact Council clients to verify payment details.
2. Does EFTSURE have a cloud facility housed in or outside Australia?
  - The EFTSURE cloud is housed in Australia.
3. Does EFTSURE store client data on its database? If so, how are privacy issues managed?
  - EFTSURE stores a history of all payments for its clients and this database is what is used to validate payments.
  - It was explained that EFTSURE has a suite of privacy agreements and that their process for managing privacy is compliant with the requirements for managing individual person's data.
4. Are there any other Councils which are signed on to use this product?
  - No council has signed on to this system but meetings have been planned with Hawkesbury Council and Waverly Council.
  - Westpac Bank has been a client of EFTSURE for more than 15 years.

#### **Analysis and Recommendation about EFTSURE**

- ✓ The proposed audit software (ACL, IDEA or TEAMMATE) each have a capability to carry out continuous monitoring of payables data in the same way as EFTSURE except that:
- ✓ EFTSURE has access to third party databases which may enhance the nature of analysis involved when testing payables data.
- ✓ Privacy may be an issue. EFTSURE stores client data. Council data is generally confidential and where a third party is granted access to this private data and in fact utilise it for other commercial purposes, there may be legal implications which ought to be investigated.

The EFTSURE product does not provide any other data analytics capability other than the validation of accounts payable data. The Internal Auditor is of the opinion that this software system does not provide a comprehensive data analytics capability required to facilitate the audit of all of the Council's functions. This product is therefore not recommended for purposes of audit data analytics, since there are other solutions with a wider range of functionalities.

SUMMARY

Summary of advantages, disadvantages

Software	Main advantages	Key disadvantages	Comment
ACL	<ul style="list-style-type: none"> <li>• A number of councils use this product.</li> <li>• Script is text-based and easier to learn than Visual Basic used with IDEA.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires complicated technical skills writing script code.</li> <li>• Costs more than the other software.</li> </ul>	Preferred solution based on recommendations from the Council Information Services Department.
IDEA	<ul style="list-style-type: none"> <li>• Ease of use.</li> <li>• A number of councils use this product.</li> <li>• Uses a variant of Visual Basic which tends to be more complex to learn but more powerful as it taps into the full extent of Microsoft's library of software components.</li> </ul>	<ul style="list-style-type: none"> <li>• Additional cost of scripting for some tests not on the standard menu.</li> </ul>	
Teammate	<ul style="list-style-type: none"> <li>• Ease of use.</li> <li>• Cheapest of the 3 options.</li> <li>• Has additional functionalities which are not readily available from the other 2 software.</li> </ul>	<ul style="list-style-type: none"> <li>• No references. Could not identify a Council using this software.</li> </ul>	



**REPORT: Internal Audit Review Report - Accounts Receivable Process**

**AUTHOR: Internal Auditor**  
**REPORT DATE: 30 November 2016**  
**TRIM REFERENCE: ID16/2224**

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**EXECUTIVE SUMMARY**

The Internal Auditor reviewed key controls associated with the accounts receivable process and noted that the Council has a comprehensive risk mitigation strategy in place. The review involved an assessment of key risks and an evaluation of relevant transactions and reports and management responses to internal audit enquiries. No significant internal control weaknesses came to the attention of the Internal Auditor.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the information contained within this report be noted.**

*Shephard Shambira*  
Internal Auditor



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**BACKGROUND**

Accounts receivable transactions are maintained centrally in the Authority system by the finance department. A summary of accounts receivable balances as at November 2015 is shown at **Appendix 1**. The Internal Auditor notes that the External Auditor reviews accounts receivable on an annual basis as part of the annual financial year end statements review. On this basis, it is prudent to avoid duplication and restrict the internal audit review process to areas which are generally not covered by the external auditor.

**Risk Analysis**

The key risk considerations associated with the accounts receivable process include the following:

1. Accounts receivable listing may be incomplete
2. Bad debts written off may not be valid
3. Inaccurate individual accounts receivable balances
4. Accounts receivable may not exist
5. Accounts receivable may not be collectable
6. Recording of transactions and events in wrong accounting period

**REPORT**

**The internal control environment**

A brief description of the internal control environment associated with the accounts receivable process is depicted below. The Internal Auditor established an understanding of the internal control environment by interviewing staff responsible for processing accounts receivable and reviewing risk registers and council policies. The Internal Auditor also reviewed various records and transactions to gain insight on how the processes are structured.

**1. Completeness of the list of receivables**

**Comment**

The position is that all Council revenue receipting sites are required to account for their revenue receipts by submitting a copy of the primary receipting system revenue summary to the Financial Services branch. This record is then reconciled with the amounts deposited at the Council bank account.

The procedure is that all revenue collection invoices are issued through the Manager Financial Accounting Services to ensure that relevant income is properly followed up and recorded. The primary records of invoices raised and cash receipts banked are reconciled by the Financial Services branch in consultation with the respective receipting sites.

## **2. Bad debts**

### **Comment**

The writing off of bad debts is governed by a Council policy. All bad debts written off are reviewed by the external auditor on an annual basis as a part of the financial year end processes. Preliminary enquiries by the Internal Auditor did not highlight any anomalies with the process for bad debts write offs. Considering that the external auditor reviews bad debts transactions and related processes on a regular basis, a detailed review of bad debts processes is not being proposed at this stage.

## **3. Accuracy of individual accounts receivable balances**

### **Comment**

The accounts receivable balances as per the primary receipting systems are required to be reconciled with the Council's main accounting system on a regular basis. An independent reconciliation statement is prepared by the Revenue Accountant and any discrepancies are escalated with the relevant senior managers for rectification.

## **4. Existence and valuation of receivable balances**

### **Comment**

The external audit process includes an evaluation of the valuation and existence of accounts receivable.

The Internal Auditor established that a list of all accounts receivable is reviewed by the Director Organisational Services and the General Manager on a monthly basis. That where there are long outstanding amounts, the General Manager issues a specific directive to the relevant Director for the transaction to be actively followed up.

## **5. Controls over period end balances**

### **Comment**

The reporting of accounts receivable transactions in the relevant accounting period is reviewed by the External Auditor at the end of the financial year. The Internal Auditor does not propose to carry out a review of this aspect of accounts receivable processes on this occasion. The consequence of attributing an accounts receivable transaction to an incorrect accounting period during the financial year is deemed to be insignificant.

## **Internal Audit Comments and Preliminary Findings**

The Internal Auditor formed a view that the internal control environment as partly depicted above mitigates a significant proportion of the risk of material misstatement of accounts receivable transactions. The systems of internal control in place are likely to prevent or result in the detection of any material misstatement of accounts receivable.

A preliminary review of the aged accounts receivable balances highlighted the following:

- The current procedure is that all accounts receivable balances are reviewed on a monthly basis and escalated with the General Manager. The Internal Auditor sighted details of follow up action taken in response to this process. In addition, effectiveness of this process was also verified with the Director Organisational Services who is the primary reviewer of accounts receivable balances on a monthly basis.
- There is a clear audit trail showing the status of all long outstanding balances. Information sighted by the Internal Auditor indicated that all outstanding receivables are being followed up actively and monitored at all levels.
- Management has established a process to correct accounts receivable accounts with a negative balances. The negative balances are due to the application of receipts against newer invoices instead of matching receipts and invoices on a first in first out basis.

**Recommendation**

It is recommended that the internal audit review of accounts receivables be considered complete on the basis of the preliminary review as described above.

**SUMMARY**

A review of the accounts receivable process internal control environment and related transactions indicated that the Council has a comprehensive process in place which effectively addresses all the major risks. While there are some long outstanding amounts in respect of some of the accounts receivable, there is evidence of an effective and regular follow up process and oversight at a senior level in the organisation.

Appendices:

- 1 Summary of Debtor Aged Balances as at November 2015

## Debtor Trial Balance by Category as at 08/12/2015

Category	General Ledger	Future	120 Days & Over	90 Days	60 Days	30 Days	Current	Balance
1	01.10019.9004.1712	\$0.00	\$76,527.73	\$7,899.00	\$151,971.78	\$323,700.92	\$83,204.99	\$643,304.42
2	01.10271.9004.1712	\$0.00	\$136,517.70	\$68.66	\$172,337.35	\$133,352.12	\$5,589.31	\$447,865.14
3	01.10341.9004.1712	\$0.00	\$8,438.00	-\$48.39	\$66,935.15	\$194,737.23	\$49,979.62	\$320,041.61
4	02.10303.9036.1712	\$0.00	\$6,929.98	\$600.00	\$300.35	\$4,333.29	-\$50.00	\$12,113.62
5	03.10344.9004.1712	\$0.00	\$0.00	-\$276.75	\$0.00	\$3,038.90	\$1,132.00	\$3,894.15
6	06.20039.9023.5200	\$0.00	\$11,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$11,000.00
7	01.10034.9009.1712	\$0.00	-\$174.03	\$359,999.30	\$0.00	\$0.00	\$151,743.75	\$511,569.02
8	01.10047.9009.1712	\$0.00	\$2,086.98	\$12,658.00	\$946.00	\$5,117.93	\$1,734.89	\$22,543.80
10	01.10044.9009.1712	\$0.00	\$2,407.30	-\$1,690.42	\$4,928.22	\$61,908.31	\$160,144.98	\$227,698.39
11	01.10025.9004.1720	\$0.00	\$4,951.86	-\$847.06	\$180.92	\$253.56	\$2,998.36	\$7,537.64
12	01.10045.9009.1712	\$0.00	-\$348.59	\$61.93	\$0.00	\$0.00	\$0.00	-\$286.66
14	02.10304.9036.1720	\$0.00	\$932.00	\$0.00	\$0.00	\$0.00	\$0.00	\$932.00
15	03.10345.9004.1720	\$0.00	\$459.23	\$151.23	\$160.83	-\$454.57	\$5,096.81	\$5,413.53
16	01.10048.9009.1712	\$0.00	\$2,549.03	\$0.00	\$292.08	\$5,910.78	\$0.00	\$8,751.89
17	01.10032.9009.1712	\$0.00	-\$7,150.49	-\$1,138.01	-\$753.86	-\$476.83	\$0.00	-\$9,519.19
19	09.10034.9804.1720	\$0.00	-\$151.70	\$0.00	\$0.00	\$20.00	\$20.00	-\$111.70
20	01.15001.9004.3715	\$0.00	\$445,763.00	\$0.00	\$0.00	\$126,299.32	\$0.00	\$572,062.32
30	01.10011.9004.1715	\$0.00	\$26,984.71	\$0.00	\$0.00	\$0.00	\$190,518.00	\$217,502.71
77	77.10019.9004.5200	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
97	77.10007.9064.5200	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

98	01.10007.9064.1716	\$0.00	-\$445,228.03	\$0.00	\$178,348.79	\$328,473.32	\$228,388.77	\$289,982.85
99	09.10040.9809.1716	\$0.00	-\$4,292.00	\$2,731.35	\$2,086.13	\$0.00	\$6,965.84	\$7,491.32
<b>Total</b>		\$0.00	\$268,202.68	\$380,168.84	\$577,733.74	\$1,186,214.28	\$887,467.32	\$3,299,786.86

#### Internal Audit Comments

The Internal Auditor reviewed individual balances for each of the above categories of debtors and obtained evidence of follow up action and an explanation for the status of each of the transactions. The only weakness noted is that the negative balances in some cases relate to a system process whereby amounts received are not matched on a first in first out basis. As such, the aged reported aged balances are distorted. This is a computer system limitation which is common to all Councils using this software system. Yet, Dubbo City Council has a clear audit trail explaining such balances to users of the report.



**REPORT: ARMC Action List as at November 2016**

**AUTHOR: Internal Auditor**  
**REPORT DATE: 30 November 2016**  
**TRIM REFERENCE: ID16/2199**

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**EXECUTIVE SUMMARY**

The Audit and Risk Management Committee of the former Dubbo City Council required monitoring implementation of its resolutions and agreed action plans. The Committee required to be updated with details of implementation of recommendations and action plans arising from internal audit reviews and other activities initiated or considered by the Committee. Where action is deferred to a future date, the item is listed on the ARMC Action List until it has been resolved.

The ARMC Action List is in three parts. The first part shows a list of regular reports to the Committee. These are reports which the Committee required on an on-going basis. This can be once a year or once every quarter. There is no fixed completion date for such items. The second class of action items relate to action items which arise from the Committee requests which have a set completion date. The third class of items relates to actions arising from internal audit review reports. Agreed management action plans in response to internal audit recommendations and findings are included on the ARMC Action List and deleted once the Committee has been provided with assurance that the issue has been resolved.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

- 1. That the information contained within this report be noted.**
- 2. That all items marked as completed be deleted from the list.**

*Shephard Shambira*  
Internal Auditor



## **BACKGROUND**

Where an issue has been raised by the Committee or through findings of the Internal Auditor or other assurance service providers providing information to the ARMC, it is important for the Committee to be advised of the action taken to resolve such matters. The ARMC Action List is a tool which enables the Committee to monitor the progress of implementation of the recommendations and in ensuring that outstanding matters are resolved satisfactorily.

## **REPORT**

The detailed ARMC Action List as at November 2016 is attached (**Appendix 1**) to this report.

## **SUMMARY**

Refer to **Appendix 1** for a summary of the action plans and related progress reports.

Appendices:

- 1 Action - Audit and Risk Management Committee - 13/12/2016 - ARMC Action List as at November 2016

**REPORT**

**Audit and Risk Management Committee (ARMC) Action List as at November 2016.**

**1. Action/Information/Reports requested by the ARMC - REGULAR REPORTS**

Action item reference number and date initiated	Nature of outstanding action/information/ report	Responsibility	Target Completion Date	Comment/Status report as at November 2016
<i>Action item 2014-317/10/14</i>	That the General Manager be requested liaise with the Chairman Audit and Risk Management Committee in respect of dates for meetings of the Committee in March/ June/ August/ October 2015.	General Manager/ ARMC Chairperson	Correspondence close off  30 November 2016	Meeting scheduled for 2016.  Proposed schedule: 3 March 2017 – 11am 1 June 2017 – 11am 5 September 2017 – 11am
<i>Action item 2014-056/6/14</i>	That the Institute of Internal Auditors of Australia Audit Committee members training course be offered to all members of the BOD Alliance Audit and Risk Management Committees.	General Manager	Ongoing	One member attended a workshop held by the Institute of Internal Auditors Australia on 3 November 2016 and the Internal Auditor attended the conference at the same time. Future opportunities will be identified and advertised to members.

2. Action/Information/Reports requested by the ARMC - FIXED COMPLETION DATE				
Action item reference number and date initiated	Nature of outstanding action/information/ report	Responsibility	Target Completion Date	Comment/Status report as at November 2016
1	In respect of a review of internal controls by IAB Services it was resolved that a report on the progress of each of the various items within the Action Plan be provided to subsequent meetings of the ARMC. <i>That future updates to the action plan replace already completed actions with a notation "complete", and a narrative be provided for only those items that are being updated.</i>	Manager Financial Accounting	On-going updates	Report submitted to December 2016 meeting.
<i>Action item 2013-52 2/03/13</i>	That a quarterly report on Council Payments and Contract Variations be provided to subsequent meetings of the Audit and Risk Management Committee	Manager Financial Accounting Services	Quarterly	Report submitted to December 2016 meeting.

<b>2. Action/Information/Reports requested by the ARMC - FIXED COMPLETION DATE</b>				
<b>Action item reference number and date initiated</b>	<b>Nature of outstanding action/information/ report</b>	<b>Responsibility</b>	<b>Target Completion Date</b>	<b>Comment/Status report as at November 2016</b>
<i>Action Item 2014-1 17/03/14</i>	<p>1. That a status report on The progress of implementation of recommendations of the ICAC's Operation Jarek be submitted to the next meeting of the Audit and Risk Management Committee.</p> <p>2. That recommendations marked as completed be deleted from future reports and a narrative provided for only those items being updated.</p>	Manager Financial Accounting Services	On-going	Report submitted to December 2016 meeting.
<i>Action Item 2014-6 17/10/14</i>	<p><b>Council payments and contracts variations:</b></p> <p>1. That future reports with regard to Council payments and contract variations include a breakup by Division of: Number of creditors paid \$150,000 or more for materials.</p>	Manager Financial Accounting Services	June 2015	Report submitted to December 2016 meeting.

2. Action/Information/Reports requested by the ARMC - FIXED COMPLETION DATE				
Action item reference number and date initiated	Nature of outstanding action/information/ report	Responsibility	Target Completion Date	Comment/Status report as at November 2016
	Number of contracts where original contact value was exceeded. 2. That a further report be presented to the Audit and Risk Management Committee including outcomes to address those creditors identified as exceeding \$150,000 in a financial year			
11.5	That the Internal Auditor be requested to develop a report in conjunction with the relevant Information Technology Managers, in respect of the potential acquisition by the BOD Alliance member councils of software that allows the Internal Auditor to undertake unlimited sample size audits with such report to include the benefits, disadvantages, costs and the compatibility	Internal Auditor	March 2016. Original Target date: December 2015.	Research has been undertaken, completed a report has been submitted to December meeting.

2. Action/Information/Reports requested by the ARMC - FIXED COMPLETION DATE				
Action item reference number and date initiated	Nature of outstanding action/information/ report	Responsibility	Target Completion Date	Comment/Status report as at November 2016
	with existing IT packages operating at the respective councils.			
<i>Action item 2015-39/10/15</i>	That the General Manager be requested to develop a three year program to report to the Audit and Risk Management Committee on the effectiveness of control measures for Council's major corporate risks that are not included in the Internal Audit Programme.	General Manager	February 2016	Completed: Action item incorporated into the proposed Audit, Risk and Improvement Committee Charter.
<i>Action item 2016-126/2/16</i>	OPERATION JAREK - UPDATE ON ACTIONS TO DATE (ID16/160) 1. That the Internal Auditor be requested to seek comparative data from Bathurst and Orange Councils in respect of their performance	Internal Auditor	June 2016	No progress achieved with sourcing this information. Recommending that the Committee consider deleting this item off the action list.

2. Action/Information/Reports requested by the ARMC - FIXED COMPLETION DATE				
Action item reference number and date initiated	Nature of outstanding action/information/ report	Responsibility	Target Completion Date	Comment/Status report as at November 2016
	regarding: a. Number of creditors who are paid \$150,000 or more for materials and services, financial year to date. b. Number of orders and percentage of total orders where the creation date was later than the invoice date for the financial year to date. c. The number of contracts where the original contract value was exceeded for the financial year to date.			
<i>Action item 2016-226/2/16</i>	Discussions were had regarding proposed amendments to the Local Government Act and the potential impact on audit and risk management	ALL/Internal Auditor	June 2016	Completed. The Internal Auditor sighted a copy of the submission by one member of the Committee.



<b>2. Action/Information/Reports requested by the ARMC - FIXED COMPLETION DATE</b>				
<b>Action item reference number and date initiated</b>	<b>Nature of outstanding action/information/ report</b>	<b>Responsibility</b>	<b>Target Completion Date</b>	<b>Comment/Status report as at November 2016</b>
	committees. The Committee agreed that members of the Audit and Risk Management Committee prepare and make individual submissions via the Internal Auditor with a copy to the General Manager, Dubbo City Council and that the Audit and Risk Management Committee report on such submissions to the next meeting of the Committee.			

**Internal Audit Recommendations Pending Implementation**

Action item reference number and date initiated	Issue	Agreed Action	Target Completion Date	Responsibility	Comment/Status report as at November 2016
<b>s.94 Contributions process review</b>					
<i>Action Item</i> 2011-02 5/4/2011	Some developer contribution plans are overdue for a review. PRIORITY: HIGH	Update developer contributions plans.	December 2014 Original target date: June 2012	Director Environmental Services	Preliminary report adopted by Council at the September 2015 meeting. Legislation not yet resolved. A further report was tabled to Council in September 2016.
<i>Action Item</i> 2015-03-161	Results of an assessment of DALC cash receipting processes indicated that some aspects of the process may require to be adjusted as a matter of urgency.	That management consider effecting changes to the process in order to enhance the risk management framework	June 2016 Original target date December 2015	Director Parks and Landcare	Final report prepared in June 2016 and now presented to the Audit and Risk meeting in December allowing for the conclusion of the pool season and final assessment to take place.
<b>Animal Shelter – Cash Handling Process</b>					
<i>Action item</i> 2015-69/10/15	<b>Issue</b> The total value of EFTPOS receipts issued is not reconciled with the amount banked. <b>Implications</b>	Existing transaction summary to still be completed however additional worksheet for	Manager Environmental Services	30 October 2015	Implementation of new worksheet procedure took place week commencing 15 February 2016.

Internal Audit Recommendations Pending Implementation					
Action item reference number and date initiated	Issue	Agreed Action	Target Completion Date	Responsibility	Comment/Status report as at November 2016
	Revenue leakage may go undetected if cash receipts issued are incorrectly marked as EFTPOS transactions.	EFTPOS summary to also be included.			

**SUMMARY**

The ARMC Action List is as shown in the table above. It is recommended that the information in the report be noted and that the Committee acknowledges that all items marked as completed be deleted from the list.



**REPORT: Council Payments and Contract Variations  
1 April 2016 to 30 September 2016**

**AUTHOR: Manager Financial Accounting Services**

**REPORT DATE: 1 December 2016**

**TRIM REFERENCE: ID16/2229**

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**EXECUTIVE SUMMARY**

Included in this report is information regarding the number of creditors paid more than \$150,000 in the 2016 financial year 1 April 2016 to 30 June 2016, and the 2017 Financial Year 1 July 2016 to 30 September 2016, with no written contract, statistics on the number and value of invoices where the invoice date was before the order creation date and also the number of contracts where the original contract value was exceeded.

These reports have not yet been consolidated to include Wellington data, but it is anticipated that by the end of the March quarter 2017 this information will be available.

As resolved at the former Dubbo City Council's Audit and Risk Management Committee meeting held on 16 March 2015, this report includes a breakup by Division of:

- Number of creditors paid \$150,000 or more for materials with no contract.
- Number of contracts where original contact value was exceeded.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the information contained within this report be noted.**

*Wayne Sonneman*  
Manager Financial Accounting Services

## BACKGROUND

At the former Dubbo City Council's Audit and Risk Management Committee Meeting of 22 March 2013, it was resolved that a report be provided to the Committee on a quarterly basis setting out:

- (a) The number of creditors who are paid \$150,000 or more for materials year to date (excluding payments for loan funding, superannuation and other statutory payments) reported by Division.
- (b) The number of orders and percentage of total orders where creation date was later than the invoice date for the last financial year reported by Division.
- (c) The number of contracts where the original contract value was exceeded for the last financial year by Division.

It was further resolved at the former Dubbo City Council's Audit and Risk Management Committee Meeting of 16 March 2015, that information be provided to the committee relating to breakup by Division of:

- Number of creditors paid \$150,000 or more for materials with no written contract.
- Number of contracts where original contact value was exceeded.

The information requested is provided below for the 2016 financial year to 30 June 2016, and 2017 financial year to 30 September 2016.

## REPORT

The following report details the statistics to 30 June 2016.

- (a) **Number of creditors who are paid \$150,000 or more for materials and services in the financial year to 30 June 2016 with no written contract:**

There were nine suppliers paid a total of over \$150,000 for materials and services in the 2016 financial year to date that had no contract in place.

**Number of creditors who are paid \$150,000 or more for materials and services in the financial year to 30 September 2016 with no written contract:**

There was one supplier who was paid a total of over \$150,000 for materials and services in the 2017 financial year to date that had no contract in place.

(b) The number of orders and percentage of total orders where the creation date was later than the invoice date for the 2016 financial year, by Division was:

	Number of Orders Raised After Invoice Date	Total Number of Orders Raised by Division	% of Orders After Invoice to Total Orders - By Division
<b>Division</b>	<b>YTD 30 June 2016</b>	<b>YTD 30 June 2016</b>	<b>YTD 30 June 2016</b>
Community Services	145	1,336	11%
Corporate Development	205	1,586	13%
Environmental Services	34	253	13%
Organisational Services	295	1,709	17%
Parks & Landcare	341	2,377	14%
Technical Services	428	5,710	7%
<b>Total</b>	<b>1,448</b>	<b>12,971</b>	<b>11%</b>

The number of orders and percentage of total orders where the creation date was later than the invoice date for the current, 2017 financial year, by Division was:

	Number of Orders Raised After Invoice Date	Total Number of Orders Raised by Division	% of Orders After Invoice to Total Orders - By Division
<b>Division</b>	<b>YTD 30 September 2016</b>	<b>YTD 30 September 2016</b>	<b>YTD 30 September 2016</b>
Community Services	68	413	16%
Corporate Development	60	494	12%
Environmental Services	4	81	5%
Organisational Services	91	487	19%
Parks & Landcare	70	698	10%
Technical Services	127	1477	9%
<b>Total</b>	<b>420</b>	<b>3,650</b>	<b>11%</b>

These figures show a significant improvement in terms of the percentage of orders written after the invoice date. In this regard, the 2012/2013 figure was 35.3%, 2013/2014 the figure was 29%, and the 2014/2015 figure was 20%. This issue continues to be a work in progress.

**(c) The number of contracts where the original contract value was exceeded for the current financial year, by Division.**

For the 2016 financial year to date (30 June 2016) there were 9 contracts that have been finalised. There were 6 contracts where the original contract value was exceeded.

A breakup by Division for the 2016 financial year to date is as follows:

<b>Division</b>	<b>Number of Contracts with Variation</b>
<b>Corporate Development</b>	<b>1</b>
<b>Technical Services</b>	<b>5</b>
<b>Total</b>	<b>6</b>

For the 2017 financial year to date there was 1 contracts that has been finalised. This contract exceeded its original contract value, and was in Technical Services.

Submitted for the information of the Audit and Risk Management Committee.



**REPORT:            Operation Jarek - Update on Actions to  
Date**

**AUTHOR:            Manager Financial Accounting Services**

**REPORT DATE:    1 December 2016**

**TRIM REFERENCE: ID16/2231**

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**EXECUTIVE SUMMARY**

This report provides an update to the Audit and Risk Management Committee on items that have been addressed from the initial Operation Jarek report that was adopted at the former Dubbo City Council Audit and Risk Management Committee meeting, held on 17 March 2014.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the information contained within this report be noted.**

*Wayne Sonneman*  
Manager Financial Accounting Services



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**BACKGROUND**

Following the Independent Commission Against Corruption's (ICAC) investigation into Local Government procurement processes, a report was produced on the review, named Operation Jarek. This report included 15 recommendations on how councils could improve their operations to reduce the risk of fraud and corruption in the area of purchasing and procurement. A report was presented to the former Dubbo City Council's Audit and Risk Management Committee held on 17 March 2014 on Council's proposed response to the ICAC recommendations.

**REPORT**

Set out below are the actions to date in relation to the ICAC Report and recommended actions in response to the issues raised.

**ICAC Recommendation 1 - That councils communicate to suppliers a clear set of supplier behaviour expectations and the associated consequences for non-compliance.**

Actions Completed: Recommendation to put a condensed version of Council's Statement of Business Ethics on Council's website has been completed.

Actions before next meeting: New supplier pack to be developed for Dubbo Regional Council which includes Council's Statement of Business Ethics.

**ICAC Recommendation 2 – That councils develop a proactive and comprehensive supplier engagement framework.**

Actions still to be completed – Online registration of potential suppliers. This is identified in the Procurement Roadmap as part of Item 18 (6 – 12 months) Development of a Procurement Intranet site.

**ICAC Recommendation 3 - That councils review their codes and policies on gifts and benefits to ensure that they effectively communicated expected behaviour in a way that the intended audience can easily grasp.**

Actions Completed: A review of Part 5 of the Code of Conduct – Personal Benefit has been conducted and the provisions of the existing policy were retained.

Extensive training has been undertaken with all Council staff on Council's Code of Conduct, with particular emphasis on Chapter 5 Personal Benefits.

In the appointment letter for new staff the Code of Conduct is now always included. Once the employee commences with Council, they attend an Induction Course which includes coverage of the Code of Conduct and Personal Benefits and then every 6 months there is a training

course for new staff specifically on Code of Conduct with particular emphasis on Personal Benefits. The next session of Code of Conduct training is scheduled for December 2016.

Ongoing – Inclusion of Gifts and Benefits policy presentations at future Staff Information Day and Managers and Supervisors Information Sessions, and conduct of random survey to check compliance/understanding.

**Completed.**

**Recommendation 4 - That councils ensure their policy provides that all staff who hold financial delegations are prohibited from receiving gifts of any kind.**

Actions Completed: Council adopted a limit of \$50 as part of adopting the Code of Conduct and it is not proposed to change this amount.

**Completed**

**Recommendation 5 - That councils ensure that staff training on gifts has a focus on the disciplinary consequences of accepting gifts.**

Actions Completed: Council's policy includes that consequences of breach of the policy will result in disciplinary action.

Training refers to Operation Jarek and the high personal and professional cost of accepting gifts in contravention of Council's policy.

**Completed**

**Recommendation 6 - That councils assess which of their staff members operate in an environment where relational selling is commonplace, and equip these staff to recognise and respond to these sales tactics, including the offer of gifts.**

Actions Completed: Relational selling is included in the Code of Conduct training.

**Completed**

**Recommendation 7 – That councils analyse their procurement processes to identify points of corruption risk and take steps to improve the design of their procurement processes.**

Actions Completed: A review of risks has been completed by the Manager Governance and Risk as part of the Enterprise Risk Management Review.

Review of limits set out in Purchasing and Procurement Policy. Limits have been determined as reasonable by the Directors of each Division, and have been set in accordance with the

requirements for each employee role. This will now need to be redone in relation to the amalgamated Dubbo Regional Council and new organisational structure

Actions still to be completed – Strategy and timeframe for the implementation of the Risk Treatment Plans for identified risks. Part of the risk management strategy around procurement is identified as Item 10 on the Procurement Roadmap – Define System Requirements to Support Procurement Process, which will involve development of the Online Requisitioning system and Accounts Payable workflows. Implementation of Online Requisitioning has been included in the Civica Authority Enterprise Reporting System merger of the Dubbo and Wellington systems project and will go live on 1 July 2017.

Target date: 1 July 2017

**Recommendation 8 – That councils consider introducing e-procurement as an efficient method of controlling possibly vulnerabilities in their system.**

Actions still to be completed – Implement Online Requisitioning System, see comments in Recommendation 7, and implement Procure to Pay within the Authority purchasing Accounts Payable system to streamline payment processing.

Implement automatic email of Purchase Order to supplier. This will be developed in conjunction with the Authority merger.

Target Date: 1 July 2017

**Recommendation 9 – That councils review which reports are available to the managers of stores and ensure they can generate a report showing the orders placed by any individual across all cost centres.**

Actions still to be completed – A report containing this information will be developed in conjunction with the implementation of the Online Requisitioning system.

Target Date: 1 July 2017

**Recommendation 10 – That councils analyse inventory management systems with a view to improving controls and reducing waste.**

Actions Completed – Average turnover report has been utilised as part of the Central Supply Supervisors performance appraisal for a number of years. Turnover benchmarked against industry standard of 6 times turnover per year.

Identification of items not held in store but regularly purchased throughout Council is monitored by Central Supply. Where high volumes of items are purchased, and this is expected to be a continuing occurrence, the item is then brought onto stock. Central Supply

also regularly discuss requirements with its clients, and will add items to inventory when requested by clients where there will be turnover in excess of 6 times per year.

In previous years, slow moving stock has been reviewed and items sold off to reduce slow moving stock.

Actions still to be completed – Implementation of management of stock through reports on stock usage and minimum and maximum order levels.

Target Date: 31 March 2017

**Recommendation 12 - That councils, if they have not already done so, organise their stores so that all items are labelled clearly, stock is securely stored and movement of all goods in or out of the store is recorded on an integrated inventory management system.**

Actions completed: Each stores bin is labelled with the stock number of the item. Access to the store area has been restricted with the installation of a lockable sliding security gate across the main entrance to the store. All other entries to the store are kept locked other than when required for access by Central Supply staff. All stores items issued and received are recorded in the Authority inventory management system and monthly rotational checking of stock levels is undertaken by the Central Supply Supervisor.

**Completed**

**Recommendation 13 – That councils ensure stocktakes are conducted independently of store officers and by staff knowledgeable about the principles of stocktaking.**

Actions Completed – An independent Financial Accounting Services officer is present and participates in the six monthly stocktakes of the Central Supply inventory.

**Completed**

**Recommendation 14 - That council management assesses the residual risk in its store and, if appropriate for the organisation, conducts random spot checks or cycle counts on selected aspects of inventory management.**

Actions Completed: This is already being addressed in the Internal Auditors audit programme. Random checks of stock are undertaken by the Internal Auditor in conjunction with his review of the operation of Central Supply.

**Completed**

**Recommendation 15 - That councils consider the risks highlighted by this report, namely, relational selling and gift giving, procurement processes and inventory management, and where they consider the council is at risk, add these topics to their internal audit programmes.**

Actions Completed: A review of risks has been completed by the Manager Governance and Risk as part of the Enterprise Risk Management Review.

Actions still to be completed – Adding identified risks to the Internal Auditors programme.

**SUMMARY**

Outlined above are the actions completed to date in response to the Operation Jarek recommendations by ICAC, and actions outstanding with proposed timeframes to address the issue. A further report will be submitted to the next meeting of the Audit and Risk Management Committee detailing further actions which have been completed.



**REPORT: Update of Action Plan - High Level Review  
of Internal Controls**

**AUTHOR: Manager Financial Accounting Services**

**REPORT DATE: 1 December 2016**

**TRIM REFERENCE: ID16/2232**

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**EXECUTIVE SUMMARY**

This report updates actions identified in the Action Plan adopted by the former Dubbo City Council's Audit and Risk Management Committee held on 12 October 2012

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

1. That the information contained within this report be noted.
2. That future updates to the action plan replace already completed actions with a notation "complete", and a narrative be provided for only those items that are being updated.

*Wayne Sonneman*  
Manager Financial Accounting Services

**BACKGROUND**

As members may be aware, the Internal Audit Bureau was engaged to undertake an independent review of the internal controls within the Financial Accounting Services Branch of the former Dubbo City Council. An action plan in response to the report was developed and subsequently adopted at the former Dubbo City Council Audit and Risk Management Committee. Attached is an update of progress against the adopted plan.

**REPORT**

**Appendix 1** to this report is an update of actions compared to the adopted plan, for the information of the Committee.

Appendices:

- 1 Update of Actions From the Internal Audit Bureau Report - 13 12 2016

Item	Internal Control Audit Findings	Responsibility	Target Date for Completion	Progress Comment
<b>Revenue Policy</b>	<ul style="list-style-type: none"> <li>Revenue Policy should be adopted.</li> </ul>	MFAS		<b>Completed</b>
<b>Procurement Policies and Procedures</b>	<ul style="list-style-type: none"> <li>No quotation is required for purchases below \$5,000. Evidently expenditure below this threshold comprises 80% of Council's expenditure. Given the high percentage of expenditure below \$5,000 the absence of quotation is less than ideal.</li> </ul>	MFAS	March 2013 <i>Revised Target Date March 2016</i>	Report to March 2016 Executive Staff recommending that quotes be required for any expenditure above \$2,000. Adopted by Executive Staff. <b>Completed</b>
	<ul style="list-style-type: none"> <li>Between \$5,000 and \$50,000 two quotes are required. The lack of escalation to three written quotes below \$50,000 is unusual amongst councils.</li> </ul>	MFAS	February 2013	<b>Completed.</b>
	<ul style="list-style-type: none"> <li>Delegations are contained in the Policy. They appear to be unnecessarily complicated in order to cater for the inclusion of certifying positions. The delegations could be based on grade or level of officer and have four Special Delegations for the four officers who have delegations for specific functions.</li> </ul>	MFAS	March 2013	<b>Completed</b>
	<ul style="list-style-type: none"> <li>The certifying officer role in its current form is considered to be at the wrong end of the process. It is considered that it should be moved to the requisition/order process, that is, prior to entering into a contract rather than at the time of processing payment. However, it is considered that a process should also be required to be in place to ensure payments processed are certified correct in terms of rates of charge, additions and extensions, the goods/services received were in good condition/satisfactory and as ordered and the expenditure is coded to the correct account and responsibility centre.</li> </ul>	MFAS		<b>Completed</b>



Item	Internal Control Audit Findings	Responsibility	Target Date for Completion	Progress Comment
	<ul style="list-style-type: none"> <li>A number of issues were identified and discussed in relation to the lack of Terms and Conditions of Contract on orders and the subsequent lack of contractual requirement to comply with Council's Code of Conduct and Statement of Business Ethics. There is further comment on this issue below.</li> </ul>	MFAS	February 2013 <i>Revised target date 1 July 2017</i>	Terms and Conditions on orders will be developed in conjunction with Procurement Roadmap item 18 relating to Development of Procurement Intranet, and incorporated in the implementation of Online Requisitioning implementation that has now commenced as part of the merging of Dubbo and Wellington Authority systems.
	<ul style="list-style-type: none"> <li>The lack of a reminder to staff of the core principles of the Statement of Business Ethics and Code of Conduct and/or a periodic certification of a summary of the concepts contained in the documents to refresh and reinforce the principles is also considered a weakness.</li> </ul>	MAS	February 2013 <i>Revised target date May 2014</i>	<b>Completed</b>

Item	Internal Control Audit Findings	Responsibility	Target Date for Completion	Progress Comment
	<ul style="list-style-type: none"> <li>• Policies and procedures do not reflect current best practice in terms of using concepts such as best value for money and lowest whole of life costs. Other than requiring a quote from a local supplier, the broader issue of sustainability is not addressed. Probity refers to ICAC documentation without summarising the concepts for staff that may be disinclined to research further. The preparation of specifications is not well covered and, as it is the key determinant of how and what companies offer, this is considered a fundamental weakness. The need to keep all details of quotations confidential except the names of the companies who have submitted bids is not well addressed. A quotation form is used but does not require all of the following – the specification, evaluation criteria, bids received, reasons for the decision and approval. It should have the quotations attached and be scanned into TRIM as the audit trail for entering into the transaction. The TRIM reference should be recorded on the order. Notes on the back of the policy need to be updated as they still refer to the Workers Compensation Act not the current Work Health and Safety legislation.</li> </ul>	MFAS	April 2013 <i>Revised target date October 2015</i>	<b>Completed</b>
	<ul style="list-style-type: none"> <li>• The Services Quotation Template is very detailed and requires much of the information that is required for a tender submission. The burden that this puts on companies must be considered against the needs of Council. It is a cost to suppliers that is not required by some other council until the cost of work is estimated to be \$135,000 or above. It covers probity and value for money better than the Policy.</li> </ul>	MFAS	April 2013 <i>Revised target date October 2015</i>	<b>Completed</b>

Item	Internal Control Audit Findings	Responsibility	Target Date for Completion	Progress Comment
	<ul style="list-style-type: none"> <li>The detail that is required may be better addressed by Council undertaking an Expression of Interest process as outlined in the Local Government Act and Regulation. Council could then form a panel of pre qualified suppliers who meet all the criteria specified in the quotation documentation. Suppliers could then be asked to quote when a procurement was required, that is, obtain the information once and not for every repeat job. This panel could then be used for work both under and over \$150,000 although it may be best practice to form two panels one high value and one low so smaller contractors are not excluded when the scale of work goes beyond that with which they are comfortable undertaking. Panels should be for a maximum of two or three years so market testing is regularly undertaken to help ensure value for money.</li> </ul>	MFAS	April 2013 <i>Revised target date September 2015</i>	<b>Completed</b>
	<ul style="list-style-type: none"> <li>A condition of contract and/or being selected on a panel should include compliance with the Code of Conduct and Statement of Business Ethics. Non compliance should be considered a breach that may result in Council terminating the contract. This would mean that provisions do not need to be repeated and it places the onus on contractors to both read and comply with the Code of Conduct and Statement of Business Ethics. It also allows Council to assess the nature of the breach and determine if it should terminate the contract. The Code and Statement should be easily accessible for contractors on Council's website.</li> </ul>	MFAS	April 2013 <i>Revised target date March 2016</i>	Procurement Roadmap Steering Group has revised the Purchasing and Procurement Policy to remove the Preferred Supplier clauses and create a separate policy. This policy was adopted at the March 2016 Executive Staff Committee Meeting. <b>Completed</b>
	<ul style="list-style-type: none"> <li>Procurement – the incidence of orders after invoice date was stated as being 20% of orders. As approval of incurring the expenditure is part of the ordering process the level of compliance should be much closer to 100%. Any exceptions to this process should be specified in policy and monitored for compliance.</li> </ul>	MFAS	December 2012	<b>Completed</b>

Item	Internal Control Audit Findings	Responsibility	Target Date for Completion	Progress Comment
	<ul style="list-style-type: none"> <li>Further to the previous point, no emergency procurement provisions were stated. It is considered these should be articulated as the primary exception to the order process.</li> </ul>	MFAS	April 2013 <i>Revised target date March 2016</i>	Amended Purchasing and Procurement Policy including emergency procurement has been reviewed by the Procurement Roadmap Steering Group, and has been adopted at the March 2016 Executive Staff Committee meeting. <b>Completed</b>
	<ul style="list-style-type: none"> <li>Government contracts only negate the need to call quotes or tender if they are rates and not panel contracts. This was not stated.</li> </ul>	MFAS	December 2012	<b>Completed</b>
<b>Asset Management Plans</b>	<ul style="list-style-type: none"> <li>The fact that Council is undertaking borrowing for asset replacements and not increasing rates to both pay off loans and then provide for asset replacement is contrary to the actions of many other councils, especially in relation to water and sewerage. This effectively increases the cost of replacing the asset due to interest being paid on debts rather than being earned on investments. Also the “consumption” of the existing asset is paid by ratepayers when saved but by the next generation when borrowed – hence borrowing is against what is generally considered desirable practice. These principles are not addressed in the policy “Financial Allocations under Asset Management Plan”. It also refers to “Renewal” without defining the difference between “Renewal” and maintenance.</li> </ul>	MFAS	March 2013	<b>Completed</b>

Item	Internal Control Audit Findings	Responsibility	Target Date for Completion	Progress Comment
	<ul style="list-style-type: none"> <li>Various Asset Recognition Policies – the policies do not appear to make a distinction between ongoing expenditure being classified as maintenance or capital depending upon the nature of the work done. However, it is defined as “Renewal” work in the “Classification of Renewal and Maintenance for the Parks and Landcare Services Division” and “Stormwater – Renewal and Maintenance Strategy”.</li> </ul>	MFAS	March 2013 <i>Revised target March 2015</i>	<b>Completed</b>
<b>Key Reconciliations</b>	<ul style="list-style-type: none"> <li>Non Residential Sewerage and Water Usage have been out of balance since February 2010 due to a systems issue.</li> </ul>	MFAS	December 2012	<b>Completed</b>
	<ul style="list-style-type: none"> <li>Creditors and Inventory have been out of balance since July 2011 again due to systems issues.</li> </ul>	MFAS	December 2012	<b>Completed</b>
	<ul style="list-style-type: none"> <li>Due to the value of investments and risks of misappropriation it is considered that, when investments are repaid, the deposit to Council’s bank should be independently verified the next day rather than waiting until the reconciliation at the end of the month.</li> </ul>	MFAS	December 2012	<b>Completed</b>
	<ul style="list-style-type: none"> <li>Contributions data is dependent on the receipt of advices from Environmental Services. There has recently been a history of advices not being sent meaning that data has to be requested in order to undertake the reconciliation.</li> </ul>	MFAS	December 2012	<b>Completed</b>
<b>Credit Cards</b>	<ul style="list-style-type: none"> <li>The Policy should state that credit cards are to be used for one off purchases to obviate the need to set up a vendor for one transaction or for transactions such as conference fees and airline tickets where the vendor requires payment at the time of order – that is where the cost savings lie.</li> </ul>	MFAS	February 2013	<b>Completed</b>

Item	Internal Control Audit Findings	Responsibility	Target Date for Completion	Progress Comment
	<ul style="list-style-type: none"> <li>The use of cards costs the vendor normally 2.5% of the transaction cost. Therefore it is considered that they should not be encouraged where regular purchases are undertaken and an account can be set up and discounts negotiated. This applies especially to automotive type parts where significant trade discounts may be available. It also bypasses the normal quotation process. Use of a debit cards instead of credit cards should also be considered as they achieve the same purpose as a credit card with reduced costs to the supplier which may be negotiated so savings are passed back to Council.</li> </ul>	MFAS	March 2013 <i>Revised target November 2017</i>	Initial investigations have been undertaken into the introduction of purchase/debit cards. A report to December Executive Staff meeting recommends deferment of consideration of introduction until November 2017 once the merged Authority system has been bedded down.
	<ul style="list-style-type: none"> <li>The greater the use of credit cards, the lower the ability to record spending patterns. With a view to determining total spend by vendor and the nature of goods purchased so discounts can be negotiated – these aspects will become more obvious with the development of the Procurement Road Map process that Council is undertaking.</li> </ul>	MFAS	March 2013 <i>Revised target date April 2016</i>	Authority 6.10 has now been implemented, Workflow features will be enabled. Credit Card Management module offered by National Australia Bank has been implemented, which incorporates workflow authorisation. <b>Complete</b>
	<ul style="list-style-type: none"> <li>Card limits should only be as high as necessary to minimise the risk of abuse.</li> </ul>			<b>Completed</b>
	<ul style="list-style-type: none"> <li>We saw the procurement of gift vouchers for long service leave awards. We consider that the list of vouchers should be reconciled to the list of officers receiving the awards.</li> </ul>			<b>Completed</b>

Item	Internal Control Audit Findings	Responsibility	Target Date for Completion	Progress Comment
<b>EFT Payments</b>	<ul style="list-style-type: none"> <li>There are a number of issues in relation to the EFT processing as the officers who check the invoices to the report do not sign or otherwise make attestation to their check. In addition, the EFT payment file is kept in an unsecure file and drive prior to upload. It may be possible to alter payment details but keep the total file in balance and process. The EFT files go to a C drive the others go to the F drive.</li> </ul>	MFAS	March 2013	<b>Completed</b>
<b>Information Technology Control Systems</b>	<ul style="list-style-type: none"> <li>Systems are currently person rather than position based however IT is trying to move to position based.</li> </ul>	MFAS	<i>Revised target date 1 July 2017</i>	The implementation of the consolidated Authority for the merged Council incorporates Role Based Security, which links the employee to a role, and the role is linked to the access to modules, and workflows.



## **REPORT: Audit, Risk and Improvement Committee (ARIC) Charter**

**AUTHOR: Director Corporate Development**

**REPORT DATE: 29 November 2016**

**TRIM REFERENCE: ID16/2179**

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### **EXECUTIVE SUMMARY**

The Audit, Risk and Improvement Committee (ARIC) is a Committee of Council with terms of reference defined in the ARIC Charter. The ARIC Charter adopted by the Council is a customised version of the standard template recommended by the Office of Local Government under the Internal Audit Guidelines of September 2010.

The Local Government Act 1993 was recently reviewed by the Parliament of New South Wales and amended through the Local Government Amendment (Governance and Planning) Bill 2016 (The Amendment Bill (2016)) with an assent date of 30 August 2016.

### **FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

### **POLICY IMPLICATIONS**

The Audit, Risk and Improvement Committee Charter will be a new policy of Council which enhances the Governance and Risk Management Framework of Council.

### **RECOMMENDATION**

- 1. That the committee recommends that the Council adopts the Audit, Risk and Improvement Committee Interim Charter.**
- 2. That the committee amend the standing Agenda template for the ARIC to align with the list of key results areas identified in the new legislation.**
- 3. That in addition to an Internal Audit programme, a regular management reporting timetable is established which ensures that the Committee considers information as necessary to accomplish its objectives as stated in section 428A of the new legislation.**

*Ken Rogers*  
Director Corporate Development



## REPORT

The Audit, Risk and Improvement Committee (ARIC) is a Committee of Council with terms of reference defined in the ARIC Charter. The ARIC Charter adopted by the Council is a customised version of the standard template recommended by the Office of Local Government under the Internal Audit Guidelines of September 2010 (attached for your information).

The Local Government Act 1993 was recently reviewed by the Parliament of New South Wales and amended through the Local Government Amendment (Governance and Planning) Bill 2016 (The Amendment Bill (2016)) with an assent date of 30 August 2016.

### **[31] Section 376 Attendance of general manager at meetings**

Insert after section 376 (3):

(4) The Audit, Risk and Improvement Committee of a council may also exclude the general manager from a meeting while it deals with any other matter, if it thinks it appropriate to do so in the circumstances of the case.

Part 4A of the Amendment Bill (2016) is as follows:

### **428A Audit, Risk and Improvement Committee**

- (1) A council must appoint an Audit, Risk and Improvement Committee.
- (2) The Committee must keep under review the following aspects of the council's operations:
  - a. Compliance
  - b. Risk management,
  - c. Fraud control,
  - d. Financial management,
  - e. Governance,
  - f. Implementation of strategic plan,
  - g. Delivery program and strategies,
  - h. Service reviews,
  - i. Collection of performance measurement data by the council,
  - j. Any other matters prescribed by the regulations.
- (3) The Committee is also to provide information to the council for the purpose of improving the council's performance of its functions.

It should be noted that although to above amendments to the Act have been adopted, the amendments are being introduced in a staged manner by proclamation and the above arrangement are not yet in force.

The attached charter, dated October 2016 is generally consistent with the template suggested by the Office of Local Government in the Internal Audit Guidelines of September 2010. The charter also takes into account changes made in 2016 to the Local Government Act 1993 (NSW). The charter should consider any further changes to the Office of Local Government Internal Audit Guidelines.

The legislation expects that the Committee will consider matters to do with performance improvement, audit and risk management across the Council. This information can be provided to the Committee in various ways. Some reports will be provided by the Internal Auditor while other reports and presentations will be made by management.

The proposed nature of information to be provided to the Committee by management can be as follows:

- **Compliance**
  - Submit an annual management report to the Committee which gives assurance that the Council framework for compliance with major legislative requirements is in place and operating effectively.
  - For an example, a management report that all items listed on the Office of Local Government Calendar of Compliance were resolved as appropriate.
  - A bi-annual exceptions report on any areas of major non-compliance with legislation or policy requirements binding the Council.
- **Risk management,**
  - Corporate risks register. This can be a standing item on the agenda for all meeting. Highlight key changes as and when there are significant changes to the corporate risks.
  - Presentations by divisional directors on key risks and related risk mitigation strategies for their divisions. The presentations can be spread throughout the year such that only one director will make a presentation at each meeting.
  - Ad hoc management reports on risk management framework for selected processes based on feedback from the Committee arising from consideration of other information provided to the Committee.
- **Fraud control,**
  - Annual review of the fraud management policy
  - Bi-annual review of management feedback on fraud risk management framework.
    - Management feedback should highlight any significant incidences.
    - Major changes in risk profile
- **Financial management,**
  - Consider quarterly budget review reports
  - Consider quarterly investment reports
- **Governance,**
  - Review relevant risk registers and consider risk mitigation strategies in place
- **Implementation of strategic plan,**
  - Consider quarterly reporting on performance management and key performance indicators.
- **Delivery program and strategies,**
  - Consider quarterly reporting on performance management and key performance indicators.
- **Service reviews,**
  - Consider ad hoc reports on service delivery reviews and related risk mitigation or performance improvement strategies

- **Collection of performance measurement data by the council,**
  - Consider performance measurement reports on a bi-annual basis and recommend opportunities for improvement to the framework where necessary.
- **Any other matters prescribed by the regulations.**

Appendices:

- 1 Audit Risk and Improvement Committee Charter - Dubbo Regional Council - October 2016
- 2 Internal Audit Guidelines September 2010



# **AUDIT, RISK & IMPROVEMENT COMMITTEE INTERIM CHARTER**

Prepared 10 October 2016

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## **Audit Risk and Improvement Committee (ARIC) Interim Charter**

### **1 ARIC Purpose**

The Audit Risk and Improvement Committee (ARIC) is an independent advisory Committee assisting the Council to fulfil its risk management, governance, process improvement and oversight responsibilities. The primary duties and responsibilities of the ARIC are to assist the Council to discharge its responsibilities relating to:

- 1.1. Financial reporting process
- 1.2. Business ethics, policies and practices
- 1.3. Management and internal controls
- 1.4. Monitoring the integrity of the Council's financial reporting practices and finance and accounting compliance
- 1.5. Reviewing internal controls, key corporate risks and all audit related matters
- 1.6. Encouraging continuous improvement of Council's systems and practices
- 1.7. Service reviews
- 1.8. Adoption of the Internal Audit Plan
- 1.9. The Council's process for monitoring compliance with policies, laws and regulations and the Council code of conduct.

### **2 Authority**

- 2.1. The Committee has no executive powers, except those expressly provided by the Council.
- 2.2. In carrying out its responsibilities, the Committee must at all times recognise that in accordance with the Local Government Act, the Administrator and Interim General Manager are charged with the primary responsibility for management of the Council.
- 2.3. Dubbo Regional Council acknowledges that professional independence and objectivity are key attributes of an efficient and effective ARIC. The Council Administrator and the Interim General Manager are therefore committed to uphold and guarantee the professional independence and objectivity of the ARIC.
- 2.4. The ARIC is granted delegated authority by Council to carry out its duties and responsibilities as defined in this charter. The ARIC has delegated authority to approve investigations into any matters within its scope of responsibility. It is empowered to:

- 2.1.(a) Resolve any disagreements between management and the auditor regarding financial reporting (subject to confidentiality considerations).
  - 2.1.(b) Pre-approve all auditing and non-audit services.
  - 2.1.(c) After due consultation with the Interim General Manager, retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
  - 2.1.(d) Meet with Council management, external auditors, or outside counsel, as necessary.
- 2.5. The Committee will also review any other matters as prescribed by the Regulations from time to time.

### **3 Composition**

- 3.1. All appointments to the ARIC shall be made by Council. The ARIC will consist of:
- 3.2. Core Members (voting)
  - The Administrator
  - Two independent external members (not members of Council and one to be Chairperson)
- 3.3. Attendee (non-voting)
  - Interim General Manager
  - Internal Auditor
  - Director Organisational Services,
  - Director Corporate Development
  - One Community Representative
- 3.4. Invitees (non-voting)
  - Representatives of the external auditor.
  - Manager Financial Accounting Services
  - Manager Governance and Risk
  - Other officers of Council as requested by the ARIC, Administrator and/or by the Interim General Manager.
- 3.5. In order to maintain independence, the ARIC shall elect one of the independent members as its chairperson.
- 3.6. The selection of independent members should be undertaken in a transparent and unbiased manner. This could include calling for expressions of interest from interested persons.

## **4 Tenure**

- 4.1. The term of office for an ARIC member shall end on the earlier of:
  - 4.1.(a) the day on which the member resigns from the ARIC
  - 4.1.(b) in the case of The Administrator, the day on which the Administrator ceases to be an Administrator for the Dubbo Regional Council.
  - 4.1.(c) The 2 independent external members, will each be appointed until after thirty days following the Local Government Elections in September 2017, after which they will be eligible for extension or re-appointment following a formal review of their performance.
  - 4.1.(d) the day on which the member's appointment is legally terminated by Council.
  - 4.1.(e) the day on which the member is incapacitated by law from holding such office.
- 4.2. Members are encouraged to serve multiple terms and to plan for an orderly rotation of members so that experienced members will always be serving. The ARIC should make recommendations to Council on membership.
- 4.3. In any event, the appointment of each member of the ARIC will be reviewed at the end of the first year and confirmed for the remaining period subject to satisfactory performance as determined by Council. A member may be eligible for re-appointment to the Committee for a continuous period not exceeding eight years. A member's tenure as chairman shall not exceed a continuous period of four years.
- 4.4. In considering new independent members for the ARIC, selection shall be influenced by:
  - (a) Industry standards for similar committees, particularly relating to the appointment of independents to ARICs. For an example, the Australian National Audit Office Better Practice Guides and the Institute of Internal Auditors Australia.
  - (b) Any guidelines issued by the NSW Government concerning Local Government ARICs
  - (c) The attributes and experience of candidates who respond to Expressions of Interest advertisements for Independent Members.
- 4.5. Remuneration of independent members to be reviewed at the time of appointment and re appointment

## **5 Meetings & Quorum**

- 5.1. The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- 5.2. A quorum shall not exist unless the following are present:
  - At least two of the voting members



- 5.3. Members of the ARIC are expected to attend each meeting, in person or via tele or video-conference.
- 5.4. The ARIC will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.
- 5.5. It may hold private meetings with auditors (see below) and executive sessions.
- 5.6. The ARIC may also exclude the Interim General Manager from a meeting while it deals with any other matter, if it thinks it appropriate to do so in the circumstances of the case. (Local Government Act 1993 (NSW) Section 376(4))
- 5.7. ARIC meetings are to be structured with the use of an agenda to be provided in advance to members, along with appropriate briefing materials.
- 5.8. The Chairperson shall determine the agenda for the ARIC in conjunction with Council staff.
- 5.9. In preparing the agenda, the Chairperson should ensure that the Committee effectively considers information and reports as necessary to achieve the Committee's mandate as specified in the Local Government Act 1993 (NSW) (Chapter 13 Part 4A) and amplified in related Regulations and by this Charter.
- 5.10. Minutes will be prepared and distributed to the ARIC members and to the next Ordinary meeting of the Council, including a report explaining any specific recommendations and key outcomes, if appropriate.
- 5.11. Meetings are to be rescheduled if there is not a quorum. The Council's Internal Auditor (or if unavailable, another Council officer) will minute proceedings of all meetings.
- 5.12. The chairperson shall endeavour to conduct meetings on a "consensus basis" but formal voting on recommendations shall be required. Each member shall have one vote and a majority of those present shall be required to pass a recommendation. The chairperson shall have a casting vote. The meetings should operate as far as is practical in accordance with the Council's Code of Meeting Practice.

## **6 Confidentiality**

- 6.1 The ARIC will ensure that Committee members comply with all relevant laws and Council's policies regarding confidentiality, privacy and reporting. Committee members shall treat all information received as part of the Committee as confidential and only disclose the content to third parties with the consent of other members of the Committee.

## **7 Responsibilities**

- 7.1 The ARIC has no executive powers, except those expressly provided by Council.
- 7.2 In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and Interim General Manager as defined by the Local

Government Act 1993. The Council and Interim General Manager shall ensure that reasonable resources are allocated to providing the ARIC with the information it needs to discharge its responsibilities.

7.3 The responsibilities of the ARIC may be revised or expanded by Council from time to time. The Committee will carry out the following responsibilities:

### 7.3.1 Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements. The ARIC can add value for Councillors and the process by reviewing the audit objectives, timeline and process, settlement of identified issues and the independence of the External Auditor. This would be done in consultation with the External Auditor, Internal Auditor and management.
- Review with management and the External Auditors the results of the audit, including any difficulties encountered. Review the process of the audit, identify unresolved issues. This would be done in consultation with the External Auditor, Internal Auditor and management.
- Review with the External Auditor the financial statements preparation process, and consider whether they are complete, consistent with information known to Committee members, and reflect appropriate accounting principles. Without having conducted its own assessment the ARIC will need to rely on the work of Internal Auditor, External Auditor and management representations. Therefore any recommendation to the Council would need to be made under a disclaimer that identifies things such as the audit process, access to records, auditor appears to be suitably qualified, had sufficient time to complete, items identified have been resolved to their satisfaction and the recommendation to Council would be based on the External Auditors Management Letter.
- Review with management and the external Auditors all matters required to be communicated to the Committee under generally accepted auditing Standards. This would be part of the External Auditors presentation and management representations.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.

### 7.3.2 Risk Management

- Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- Review the Council's corporate risks register, **fraud risk register** and any other risk registers as determined by the Committee, Administrator and/or Interim General Manager.
- Review whether management's representation of the control framework over the Council's **financial management** process is adequate.

- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings.
- Review the impact of risk management framework on its control environment and insurance arrangements, and
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

### 7.3.3 Internal Control

- Review whether management has in place relevant policies and procedures and that they are periodically reviewed and updated.
- Consider the adequacy and effectiveness of the Council's internal control system, incorporating the:
  - reliability and integrity of financial and operational information systems, including information technology security and control
  - effectiveness and efficiency of operations and
  - safeguarding of assets
  - compliance with contracts, laws and regulations
  - governance framework
- Review management representations regarding implementation of the **strategic plan, delivery program and strategies**.
- Review whether a sound and effective approach has been followed in formulating the scope and framework for regular **service reviews**.
- Review whether a sound and effective approach has been followed in formulating the scope and framework for collection of performance management data by the Council.
- Understand the scope of internal auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Understand the scope of external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### 7.3.4 Internal Audit

- Review and recommend approval of the Internal Audit Activity Charter, activities, and staffing, and organizational structure of the internal audit function; and any subsequent changes.
- Have final authority to review and approve the annual audit plan and all major changes to the plan.
- Ensure there are no unjustified restrictions or limitations to the activities of internal audit.
- Review the effectiveness of the internal audit function and objectives, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

### 7.3.5 External Audit

- Review Council's compliance with the Local Government Act requirements for financial reporting and auditing.

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Council, including non-audit services, and discussing the relationships with the auditors.
- Review management's responses to the recommendations in the external auditor's management letter.
- On a regular basis, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

### **7.3.6 Compliance**

- Review the effectiveness of the system for monitoring compliance with laws, regulations and contracts and the results of management's investigation and follow-up of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Council personnel, and for monitoring compliance therewith.
- Liaise with the Interim General Manager to obtain regular updates from management and Council legal counsel regarding compliance matters.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.

### **7.3.7 Reporting Responsibilities**

- Regularly report to the Council about Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Council.
- Report annually to the Council, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by law, including non-audit services.
- Review any other reports the Council issues that relate to Committee responsibilities.

### **7.3.8 Other Responsibilities**

- Perform other activities related to this Charter as requested by the Council.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the ARIC Charter annually, requesting Council approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this Charter have been carried out.
- Evaluate the Committee's and individual members' performance on a regular basis.

### 7.3.9 Individual Responsibilities of Members

Members of the ARIC are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to Dubbo Regional Council.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgment.
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.
- Declare any conflicts of interest before participating in deliberations on the issue where the conflict of interest exists.
- Attend an induction meeting at which they receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

**Prepared by:**

\_\_\_\_\_  
Internal Auditor

\_\_\_\_\_  
Director Corporate Development

\_\_\_\_\_  
Interim General Manager

***Approved by Council at meeting held on ...../...../.....***

\_\_\_\_\_  
Administrator

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**Premier & Cabinet**  
Division of Local Government

# **Internal Audit Guidelines**

**September 2010**

**ACCESS TO SERVICES**

The Division of Local Government, Department of Premier and Cabinet is located at:

Levels 1 & 2

5 O'Keefe Avenue  
NOWRA NSW 2541

Locked Bag 3015  
NOWRA NSW 2541

Phone 02 4428 4100  
Fax 02 4428 4199  
TTY 02 4428 4209

Level 9, 323 Castlereagh Street  
SYDNEY NSW 2000

Locked Bag A5045  
SYDNEY SOUTH NSW 1235

Phone 02 9289 4000  
Fax 02 9289 4099

Email [dlg@dlg.nsw.gov.au](mailto:dlg@dlg.nsw.gov.au)  
Website [www.dlg.nsw.gov.au](http://www.dlg.nsw.gov.au)

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## Chief Executive's Foreword

Internal audit is an essential component of a good governance framework for all councils. At both a management and councillor level, councils must strive to ensure there is a risk management culture. Internal audit can assist in this regard.

Internal audit is widely used in corporate Australia as a key mechanism to assist councils to manage risk and improve efficiency and effectiveness. At Federal and State Government levels there are clear requirements for internal audit and risk management.

There is also growing acceptance of the importance of internal audit and risk management in local government. It is pleasing to see that a number of councils in New South Wales are showing leadership in fully embracing this concept. However, a survey of councils conducted in 2009 by the Division of Local Government designed to assess the progress of councils in implementation of the internal audit function highlighted that while progress is being made, there is still opportunity for improvement. Effective internal audit and risk management processes should become part of the 'business as usual' operations of councils.

With the implementation of Integrated Planning and Reporting, internal audit will play a vital role at ensuring that the strategies adopted by council are being followed.

These guidelines propose oversight of council systems and processes through an audit committee. The combination of an effective audit committee and internal audit function provide a formal means by which councillors can obtain assurance that risk management is working effectively. Similarly the internal audit process is an on-going mechanism to ensure that the recommendations of the Promoting Better Practice reviews undertaken by the Division of Local Government have been fully implemented.

This guide has been designed to help councils and county councils develop and implement internal audit and risk management frameworks that will in turn build community confidence in their managerial performance. I encourage all councils to use this guide to assist them in building their own internal audit capability within their organisations.

**Ross Woodward**  
**Chief Executive, Local Government**  
**A Division of the Department of Premier and Cabinet**

## 1. Introduction

The NSW Division of Local Government (DLG) believes that a professional Internal Audit function is one of the key components of the effective governance of any council. In 2001, the Independent Commission Against Corruption (ICAC) found that while 80% of local council General Managers agreed that internal audit is important, only 20% of councils had an internal audit function or audit committee.

These Internal Audit Guidelines, first released in 2008, are aimed at assisting councils put into place effective internal audit practices.

In 2009 the DLG conducted a survey of councils to assess how they were progressing with the implementation of the recommendations of the Guidelines. While the results of the survey revealed that considerable progress has been made toward the implementation of the Guidelines, with more than 50% of councils reporting that they had an internal audit function, it also identified that there were some areas where some councils appeared to be having difficulties and some areas where the Guidelines needed to be clarified.

These revised Guidelines have been developed to address the issues arising from the survey.

The Guidelines are designed to provide councils with assistance to implement internal audit and risk management. There are already a large number of internal audit standards, guidelines and publications in existence, such as the Institute of Internal Auditors' Internal Audit Framework, Better Practice Guidelines – Local Government Entity Audit Committees and Internal Audit (Victoria) and A Guide to Leading Edge Internal Auditing in the Public Sector (Manitoba).

These Guidelines are Director General's Guidelines for the purposes of section 23A of the *Local Government Act 1993*, issued by the Chief Executive, Local Government under delegated authority. They describe internal audit and risk management systems for Local Government in NSW. The Guidelines also include appropriate structures, functions, charter, and membership of audit and risk management committees.

The Division acknowledges the lead role of the Local Government Internal Audit Network (LGIAN) and the Institute of Internal Auditors in the development of these Guidelines.

### Terminology

The following terms are used throughout this guidance paper:

- Council is used in two contexts. Council can refer to the elected body of councillors, the local government administration and staff and/or the entity as a whole. The term also includes county councils.
- The General Manager is the most senior member of management as per section 335 of the Local Government Act. Chief Financial Officer (CFO) refers to the most senior member of staff within the finance and accounts area of the council.
- Internal Audit Activity is used interchangeably with 'internal audit function' in recognition that there are several methods of resourcing an internal audit function, including outsourcing this to a third party provider or sharing resources with other councils.
- Audit Committee is the name used for the committee which provides independent oversight of both the internal audit function and the external audit function. It provides the council with independent oversight and monitoring of the council's audit processes,

including the council's internal controls activities. This oversight includes internal and external reporting, risk management activities, internal and external audit, and compliance. It is not uncommon for the committee charged with these responsibilities to be referred to by other names such as governance and risk management committee; audit and risk management committee; internal audit committee.

- External Audit refers to the review and certification of the financial reports as per section 415 of the *Local Government Act 1993*.
- Enterprise Risk Management is the holistic management of all risks within council, not just insurable risks or Occupational Health and Safety.

### **1.1. What is Internal Audit?**

Internal audit is described as *'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.*

*It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.'*<sup>1</sup>

Internal audit's role is primarily one of providing independent assurance over the internal controls and risk management framework of the council.

Management has primary day-to-day responsibility for the design, implementation, and operation of internal controls.

Internal audit has no direct involvement in day-to-day operations, but it has a direct functional relationship with the General Manager and the council. An effective internal audit function should evaluate and monitor the adequacy and effectiveness of the internal control framework as a minimum.

Risk management is also an essential part of a council's management and internal control framework. It looks at what risks the council may face and the best way to address these risks. Assessment and management of risk is central to determining internal audit activities.

Internal audit's core competencies are in the area of internal control, risk and governance. Typically, internal audit's scope will include some or all of the following areas:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations and resource usage
- Safeguarding of assets
- Compliance with laws, regulations, policies, procedures and contracts
- Adequacy and effectiveness of the risk management framework.

### **1.2. Why my council should have an internal audit function.**

All councils should have an internal audit function for the following reasons:

- it supports good internal governance
- to ensure consistency with other levels of government
- to improve the effectiveness of risk management, control and governance processes
- helps to instil public confidence in an organisation's ability to operate effectively.

When considering an internal audit function, councils should consider the following issues:

- The need to extend council's understanding of risk management beyond traditional areas of public liability and occupational health and safety, into areas such as internal governance, fraud risk and broader regulatory risk.
- Whether council should have a uniform approach to assessing and managing risk, regardless of size or location.
- Whether it is feasible for council to pool resources with like councils or arrange through regional organisations of councils for internal audit services.

<sup>1</sup> *International Professional Practice Framework (IPPF) 2009, The Institute of Internal Auditors, [www.iaa.org.au](http://www.iaa.org.au)*



- Whether small management teams can feasibly conduct audits or internal reviews in the absence of an audit function, with an appropriate degree of independence and objectivity.
- How council can properly resource internal audit and internal control programs.

### **1.3. How does internal audit fit in with other governance functions and activities?**

Good governance requires an organisation to have a proper framework in place to ensure excellence in decision making, and that decisions are implemented efficiently and effectively. Key components of good governance include the use of:

- Audit Committees
- Internal and External Audit
- Enterprise Risk Management

#### **1.3.1. The Audit Committee**

An audit committee plays a pivotal role in the governance framework. It provides councils with independent oversight and monitoring of the council's audit processes, including the council's internal controls activities. This oversight includes internal and external reporting, risk management activities, internal and external audit, and compliance<sup>2</sup>. Given the key role of the Audit Committee, for it to be most effective it is important that it is properly constituted of appropriately qualified independent members.

A strong relationship between the audit committee and internal audit enables the committee to meet its responsibilities and carry out its functions. An audit committee establishes the role and direction for internal audit, and maximises the benefits from the internal audit function.

More information on the Division's expectations of audit committees in Local Government is set out in section 4 of this document.

#### **1.3.2. External Audit**

External audit is a statutory function that provides an opinion on the council's annual financial reports, as required under Divisions 2 and 3 of the *Local Government Act 1993*. The primary focus and responsibility is on providing an opinion on the financial report to council and its external stakeholders.

Councils should be aware that the external auditor should not be expected to conduct a deep or thorough review of the adequacy or effectiveness of a council's risk management framework or internal controls. To obtain a deeper understanding of the scope of the external auditor's report it is recommended that you read the disclaimer contained in the external audit report in your council's statutory financial reports. The external auditor may place some reliance on internal audit reviews, monitoring of internal control, including fraud control and risk management as per the Australian Auditing Standards.

An effective internal audit function may contribute to the performance of external audit, as the external auditor may be able to rely on some of the internal audit work performed, and the stronger internal control environment that a strong internal audit function can create. This may have an indirect benefit in reducing audit fees.

<sup>2</sup> *Auditing and Assurance Standards Board, Australian Institute of Company Directors, Institute of Internal Auditors, Audit Committees A guide to good practice 2008*

### **1.3.3. Management**

Management has primary responsibility for the design and operation of the risk management and internal control frameworks of the council. It is separate from the responsibilities of external audit, internal audit and the audit committee. While these functions provide advice and oversight in relation to the risk management and internal controls, they are not responsible for its design or implementation. This responsibility lies solely with management. Good governance in local government relies on a robust independent review of management, finances, risks and operations.

### **1.3.4. Risk Management**

Risk management is an important component of corporate governance. Risk management is the responsibility of management with oversight by council and the audit committee. Internal audit can assist management to identify and evaluate the effectiveness of council's risk management system and contribute to the improvement of risk management and control systems. The annual Internal Audit plan should be developed after consideration of the council's risk registers and those areas that are high risk to the organisation.

Internal audit will usually provide advice and assurance over the risk management and internal control frameworks, but in order to maintain independence, internal audit will not be responsible for its implementation of risk management or making decisions on how risks should be treated. Risk management is an important area that is touched upon in more detail in section 5 of this document.

## 2. Establishing an Internal Audit Function

**Key strategies** aimed at ensuring that internal audit services conform with good practice:<sup>3</sup>

- Establish an audit committee, with a majority of members who are external (independent) to council
- Set up an independent reporting structure for internal audit (i.e report functionally to the audit committee and administratively to the General Manager) and define its functions and responsibilities with an internal audit charter
- Adopt and comply with professional internal auditing standards
- Recruit and retain capable staff
- Establish and communicate a clear internal audit vision and strategy
- Demonstrate the value of internal audit
- Understand council, management and community stakeholder needs
- Focus on risk
- Review internal controls
- Educate management on risks and controls
- Continuously improve the quality of internal audit services.

**Key Attributes** of a good practice internal audit function in local government:<sup>4</sup>

- Maintain independence and objectivity
- Have clear roles and responsibilities
- Comply with the internal auditors International Standards for professional practice of internal auditing in planning and executing work
- Have sufficient and appropriate resources to carry out audit work, as well as the necessary skills, experience and personal attributes to achieve what is expected of internal audit
- Have regular and timely communication of findings and recommendations
- Systematically conduct regular follow-ups on audit recommendations
- Continuously monitor internal audit effectiveness
- Adding value by proactive auditing and advice
- Develop audit plans that are comprehensive and balanced, and are linked to council's management of risks.

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<sup>3</sup> Jeffrey Ridley and Andrew Chambers. Leading Edge Internal Auditing. ICSA Publishing, 1998, pgs. xxxiii, and 10 to 17.

<sup>4</sup> Ridley and Chambers: as above



## **2.1. Internal Audit Charter**

An internal audit charter provides a comprehensive statement of the purpose, authority, responsibilities and reporting relationships of the internal audit function. The audit committee or council should approve the internal audit charter.

The content of an internal audit charter should:

- Identify the purpose, authority and responsibility of the internal audit function
- Establish internal audit's position within the organisational structure
- Define reporting relationships of the internal auditor with the General Manager and the audit committee
- Define internal audit's relationship with the council's external auditor
- Have provisions that authorise access to records, personnel, physical property, and attendance at relevant meetings
- Define the scope of internal audit activities, including any restrictions.

The internal auditor should periodically assess whether the purpose, authority and responsibility, as defined in the charter, are still adequate. Results of the assessment should be communicated to the audit committee.

A sample internal audit charter is contained at Appendix 3. Councils should tailor their charters as considered appropriate for their circumstances.

The audit committee should also have a charter that sets out its roles and responsibilities and its oversight of the internal and external audit functions, including any statutory duties. The elected council should approve the audit committee charter (Appendix 2). An external quality assessment every 5 years would assist this process.

## **2.2. Professional Standards**

Internal auditors in NSW local government should comply with appropriate professional standards, such as the Institute of Internal Auditors (IIA) Standards and Code of Ethics. A summary of the standards is shown at Appendix 1. The standards should be the basis of policies, procedures, and plans. Internal audit should be performed with integrity, objectivity, confidentiality and competency.

IIA Standards include the expectation that an internal audit function will establish policies and procedures to guide internal staff in carrying out their work. Policies and procedures should be periodically reviewed to ensure they are up to date with changes in professional practice.

The IIA is thanked for their kind permission to reproduce these standards in this document.

## **2.3. Reporting lines**

Generally, the internal audit function is led by a chief audit executive who is the most senior member of staff in the organisation responsible for the internal audit function. The IIA's Standards for the professional practice of internal auditing state that *"The Chief Audit Executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity. The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results"*.

For local government, the Internal Auditor should report functionally to the audit committee and administratively to the General Manager. If matters involve the conduct of the General Manager, an alternate reporting chain to the Mayor or a protected disclosure to the ICAC, Ombudsman or the Division of Local Government (about serious and substantial waste in local government) should be in place.

It should be remembered that pursuant to section 335 of the Local Government Act the General Manager is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function. The General Manager may choose to delegate this responsibility provided always that the delegation does not directly or indirectly interfere with the ability of the Internal Auditor to conduct an internal audit function free from interference as required by the IIA's Standards, referred to above (see section 3.4 below).

A clear and properly defined reporting relationship ensures that the Internal Auditor is empowered to perform their role working with management. The direct reporting line to the Audit Committee also acts as an adequate safeguard in the event of a serious breakdown in internal controls or internal control culture at senior levels in the organisation.

Due to the reporting relationships of this key role, it is important that councils appoint an internal auditor who has credibility, and can build relationships and influence decisions at the most senior levels of council, including the audit committee and the General Manager.

## **2.4. Options for Resourcing Internal Audit**

Regardless of size, councils are encouraged to have an appropriately resourced internal audit function. An internal audit function should have sufficient and appropriate resources to carry out its work, including skilled auditors, appropriate technology tools, budgets and professional development opportunities. Budget allocations should align to the approved audit plans.

While size and complexity of a council's operations will drive the size and overall budget of its internal audit function, a small size of operation does not justify forgoing internal audit altogether. The most efficient and effective means of resourcing the internal audit function depends upon the individual circumstances of the council. It is recognised that smaller councils may not be able to justify a full-time internal auditor. Guidance is provided below on alternative resourcing models that may achieve the required outcomes on a cost effective basis.

### **2.4.1. Appointment of Full-Time or Part-Time Internal Auditor**

Ideally the internal auditor should be an independent position reporting directly to the Audit Committee and administratively to the General Manager, with no other operational or management responsibilities. The role and duties and a sample position description are described in more detail in the appendices.

Depending upon the size and complexity of the organisation, councils may consider appointing an internal auditor or internal audit team. The appointment could be full-time or part-time personnel and may be staffed by more than one auditor if the size of the council demands.

Position descriptions should be set for internal audit staff and should identify required qualifications and competencies, including:

- Proficiency in applying internal audit standards, procedures and techniques
- Proficiency in accounting principles and techniques if working extensively with financial records and reports

- An understanding of management principles required recognising and evaluating the significance of deviations from good business practices
- An appreciation of fundamental concepts in areas such as accounting, economics, commercial law, taxation, finance, quantitative methods and IT
- Effective interpersonal skills
- Skills in oral and written communication
- Ability to identify key issues in any area under review
- Ability to influence senior management as and when required
- Knowledge of key information systems technology risks and controls and available technology-based audit techniques.

### 2.4.2 Outsourced or co-sourced function

Providing that independence requirements are adhered to, councils can contract their internal audit function to private sector accounting firms or internal audit service providers. If this is the preferred option, then councils need to ensure that the service provided is for a professional internal audit service and not an extension of the financial assurance based external audit.

Councils should note that outsourcing or co-sourcing the internal audit function does not abrogate the council's responsibility to oversee and manage the internal audit function.

In monitoring the performance of the internal audit services provided by accounting firms, councils need to ensure that an appropriately qualified auditor is conducting the internal audit. To ensure an effective and comprehensive internal audit program, contracted internal auditors should have authority to independently set an ongoing audit program, which is not constrained by a narrow scope of audit coverage pre-determined by management.

A co-sourced function is one where a staff internal auditor supplements audit services with an outsourced internal audit service provider. An outsourced internal audit function is one where the service provider assumes all the responsibilities of the internal audit function.

Several options are set out below:

- Private sector accounting firms – most large accounting firms have specialist internal audit divisions, which provide a good service. Internal audit is a specialised skill and hence councils are advised to only use firms who have a specialised internal audit division.
- Boutique firms – a number of boutique firms exist that specialise in internal audit services.
- Internal audit contractors – there a range of experienced internal audit contractors available for this sort of work.
- NSW GTE - IAB Services is a State Government agency that provides internal audit services to the public sector.

Each of these options will have their advantages and can be appropriate for different circumstances. The advantages of using external providers include: flexibility; access to a wide range of expertise; ability to access the service as and when required. Disadvantages include loss of corporate knowledge and possible increased costs.

The NSW State Contracts Control Board has compiled a panel of qualified internal audit service providers at competitive rates through a competitive tender process. Councils are able to access this panel to save them time and effort in the procurement process and are encouraged to do so.

### 2.4.3 Regional or Inter-Council Sharing of Internal Audit Resources

Councils are also encouraged to consider resourcing their internal audit function via collaborative arrangements with other councils or through a regional organisation of councils (ROC).

A ROC or some other body (such as a strategic council alliance) could agree to jointly employ or contract an appropriately qualified internal auditor. This may have benefits in terms of cross-council benchmarking, reduction in travel costs and access to a bigger resource pool than would be available to a single council.

Each council should nevertheless establish its own independent audit committee and the internal auditor would need to report separately to each council, maintaining confidentiality. A funding model could be established that shares the costs on a user-pays basis between participating councils, with internal audit costs based on an agreed cost sharing basis.



Under this model, the appointed internal auditor would prepare an audit plan for each council, based on individual council requirements. There will be some common systems and shared knowledge and tools, such as audit planning, risk assessment, audit programs and procedures.

A small team of internal auditors directed by a suitably qualified and experienced auditor could be appropriate for serving several smaller councils in adjacent local government areas. This model should result in lower audit costs compared to councils employing separate internal auditors or consultants at various management levels.

Risk assessments and annual audit plans need to be designed with input from senior management of each of the participating councils. The internal audit team will need to retain a high degree of independence from management in the planning and conduct of audits. The reporting framework will need to ensure the independence of the audits and confidentiality of findings. The internal auditor should report directly to the General Manager and the Audit Committee of each council.

#### **2.4.4 Other Resources**

The Local Government Internal Audit Network (LGIAN) represents internal auditors in NSW local government and adds value to local government by promoting better practice internal audit and sharing of information and resources. This group provides sharing of technical expertise by internal audit professionals who are experienced in local government operations, legislation and governance. Member councils host quarterly meetings. Contact details are available from the Division of Local Government.

## 3. Internal Audit Operations

### 3.1. *Adding Value*

One of the primary objectives of the internal audit function is to add value to the council operations. Adding value involves taking a proactive approach with a focus on risk, organisational concerns and effective controls at a reasonable cost. By focusing audit work on high risk areas, the organisation will benefit from assessments of their systems and gain independent assurance on whether those systems that are critical to program delivery are operating efficiently and effectively.

This risk approach contributes to preventative auditing, rather than relying on detecting issues and exceptions after they have already eventuated.

### 3.2. *Roles and Responsibilities*

An internal audit function should have clear roles and responsibilities. This includes complete and unrestricted access to employees, property and records. Roles and responsibilities should be communicated in the internal audit charter and position descriptions.

## Policies and Procedures Checklist

Councils should establish a manual of policies / procedures that guide internal auditors in their work. The content of these policies / procedures should be consistent with relevant standards, such as the IIA Standards, and cover the following topics:

#### *Attribute Standards*

- Purpose, Authority and Responsibility
- Independence
- Proficiency and Due Care
- Quality Assurance

#### *Performance Standards*

- Managing the Internal Audit Activity
- Nature of the Work
- Engagement Planning
- Performing the Engagement
- Communication of Results
- Monitoring Progress
- Resolution of Management's Acceptance of Risk.

### 3.3. *Independence and Objectivity*

An internal audit function should maintain an appropriate level of independence and objectiveness through sound reporting relationships, and by those involved in internal audit activities avoiding bias and conflicts of interest.

#### 3.3.1 **Avoidance of Bias and Conflict of Interest**

Policies and procedures should be in place to help an internal audit ensure against the risk of bias, particularly arising from perceived familiarity by virtue of long association with persons the subject of internal audit activity.

### The Avoidance of Bias and Conflict of Interest Checklist

An internal auditor or person responsible for internal audit should have a process in place to ensure that:

- An internal auditor does not undertake audit work regarding operations / services for which he / she has held responsibility within the last two (2) years.
- An internal auditor who provides consulting services regarding a particular operation / service is not the same auditor who provides assurance on that same operation / service.
- Internal auditors are rotated periodically whenever it is practical to do so; alternatively, some other method is put in place to address the risks associated with having the same auditors responsible for auditing the same unit / functional area over a prolonged period.

### Position Description Checklist

The internal audit function should have written position descriptions for each level of audit staff. The position descriptions for audit staff should identify required qualifications and competencies, including:

- Proficiency in applying internal audit standards, procedures and techniques
- Proficiency in accounting principles and techniques
- An understanding of management principles required recognising and evaluating the materiality and significance of deviations from good business practices
- An appreciation of fundamental concepts in areas such as accounting, economics, commercial law, taxation, finance, quantitative methods and IT
- Effective interpersonal skills
- Skills in oral and written communication.

#### 3.4. Reporting Relationships

Councils establishing an internal audit function must provide appropriate independence for the internal audit function by establishing some degree of separation of the function from management.

In private companies, the internal auditor is accountable to the Board of Directors through the Chairman of the Audit Committee. This approach cannot be directly reproduced under the provisions of the *Local Government Act 1993*. Internal audit is an operational matter that falls within the responsibility of the General Manager. Under section 335(1) of the *Local Government Act*, the General Manager is responsible for the efficient and effective operation of the council's organisation.

The separation of powers between the General Manager and the elected council is a key element to the Act and accordingly both need to ensure that they do not interfere with or control the exercise of each of these functions. It is therefore not appropriate for an internal auditor to report directly to the mayor and/or councillors.

Internal auditors should be mindful of their obligation under section 11 of the ICAC Act to report suspected areas of corrupt activity. Further, they may wish to report their findings under the provisions of the *Protected Disclosures Act 1994*. This may be necessary if concerns are raised in regard to the General Manager or other senior staff.

Councils have the power to appoint an external audit firm to be the internal auditor. Where possible this firm should not be the same one that provides council's external audit services. This does not change the fact that internal audit remains an operational role. It should be remembered that pursuant to section 335 of the Local Government Act the General Manager is responsible for the day-to-day management of council activities including the direction of staff and implicitly the internal audit function.

While management employs the internal auditor, the internal auditor is also expected to review the conduct of management. Therefore, the internal auditor should be able to report to a person or body with sufficient authority to implement internal audit recommendations.

It is important for the internal auditor to have direct access to the audit committee to monitor the scope of the work of internal audit and to review the reports issued. This is achieved by having the internal auditor attend meetings of the audit committee.

The appointment of an internal auditor does not give council the ability to direct the performance of the internal audit function. However, councils can use the General Manager's employment contract to ensure that relevant internal audit work is being undertaken as a requirement of the General Manager's performance obligations.

The Internal Auditor should maintain independent reporting relationships with the audit committee, General Manager and management. This requires:

- Reporting functionally to the audit committee and administratively to the General Manager
- Reporting to an audit committee with external members
- Internal audit charter to be approved by the audit committee and the audit committee charter to be approved by council
- Audit committee to approve of internal audit plans, and provide a forum for discussion of areas worthy of internal audit attention
- Audit committee to ensure coordination and cooperation of internal and external auditors
- Audit committee to make enquiries of management to determine if the scope or budgetary limitations impede the internal audit's ability to function properly, and ensure that the internal audit function is properly resourced
- Reporting to the General Manager for budgeting and accounting, human resource administration, internal communications, administration of policies and procedures.

Reporting to an audit committee with a majority of members, who are external and independent to the council, ensures that internal audit operates independently from management and can effectively review risk, control, governance processes and management assertions.

### **Reporting Relationships Checklist**

The audit committee should include persons external to the organisation. In the absence of an audit committee, the internal auditor should report to a level within the organisation that ensures that the internal audit is able to have broad audit coverage and to fulfil its responsibilities independently and objectively.

Reporting functionality to an audit committee means the committee:

- Approves the internal audit charter



- Approves short and long term audit plans
- Comments on the performance of the internal auditor
- Makes enquiries of management to determine if there are scope or budgetary limitations that impede internal audit's ability to function properly
- Ensures that the internal audit function is adequately resourced
- Approves the scope of external assessments of the internal audit
- Provides a forum for discussion to identify areas worthy of examination by internal audit
- Recommends to Council who should be the internal audit provider and/or has input into the selection of the Chief Audit Executive.

Reporting administratively to the General Manager relates to day to day operations of internal audit including:

- Budgeting and accounting
- Human resource administration
- Internal communication / information flow
- Administration of internal policies and procedures.

### **3.5. *Internal Audit Plans***

Internal audit should prepare an audit plan that identifies internal audit's objectives and strategies, and the audit work they will undertake.

Good practice internal audit plans will be based on a risk assessment of the council's key strategic and operational areas to determine an appropriate timing and frequency of coverage of each of these areas. Best practice will also include audit judgment of areas that should also be reviewed despite not appearing as a high priority in the council's risk profile.

The annual plan will generally be developed with input from the General Manager and senior management and approved by the audit committee. Generally, such a plan will identify:

- The audit projects that will be carried out during the year and rationale for selecting each
- When each audit project is expected to commence and the time allocated for each
- The performance measures that will be used to evaluate the performance in relation to established goals / objectives and strategies
- Any areas that cannot be covered within existing budgets and additional areas, which in the opinion of the internal auditor, should be reviewed
- Whether the audit projects identified require the use of external expertise.

A rolling three year plan of coverage can be proposed so that it can be readily determined what areas will be covered in any given year, and if their area is not covered in a given year, when it is scheduled for review. The ability of the internal auditor to execute this plan over a three year cycle is a useful method to assess whether internal audit is adequately resourced. However the plan should be reviewed at least annually to ensure that it still aligns with the council's risk profile.

## Audit Plans Checklist

The internal auditor should have a long term strategic plan and annual work program to guide their work.

Long term strategic plans that are prepared with input from and approval by the internal audit committee should be risk based. They would generally include:

- A description of the goals / objectives of internal audit
- Key organisational issues and risks of the organisation prepared in consultation with senior management, the audit committee, the external auditor and other relevant parties
- The strategies / priorities in order to address issues and risks.

Mid term operational plans may also be prepared to assist an organisation in the implementation of the key strategies / priorities identified in the strategic plan. Typically these plans would include aspects such as:

- Staffing, competency needs
- Professional development
- Information technology requirements
- Budgeting requirements
- How performance monitoring, measurement, and internal / external assessments will be operationalised.

The annual audit plan is prepared with input from and approval by the audit committee. It should be developed based on the long term strategic plan and the mid term plan. Generally, such a program will identify:

- The audits and other types of projects that will be carried out during the year and the rationale for selecting each
- Staffing for each project, when it is expected to commence and the time allocated for each
- Financial budgets
- The performance measures that will be used to evaluate performance in relation to established goals / objectives and strategies
- As applicable, the plans for internal / external assessments of an internal audit group.

### **3.6. Performing Internal Audits**

Internal Auditors should perform internal audit reviews in accordance with the accepted Institute of Internal Auditors (IIA) Standards and the IIA Code of Ethics for performance standards, practices and guidelines. An outline is shown in the appendices. This includes:

- planning the audit
- defining the audit scope
- identifying sufficient, reliable, relevant, and useful information to achieve the audit's objectives
- identifying and evaluating the risks
- analysis and evaluation of controls
- maintaining proper records of the audit and evidence collected and analysed
- performing tests

- making recommendations
- discussing audit results with relevant staff and management.

Internal Audit may also perform consulting engagements and investigations of allegations, depending on the roles conferred in the Internal Audit Charter. Professional standards should also be applied when conducting these types of reviews.

**3.7. Communication of Audit Results**

Internal audit should regularly communicate its findings and recommendations to the audit committee, General Manager and management of the areas audited. An internal audit report should communicate accurate, objective, clear, concise, constructive, complete and timely information.

Audit reports should normally include background information, the audit objectives, scope, approach, observations/findings, conclusions, recommendations and agreed management actions. Reports should promote better practice options and explain why the recommended changes are necessary and how they add value.

Reports and memos should share internal audit’s observations on significant risk exposures, control issues, corporate governance issues, and other related audit matters. By sharing audit criteria, explaining causes and consequences of audit observations, councils can gain an understanding of the implications and impacts of the audit findings.

Depending on the size of the internal audit reports, summaries may be appropriate for the General Manager and the audit committee with full reports available on request.

**Internal Audit Reports Checklist**

The following table is based on the IIA Professional Practices Framework.

Background	<ul style="list-style-type: none"> <li>✓ Identifies the organisational units and activities reviewed and provides explanatory information.</li> <li>✓ Indicates why the audit project was conducted, including whether the report covers a scheduled engagement or is responding to a request.</li> <li>✓ Includes the status of observations, conclusions and recommendations from prior audits.</li> </ul>
Objectives	<ul style="list-style-type: none"> <li>✓ Statements that define intended engagement accomplishments.</li> </ul>
Scope	<ul style="list-style-type: none"> <li>✓ Identifies the audited activities.</li> <li>✓ Identifies the time period reviewed.</li> <li>✓ Identifies related activities that are not reviewed.</li> </ul>
Approach	<ul style="list-style-type: none"> <li>✓ Establishes the procedures for identifying, analysing, and evaluating sufficient information to achieve the engagement’s objectives.</li> </ul>
Observations / Findings	<ul style="list-style-type: none"> <li>✓ Identifies the standards, measures, or expectations used in making an evaluation and / or verification (criteria).</li> <li>✓ Identifies the factual evidence that the internal auditor found during the examination that supports the conclusions and recommendations (conditions).</li> <li>✓ Identifies the reason for the difference between the expected and actual conditions (causes).</li> </ul>

	<ul style="list-style-type: none"> <li>✓ Identifies the risk or exposure the organisation and / or others encounter because the condition is not consistent with the criteria (effect).</li> </ul>
Conclusions	<ul style="list-style-type: none"> <li>✓ Should be clearly identified.</li> <li>✓ Should be based on appropriate analyses and evaluations.</li> <li>✓ Should encompass the entire scope of an engagement.</li> <li>✓ Should relate directly to objectives.</li> </ul>
Recommendations	<ul style="list-style-type: none"> <li>✓ Should be based on engagement observations and conclusion.</li> <li>✓ Should either be general or specific and call for action to correct existing conditions or improve operations.</li> <li>✓ Should suggest approaches to correct or enhance performance.</li> </ul>
Agreed actions	<ul style="list-style-type: none"> <li>✓ An agreed set of actions proposed by management to address any recommendations. (In some cases the internal audit teams may move straight to agreeing actions and skip recommendations. This is considered good practice.)</li> </ul>

### **3.8. Follow-Up on Audit Reports**

The General Manager and audit committee should systematically review progress against audit recommendations and agreed action plans. This ensures that a clear message is sent to management and staff that these matters are important and are being reviewed at the most senior levels in the organisation.

If management accepts a risk that internal audit believes is unacceptable, then this should normally be discussed at an appropriate level in the organisation, including with the General Manager and the audit committee, as considered appropriate.

### **3.9. Access to Audit Reports**

Internal audit reports are intended for internal use only. Where audit reports have findings that are useful to other areas of council, internal audit may share this information on a limited basis. Internal audit reports should be shared with the council's external auditor to assist them in the course of their work. This permission should be documented in the audit committee charter.

Councillors should also have access to the minutes of the Audit Committee. As the minutes may contain confidential information, broader public access should be controlled. However the council should be mindful of its obligations under the *Government Information (Public Access) Act 2009* to provide greater transparency and accountability.

### **3.10. Annual report from the Audit Committee to Council**

The audit committee should report regularly to the council on the management of risk and internal controls. This may be done following each meeting of the audit committee, but as a minimum, the audit committee should report at least annually to the full council on its oversight role of the internal audit function. The General Manager should also provide an annual report to the audit committee on the performance of the internal audit function.

Council may request the Chairperson of the Audit Committee to address the Council to answer any enquiries about the operation of the Audit Committee.



### **3.11. Performance Measurement**

Internal audit should have performance measures that are based on its specific goals / objectives and performance targets that are derived from the internal audit group's plans / strategies. Quality assurance and review of audit work papers in accordance with Australian Auditing Standards is also an essential requirement to ensure the audit findings are adequately evidenced and documented. The work of internal audit can be used by the external auditors where they are satisfied of its quality as per the Australian Auditing Standards AA610.

#### **Performance Measurement System Checklist**

Performance measures should provide information that enables the internal audit function to determine whether its activities are achieving its charter and planned results (ie, the aims expressed in its various types of plans).

The performance measurement system should be documented and should be clear on:

- Performance data that is to be collected
- The frequency of data collection
- Who is responsible for data collection
- Data quality control
- Who generates performance data reports
- Who receives such reports.

Performance measures may cover aspects such as:

- Stakeholder satisfaction
- Internal audit processes (eg, risk assessment / audit planning, performing the audits, reporting, and value added)
- Innovation and capabilities (training, technology, knowledge of business)
- Control deficiencies identified and resolved by management
- Cost/benefit analysis of internal audit recommendations.

An internal audit function should regularly report to the General Manager and the audit committee on its progress against the annual internal audit plan.

### **3.12. Independent Quality Review of Internal Audit**

Internal audit should be subject to an external quality assessment of its performance using accepted standards for performance measurement and evaluation at least every five years.

This is to provide assurance to the General Manager and council that internal audit is effective and operating in accordance with the International Standards for the Professional Practice of Internal Auditing.

The Institute of Internal Auditors provides a quality assessment framework for this purpose.

### **3.13. Internal Audit and Protected Disclosures**

Where there is otherwise no designated protected disclosures coordinator for the council, the internal auditor can be appointed to fulfil the requirements of the *Protected Disclosures Act 1994* and the provisions of council's internal reporting policy. Alternatively, the General Manager can appoint the internal auditor to conduct an independent investigation of matters arising from a protected disclosure.

Protected disclosures are an important means by which councils can signal commitment to ethical practice. They also can act as an early warning system for management and to assist staff in making any disclosures of alleged corrupt conduct, maladministration or serious and substantial waste of public money under the *Protected Disclosures Act 1994*.

Every public official has a statutory right to make a disclosure under the Protected Disclosure Act to the following external agencies:

- NSW Ombudsman
- Independent Commission Against Corruption (ICAC)
- Audit Office
- Police Integrity Commission or
- Division of Local Government, Department of Premier and Cabinet (about serious and substantial waste in local government).

Councils should inform their councillors, staff and council delegates of the requirements and protections of the *Protected Disclosures Act 1994* through staff and councillor induction and training programs.

## 4. Establishing an Audit Committee

### 4.1. *What is an Audit Committee?*

An audit committee plays a pivotal role in the governance framework to provide council with independent oversight and monitoring of the council's audit processes, including the council's internal control activities. This oversight includes internal and external reporting, risk management activities, internal and external audit and compliance.<sup>5</sup> A strong relationship between the audit committee and the internal audit function enables the committee to meet its responsibilities and carry out its functions. An audit committee establishes the importance and executive direction for an internal audit function, and ensures that the council achieves maximum value from the internal audit function. The audit committee sets the appropriate tone at the top. Guidelines for establishment and operations of audit committees in local government are set out below.

No two audit committees will function in exactly the same way, nor should they. A dynamic audit committee process is required for each council to cater for the particular internal and external influences impacting upon them. The size and conduct of council audit committees will also vary depending on a council's size and other circumstances.

**Key characteristics** of good practice audit committees are:

- A thorough understanding of the audit committee's position in the legal and governance framework
- Clearly defined roles and responsibilities
- Members with relevant personal qualities, skills and experience, including at least one member with a strong financial and/or audit background
- The ability to maintain effective relationships with key stakeholders
- The ability and capacity to conduct its affairs efficiently and effectively
- A robust and considered process of assessment and continuous improvement.

### 4.2. *Independence and Objectivity*

The audit committee will achieve its independence by having a majority of independent members external to council and its operations. In addition, it is highly desirable that all members chosen exhibit an independence of mind in their deliberations and do not act as a representative of a particular area of council, or with conflicts of interests. Regular rotation of some or all members is also desirable to keep a fresh approach.

Ideally the audit committee should consist of at least three and preferably no more than five members comprised of independent external members, who should be in the majority, and councillors other than the Mayor (or an Administrator). Staff should not be members of the audit committee.

When selecting committee members it is important to ensure that they have appropriate qualifications and experience to fulfil their role. The following qualities are desirable when appointing members:

Individuals should have:

- Knowledge of local government
- Strong communication skills

<sup>5</sup> Auditing and Assurance Standards Board, Australian Institute of Company Directors, Institute of Internal Auditors, Audit committees, A Guide to Good Practice 2008



- High levels of personal integrity and ethics
- Sufficient time available to devote to their responsibilities as a committee member
- High levels of financial literacy and, if possible accounting; financial; legal compliance and/or risk management experience or qualifications.

The audit committee as a whole should have:

- At least one member with financial qualifications and experience
- Skills and experience relevant to discharging its responsibilities, including experience in business, financial and legal compliance, risk management

### **Selection and Appointment of Committee Members**

Committee members and the audit committee chair should be appointed by the council. This could be done on the recommendation of a committee which has been convened by council with the power to interview and recommend suitable candidates. It is important that the process used is transparent and accountable.

If the council wishes to use this process then the committee should prepare a written report for the council that provides details of the qualifications and experience of all eligible applicants for the position(s) of independent audit committee member(s) or audit committee chair from which the council can select the most suitable appointees.

Sufficient funds need to be allocated to the audit committee for it to operate effectively. Council should resolve to provide a budget and funds for the audit committee, this should include fees payable to the audit committee members.

### **Independent and councillor members**

Independent and councillor members must be free from any management, business or other relationships that could be perceived to interfere with their ability to act in the best interests of the council.

When considering whether an individual has the necessary independence from council it is common to examine the individual's past and current relationships with the council. Some of the following are relationships that might affect the independent status of an independent and/or councillor:

- Is a substantial shareholder; an owner, officer or employee of a company; or a consultant, that is a material provider of professional advice, or goods, or services to the council;
- Is employed by or has previously been employed by a council and there has not been a period of at least two years between ceasing such employment;

To maximise both the real and perceived independence of the committee individuals currently employed by a council cannot be considered as an independent member of a council audit committee.

This list is not exhaustive and if one or more of the above examples is exhibited by an independent or councillor it is possible that their status as an "independent" member of the committee might be compromised.

Members and potential members of an audit committee need to ensure that they disclose to the council any relationships that could be viewed by other parties as creating conflicts of interests that impair either the individual's or the audit committee's actual or perceived independence.

In order to maximise the effectiveness of the audit committee it is important for members to be both independent and to be seen to be independent.

### **Audit committee chair**

The chair of the audit committee is critical to the overall effectiveness of the committee. The chair of the committee should be independent and should not be the mayor or a member of council. The council should select an audit committee chair who:

- Is knowledgeable of the duties and responsibilities of the position as outlined in the audit committee charter; especially about local government, financial reporting and auditing requirements;
- Has the requisite local government, financial and leadership skills;
- Has the ability to build good relationships; and
- Has strong communication skills

The term of appointment of the chair should be specified by the council.

### **4.3. Structure and Membership**

The structure and membership of an audit committee in the NSW local government environment will depend on the size of the council. Membership should have a majority of independent members and councillors (excluding the Mayor), with between 3 and 5 members. Good practice in governance is that council staff should not be members of the committee. However, this may not be practical for some councils. The chair should be an independent member. A suggested membership is:

- 1 or 2 councillors (excluding the mayor)
- 2 or 3 independent members, at least one with financial expertise and one of whom should be the chair.

The internal auditor and Chief Financial Officer should be invited to attend all meetings. The external auditor should also be invited to attend as an independent advisor.

To preserve the independence of the Audit Committee the General Manager should not be a voting member of the Audit Committee. In accordance with section 376(2) of the Local Government Act the General Manager is entitled to attend meetings of the Audit Committee. Furthermore pursuant to Section 376(3) of the Local Government Act the General Manager may only be excluded from the meeting while the committee deals with a matter relating to the standard of performance of the General Manager or the terms of the employment of the General Manager. However, the General Manager is not automatically entitled to be, nor should the General Manager be, a member of the audit committee.

General Managers are strongly encouraged to enable the audit committee to conduct its activities without undue influence from the General Manager.

It is recommended that, even though, pursuant to the Local Government Act, the General Manager is entitled to attend all meetings, in line with better practice, the General Manager should allow the audit committee to meet separately with each of the internal auditor and the external auditor without the presence of management on at least one occasion per year.

A suggested structure for smaller councils is as follows:

- 1 councillor (excluding the Mayor)
- 2 independents – at least one with financial expertise

A structure for bigger councils could be:

- 1 or 2 councillors (excluding the Mayor)
- 2 or 3 independents – at least one with financial expertise and/or one with financial, legal or business expertise

The audit committee should also have its own charter that sets out the roles and responsibilities of the audit committee and its oversight of the internal and external audit functions, including any statutory duties. The elected council should approve the audit committee charter.

An example charter for audit committees is included in Appendix 2. Councils should not use this example verbatim but should tailor it according to their specific circumstances.

#### **4.4. Audit Committee Operations**

##### **4.4.1. Meetings**

The audit committee should meet with sufficient frequency to meet its responsibilities.

The number of meetings and their duration will vary depending on the range and complexity of the council and the committee's responsibilities. The audit committee should decide the number of meetings needed for the year after taking into consideration:

- The roles and responsibilities of the committee
- Maturity of the committee and audit arrangements
- The level and/or volume of internal and external audit activity
- Key reporting deadlines
- Significant developments or emerging risks for the entity, for example, restructuring, policy initiatives or new programs
- The potential resource implications versus the benefit to the committee and the entity of more frequent meetings.

Generally, the audit committee should meet at least four times a year. It is also appropriate to have meetings dedicated to considering the annual external audit plan, external management letters and council's audited annual financial reports. Where significant issues arise during the year, committees should consider the need to schedule additional meetings.

Where possible, the dates for audit committee meetings should be established 12 months in advance, particularly where the committee has independent members with other commitments. Each year the committee should agree a forward meeting plan, including meeting dates, location and agenda items. When developing the forward meeting plan, the committee should ensure it covers all the responsibilities outlined in its charter.

The audit committee charter should require the chair of the committee to hold a meeting if asked to do so by another committee member or by the council or the General Manager. There should also be provision for both the internal and external auditors to meet privately with the chair of the audit committee if required, and this should be documented in the audit committee charter.

##### **4.4.2. Functions**

Clear roles and responsibilities should be given to an audit committee, and documented in the audit committee charter (see Appendix 2 for a model charter). The broad responsibilities for best practice include the following:

- Risk management
- The control framework
- External accountability (including the council's annual audited financial reports)
- Legislative compliance
- Internal audit



- External audit
- Approving the internal audit charter that will guide the activities of an internal audit group
- Having input into and approving an internal audit's long-term strategic plan and annual audit plan
- Having input into the appointment and remuneration of the internal auditor
- Making enquiries of management and the internal audit to determine if there are scope or budgetary limitations that impede an internal auditor's ability to function properly
- Approving the scope of an external assessment or equivalent internal assessment of internal audit to be undertaken every 5 years; and internal assessments which can be undertaken in intervening years if desired.

An audit committee, as a crucial component of corporate governance, is fundamental to assisting the General Manager and council with their oversight function to:

- Ensure all key controls are operating effectively
- Ensure all key controls are appropriate for achieving corporate goals and objectives
- Meet their statutory and fiduciary duties
- Provide a forum for discussing problems and issues that may affect the operations of the internal audit group and acting as a forum for discussion
- Provide a forum for discussion to identify areas worthy of examination by an internal audit group
- Review the implementation of the annual audit plan and implementation of audit recommendations.

#### **4.4.3. Conflict of Interests**

Councillors, council staff and members of council committees must comply with the applicable provisions of council's code of conduct in carrying out their functions as council officials. It is the personal responsibility of council officials to comply with the standards in the council's code of conduct and regularly review their personal circumstances with this in mind.

There will in all likelihood be times where matters to be considered by the Committee raise a conflict of interests for a member of the committee. To preserve the integrity and independence of the Audit Committee it is of utmost important that any conflict of interests is appropriately managed.

This can be done by Committee members declaring any conflict of interests at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflict of interests should be appropriately minuted.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interests, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interests may exist. The final arbiter of such a decision is the Chair of the Committee.

## 5. Enterprise Risk Management

### 5.1. What is Risk Management

Internal audit is not responsible for designing or implementing risk management in councils, but is required to consider the risk management framework in planning and conducting audits.

Risk management is an essential part of effective corporate governance. It is defined as “the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects.”<sup>6</sup> Enterprise Risk Management is the holistic management of all risks within council, not just insurable risks or occupational health and safety.

The concept of risk has two elements, the likelihood of something happening and the consequences if it happens. It is recommended that councils refer to the International Standard “*Risk Management – Principles and Guidelines*” ISO 31000:2009(E) for detailed guidance on risk management.

Risk can arise from internal or external sources, and might include exposure to such things as economic or financial loss or gain, physical damage, failure of a project to reach its objectives, ratepayer dissatisfaction, unfavourable publicity, a threat to physical safety or breach of security, mismanagement, failure of equipment, corruption and fraud. Risks should not necessarily be avoided. If managed effectively, they allow us to seize opportunities for improving services and business practices.

Risks can be categorised according to the goals, objectives or outcomes in the council’s strategic, management or business plans. At the highest level, these represent risks to the council’s ability to implement policy and deliver outcomes to the community. Risks also can be categorised into:

- Strategic risks (risks to the council’s direction, external environment and to the achievement of its plans)
- Commercial risks (risks of commercial relationships, such as failed contractual relationships)
- Operational risks (risks to core business activities, such as inadequate human resources, disasters or threats to physical safety)
- Technical risks (risks of managing assets, such as equipment failure or structure collapse)
- Financial and systems risks (risks with financial controls and systems, such as fraud)
- Compliance risks (risks to meeting regulatory obligations).

Risk management is a logical and systematic process that can be used when making decisions and in managing performance. It is a means to an end and should be integrated into everyday work. Good risk management is forward-looking and helps to improve business decisions. It is not just about avoiding or minimising losses, but also about dealing positively with opportunities. It is a powerful tool for local government managers.

Good risk management is based on a well-planned, logical, comprehensive and documented strategy. This strategy provides general policy guidance, and plans and procedures that can be used as part of the organisation’s everyday work to manage risk.

Good risk management must be based on a strategy, but a strategy itself doesn’t manage risks. Leadership, effort by all levels of management and staff, and careful monitoring by councillors and risk committees, are needed to make the strategy a success.

<sup>6</sup> “*Risk Management – Principles and Guidelines*” ISO 31000:2009(E)

Focus should be on embedding a risk management philosophy into organisational decision making and providing tools to enable this process. Where major risks are identified then managerial effort should be directed to managing those risks. Overly complex approaches to risk management will divert resources from the main objective of better management performance, and hence a common sense approach is encouraged.

## 5.2. **Why Implement Risk Management?**

Increasingly, risk management is a mainstream activity embedded into good management in both the private and public sectors. Through better understanding of risks, and their likelihood and consequences, councils and their staff will be better prepared to anticipate these risks and take appropriate action.

By utilising risk management principles, councils are able to maximise the likelihood of successfully achieving their goals through proactive treatment of risks resulting in the following outcomes:

- Higher level of service delivery
- Efficient and effective allocation of resources
- Improved responsiveness and flexibility
- Increased accountability and transparency
- Reduced stress to council staff and management.

It is also hoped that effective risk management will result in fewer surprises and unanticipated negative events.

## 5.3. **Risk Management in New South Wales Local Government**

The *Local Government Act 1993* was enacted in an era before enterprise risk management was a widely accepted element of good governance. The Act nevertheless requires councils, among other things, to:

*“provide directly or on behalf of other levels of government, after due consultation, adequate, equitable and appropriate services and facilities for the community and to ensure that those services and facilities are managed efficiently and effectively”.*<sup>7</sup>

The Act also requires Councillors:

**“to review the performance of the council and its delivery of services, and the management plans and revenue policies of the council”**<sup>8</sup>

and that the General Manager:

*“is generally responsible for the **efficient and effective operation** of the council's organisation and for ensuring the implementation, without undue delay, of decisions of the council”.*<sup>9</sup>

While there is currently no specific reference to risk management in the Act, it is implicit in each of the above broader requirements for efficiency, effectiveness and oversight.

The Division of Local Government's Promoting Better Practice Program reviews have frequently made recommendations to actively encourage councils to undertake a comprehensive risk management plan across all functions of council to proactively identify and manage risk exposures.

<sup>7</sup> Local Government Act 1993 – Section 8

<sup>8</sup> Local government Act 1993 Section 232(1)

<sup>9</sup> Local government Act 1993 Section 335(1)



One of the key roles of the internal auditor is to provide advice and assurance over the risk management and internal control frameworks. To maintain independence, internal audit will not normally be responsible for the implementation of risk management or making decisions on how risks should be treated.

#### **5.4. Risks Inherent Within Local Government**

While each council will have different sizes and complexities in its structure and operations, and these in turn will generate different risks, there are a number of risks that will be common to the sector and be applicable in some form to most councils.

As a first step, councils may wish to identify material risks to the achievement of the council's goals, objectives and desired outcomes of the council's strategic, management and/or business plans. At the highest level, these represent risks to the council's ability to implement policy and deliver outcomes to the community.

A number of common risks for local government are set out in Appendix 5, which may assist in this process.

#### **5.5. Whole-Of-Government Risk Management**

Councils often face risks that significantly influence other risks (such as inadequate staff skills or low morale that influence productivity). These links between risks are important - a risk may not look significant in isolation, but is significant when its flow-on effect is considered.

As whole-of-government approaches become more common, state-sector risks – risks that affect the state as a whole – are becoming better understood and therefore can be better managed.

Councils will increasingly need to understand state-sector risks, and to pay greater attention to identifying and working with other layers of government to manage them. There are 3 types of state-sector risk, each of which calls for a different response:

- Council-level risks (such as the risks above). These can become risks to the State because of their size and significance, because of the wider impact of measures to manage them, or because of poor management by councils.
- Inter-agency risks, which if unmitigated by one agency, become risks for other agencies (such as the link between meeting the educational and social needs of teenagers and anti-social behaviour).
- State-wide risks, which are beyond the boundaries of any one council and call for a response across councils coordinated by a central council (such as bushfires, floods and other emergencies).

There is no such thing as a risk-free environment, but many risks can be avoided, modified or shared through good risk management. Similarly it is not desirable to attempt to create a risk-free environment and not all risks should be reduced. It may be appropriate in some circumstances to retain the risk, or even look at increasing the level of risk taken.

Risk management is an effective tool to identify, evaluate and manage both risks and opportunities at all levels of the organisation. Good risk management also takes advantage of opportunities while analysing and dealing with risks.

Risks should not necessarily be avoided. If managed effectively, they allow councils to seize opportunities for improving services and business practices and avoiding unexpected negative impacts.



## 5.6. Other Guidance

Risk management is a common sense, yet highly evolved discipline. This guide aims to provide grounding on some of the key principles and practices councils should embrace. For those seeking a deeper understanding of risk management principles and practice, the Division recommends:

- International Standard ISO 31000:2009(E) risk management – Principles and guidelines
- ISO Guide 73:2009 Risk Management – Vocabulary
- IS/IEC 31010 Risk Management – Risk Assessment Techniques

These important publications provide detailed and authoritative guidance about risk management practices. They constitute a step-by-step guide for councils wanting to develop and implement risk management frameworks.

Although not all organisations use this approach, public sector risk management continues to expand beyond a financial focus to encompass all parts of an organisation's business and services. The Commonwealth Government based its *Guidelines for Managing Risk in the Australian Public Service* on this standard. See [www.apsc.gov.au/mac/index.htm](http://www.apsc.gov.au/mac/index.htm).

The Australian National Audit Office describes the key components of effective risk management, as well as the importance of developing a risk management culture, in its better practice guide, *Public Sector Governance Volume 16*. See [www.anao.gov.au](http://www.anao.gov.au).

CPA Australia has a number of publications relating to public sector risk management. They include *Case Studies in Public Sector Risk Management: Better Practice Guide*; *Enterprise-wide Risk Management: Better Practice Guide*; *Public Sector Risk Management: A State of Play*; and *Research Report on Public Sector Risk Management*. See [www.cpaaustralia.com.au/20\\_cpastore](http://www.cpaaustralia.com.au/20_cpastore).

## Appendix 1 - Summary of Internal Audit Standards and Professional Practices Framework

### The Institute of Internal Auditors

#### International Standards for the Professional Practice of Internal Auditing

*Reprinted with permission of the Institute of Internal Auditors, Australia. Note that these standards are under continuous development and hence while correct at the time of publication, readers should obtain the latest version of the standards from IIA Australia.*

The purpose of the *Standards* is to:

1. Delineate basic principles that represent the practice of internal auditing, as it should be.
2. Provide a framework for performing and promoting a broad range of value-added internal audit activities.
3. Establish the basis for the evaluation of internal audit performance.
4. Foster improved organisational processes and operations.

The structure of the *Standards* is divided between Attribute and Performance *Standards*. Attribute *Standards* address the attributes of organisations and individuals performing internal auditing. The Performance *Standards* describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured. The Attribute and Performance *Standards* are also provided to apply to all internal audit services.

Implementation *Standards* are also provided to expand upon the Attribute and Performance *standards*, by providing the requirements applicable to assurance (A) or consulting (C) activities.

The *Standards* are part of the International Professional Practices Framework (IPPF). The IPPF includes the Definition of Internal Auditing, the Code of Ethics, the *Standards*, and other guidance. Guidance regarding how the *Standards* might be applied is included in Practice Advisories that are issued by the Professional Issues Committee.

## Attribute Standards

### **Attribute Standards**

#### **1000 – Purpose, Authority, and Responsibility**

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

#### **Interpretation:**

*The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.*

**1000.A1** – The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

**1000.C1** – The nature of consulting services must be defined in the internal audit charter.

#### **1010 – Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter**

The mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the *Standards* must be recognized in the internal audit charter. The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics, and the *Standards* with senior management and the board.

#### **1100 – Independence and Objectivity**

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

#### **Interpretation:**

*Independence is the freedom from conditions that threaten the ability of the internal audit activity or the chief audit executive to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional, and organisational levels.*

*Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organisational levels.*

**1110 – Organisational Independence**

The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.

**1110.A1** – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.

**1111 – Direct Interaction with the Board**

The chief audit executive must communicate and interact directly with the board.

**1120 – Individual Objectivity**

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

**Interpretation:**

*Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.*

**1130 – Impairment to Independence or Objectivity**

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

**Interpretation:**

*Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.*

*The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.*

**1130.A1** – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

**1130.A2** – Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

**1130.C1** – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

**1130.C2** – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.



**1200 – Proficiency and Due Professional Care**

Engagements must be performed with proficiency and due professional care.

**1210 – Proficiency**

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

**Interpretation:**

*Knowledge, skills, and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organisations.*

**1210.A1** – The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

**1210.A2** – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

**1210.A3** – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

**1210.C1** – The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

**1220 – Due Professional Care**

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

**1220.A1** – Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management, and control processes;
- Probability of significant errors, fraud, or noncompliance; and
- Cost of assurance in relation to potential benefits.

**1220.A2** – In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

**1220.A3** – Internal auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

**1220.C1** – Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing, and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement's objectives; and
- Cost of the consulting engagement in relation to potential benefits.

**1230 – Continuing Professional Development**

Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

**1300 – Quality Assurance and Improvement Program**

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

**Interpretation:**

*A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.*

**1310 – Requirements of the Quality Assurance and Improvement Program**

The quality assurance and improvement program must include both internal and external assessments.

**1311 – Internal Assessments**

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic reviews performed through self-assessment or by other persons within the organisation with sufficient knowledge of internal audit practices.

**Interpretation:**

*Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.*

*Periodic reviews are assessments conducted to evaluate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards.*

*Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.*

**1312 – External Assessments**

External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organisation. The chief audit executive must discuss with the board:

- The need for more frequent external assessments; and
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

**Interpretation:**

*A qualified reviewer or review team consists of individuals who are competent in the professional practice of internal auditing and the external assessment process. The evaluation of the competency of the reviewer and review team is a judgment that considers the professional internal audit experience and professional credentials of the individuals selected to perform the review. The evaluation of qualifications also considers the size and complexity of the organisations that the reviewers have been associated with in relation to the organisation for which the internal audit activity is being assessed, as well as the need for particular sector, industry, or technical knowledge.*

*An independent reviewer or review team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.*

**1320 – Reporting on the Quality Assurance and Improvement Program**

The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board.

**Interpretation:**

*The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the reviewer's or review team's assessment with respect to the degree of conformance.*

**1321 – Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”**

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement program support this statement.

**1322 – Disclosure of Nonconformance**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics, or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the nonconformance and the impact to senior management and the board.



## **Performance Standards**

### **2000 – Managing the Internal Audit Activity**

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.

#### **Interpretation:**

*The internal audit activity is effectively managed when:*

- *The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;*
- *The internal audit activity conforms with the Definition of Internal Auditing and the Standards; and*
- *The individuals who are part of the internal audit activity demonstrate conformance with the Code of Ethics and the Standards.*

### **2010 – Planning**

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

#### **Interpretation:**

*The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consultation with senior management and the board.*

**2010.A1** – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

**2010.C1** – The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organisation's operations. Accepted engagements must be included in the plan.

### **2020 – Communication and Approval**

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

### **2030 – Resource Management**

The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

#### **Interpretation:**

*Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.*

**2040 – Policies and Procedures**

The chief audit executive must establish policies and procedures to guide the internal audit activity.

**Interpretation:**

*The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.*

**2050 – Coordination**

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

**2060 – Reporting to Senior Management and the Board**

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.

**Interpretation:**

*The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.*

**2100 – Nature of Work**

The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

**2110 – Governance**

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the board, external and internal auditors, and management.

**2110.A1** – The internal audit activity must evaluate the design, implementation, and effectiveness of the organisation's ethics-related objectives, programs, and activities.

**2110.A2** – The internal audit activity must assess whether the information technology governance of the organisation sustains and supports the organisation's strategies and objectives.

**2110.C1** – Consulting engagement objectives must be consistent with the overall values and goals of the organisation.

**2120 – Risk Management**

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

**Interpretation:**

*Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:*

- *Organisational objectives support and align with the organisation's mission;*
- *Significant risks are identified and assessed;*
- *Appropriate risk responses are selected that align risks with the organisation's risk appetite; and*
- *Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management, and the board to carry out their responsibilities.*

*Risk management processes are monitored through ongoing management activities, separate evaluations, or both.*

**2120.A1** – The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

**2120.A2** – The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

**2120.C1** – During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

**2120.C2** – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.

**2120.C3** – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

**2130 – Control**

The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

**2130.A1** – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

**2130.A2** – Internal auditors should ascertain the extent to which operating and program goals and objectives have been established and conform to those of the organisation.



**2130.A3** – Internal auditors should review operations and programs to ascertain the extent to which results are consistent with established goals and objectives to determine whether operations and programs are being implemented or performed as intended.

**2130.C1** – During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

**2130.C2** – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organisation's control processes.

## **2200 – Engagement Planning**

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.

### **2201 – Planning Considerations**

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity's risk management and control processes compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity's risk management and control processes.

**2201.A1** – When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

**2201.C1** – Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.

### **2210 – Engagement Objectives**

Objectives must be established for each engagement.

**2210.A1** – Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

**2210.A2** – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

**2210.A3** – Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria.

**2210.C1** – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.

**2220 – Engagement Scope**

The established scope must be sufficient to satisfy the objectives of the engagement.

**2220.A1** – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

**2220.A2** – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities, and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

**2220.C1** – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

**2230 – Engagement Resource Allocation**

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

**2240 – Engagement Work Program**

Internal auditors must develop and document work programs that achieve the engagement objectives.

**2240.A1** – Work programs must include the procedures for identifying, analysing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

**2240.C1** – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.

**2300 – Performing the Engagement**

Internal auditors must identify, analyse, evaluate, and document sufficient information to achieve the engagement's objectives.

**2310 – Identifying Information**

Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

**Interpretation:**

*Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.*

**2320 – Analysis and Evaluation**

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

**2330 – Documenting Information**

Internal auditors must document relevant information to support the conclusions and engagement results.

**2330.A1** – The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

**2330.A2** – The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

**2330.C1** – The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

**2340 – Engagement Supervision**

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

**Interpretation:**

*The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.*

**2400 – Communicating Results**

Internal auditors must communicate the engagement results.

**2410 – Criteria for Communicating**

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

**2410.A1** – Final communication of engagement results must, where appropriate, contain internal auditors' overall opinion and/or conclusions.

**2410.A2** – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

**2410.A3** – When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.

**2410.C1** – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

**2420 – Quality of Communications**

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.



**Interpretation:**

*Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.*

**2421 – Errors and Omissions**

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

**2430 – Use of “Conducted in Conformance with the *International Standards for the Professional Practice of Internal Auditing*”**

Internal auditors may report that their engagements are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*”, only if the results of the quality assurance and improvement program support the statement.

**2431 – Engagement Disclosure of Nonconformance**

When nonconformance with the Definition of Internal Auditing, the Code of Ethics or the *Standards* impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the Code of Ethics or *Standard(s)* with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

**2440 – Disseminating Results**

The chief audit executive must communicate results to the appropriate parties.

**Interpretation:**

*The chief audit executive or designee reviews and approves the final engagement communication before issuance and decides to whom and how it will be disseminated.*

**2440.A1** – The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

**2440.A2** – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must:

- Assess the potential risk to the organisation;
- Consult with senior management and/or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

**2440.C1** – The chief audit executive is responsible for communicating the final results of consulting engagements to clients.



**2440.C2** – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.

**2500 – Monitoring Progress**

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

**2500.A1** – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

**2500.C1** – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

**2600 – Resolution of Senior Management's Acceptance of Risks**

When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution.

## **Glossary**

### **Add Value**

Value is provided by improving opportunities to achieve organisational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.

### **Adequate Control**

Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

### **Assurance Services**

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation. Examples may include financial, performance, compliance, system security, and due diligence engagements.

### **Board**

A board is an organisation's governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a non-profit organisation, or any other designated body of the organisation, including the audit committee to whom the chief audit executive may functionally report.

### **Charter**

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

### **Chief Audit Executive**

Chief audit executive is a senior position within the organisation responsible for internal audit activities. Normally, this would be the internal audit director. In the case where internal audit activities are obtained from external service providers, the chief audit executive is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to senior management and the board regarding internal audit activities, and follow-up of engagement results. The term also includes titles such as general auditor, head of internal audit, chief internal auditor, and inspector general.

### **Code of Ethics**

The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

### **Compliance**

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

### **Conflict of Interest**

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

**Consulting Services**

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

**Control**

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

**Control Environment**

The attitude and actions of the board and management regarding the significance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values
- Management's philosophy and operating style
- Organisational structure
- Assignment of authority and responsibility
- Human resource policies and practices
- Competence of personnel.

**Control Processes**

The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

**Engagement**

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

**Engagement Objectives**

Broad statements developed by internal auditors that define intended engagement accomplishments.

**Engagement Work Program**

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

**External Service Provider**

A person or firm outside of the organisation that has special knowledge, skill, and experience in a particular discipline.

**Fraud**

Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

**Governance**

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organisation toward the achievement of its objectives.

**Impairment**

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

**Independence**

The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional, and organisational levels.

**Information Technology Controls**

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

**Information Technology Governance**

Consists of the leadership, organisational structures, and processes that ensure that the enterprise's information technology sustains and supports the organisation's strategies and objectives.

**Internal Audit Activity**

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

**International Professional Practices Framework**

The conceptual framework that organises the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories – (1) mandatory and (2) strongly recommended.

**Must**

The *Standards* use the word "must" to specify an unconditional requirement.

**Objectivity**

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to others.

**Residual Risk**

The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

**Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

**Risk Appetite**

The level of risk that an organisation is willing to accept.

**Risk Management**

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

**Should**

The *Standards* use the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

**Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

**Standard**

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

**Technology-based Audit Techniques**

Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques (CAATs).



## Appendix 2 - Sample Audit Committee Charter

### AUDIT COMMITTEE CHARTER

#### 1. Objective

The objective of the Audit Committee (Committee) is to provide independent assurance and assistance to the NAME OF COUNCIL on risk management, control, governance, and external accountability responsibilities.

#### 2. Authority

The Council authorises the Committee, within the scope of its role and responsibilities, to:

- Obtain any information it needs from any employee or external party (subject to their legal obligations to protect information).
- Discuss any matters with the external auditor or other external parties (subject to confidentiality considerations).
- Request the attendance of any employee or councillor at Committee meetings.
- Obtain external legal or other professional advice considered necessary to meet its responsibilities.

#### 3. Composition and Tenure

The Committee will consist of:

##### 3.1 Members (voting)

- Councillor
- Independent external member (not a member of the Council).
- Independent external member (not a member of the Council to be the chairperson).

##### 3.2 Attendee (non-voting)

- General Manager
- Head of Internal Audit
- Chief Financial Officer

##### 3.3 Invitees (non-voting) for specific Agenda items

- Representatives of the external auditor.
- Other officers may attend by invitation as requested by the Committee.

The independent external member will be appointed for the term of council, after which they will be eligible for extension or re-appointment following a formal review of their performance.

The members of the Committee, taken collectively, will have a broad range of skills and experience relevant to the operations of NAME OF COUNCIL. At least one member of the Committee shall have accounting or related financial management experience, with understanding of accounting and auditing standards in a public sector environment.

#### 4. Role and Responsibilities

The Committee has no executive powers, except those expressly provided by the Council.

In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for management of Council rests with the Council and the General Manager as defined by the Local Government Act.

The responsibilities of the Committee may be revised or expanded by the Council from time to time. The Committee's responsibilities are:

##### 4.1 Risk Management

- Review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of business and financial risks, including fraud.
- Review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- Review the impact of the risk management framework on its control environment and insurance arrangements; and
- Review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether plans have been tested periodically.

##### 4.2 Control Framework

- Review whether management has adequate internal controls in place, including over external parties such as contractors and advisors;
- Review whether management has in place relevant policies and procedures, and these are periodically reviewed and updated;
- Progressively review whether appropriate processes are in place to assess whether policies and procedures are complied with;
- Review whether appropriate policies and procedures are in place for the management and exercise of delegations; and
- Review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour.

##### 4.3 External Accountability

- Satisfy itself the annual financial reports comply with applicable Australian Accounting Standards and supported by appropriate management sign-off on the statements and the adequacy of internal controls.
- Review the external audit opinion, including whether appropriate action has been taken in response to audit recommendations and adjustments.
- To consider contentious financial reporting matters in conjunction with council's management and external auditors.
- Review the processes in place designed to ensure financial information included in the annual report is consistent with the signed financial statements.
- Satisfy itself there are appropriate mechanisms in place to review and implement, where appropriate, relevant State Government reports and recommendations.
- Satisfy itself there is a performance management framework linked to organisational objectives and outcomes.



#### 4.4 Legislative Compliance

- Determine whether management has appropriately considered legal and compliance risks as part of risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated government policies.

#### 4.5 Internal Audit

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- Review the internal audit coverage and Internal Audit Plan, ensure the plan has considered the Risk Management Plan, and approve the plan.
- Consider the adequacy of internal audit resources to carry out its responsibilities, including completion of the approved Internal Audit Plan.
- Review all audit reports and consider significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of better practices.
- Monitor the implementation of internal audit recommendations by management.
- Periodically review the Internal Audit Charter to ensure appropriate organisational structures, authority, access and reporting arrangements are in place.
- Periodically review the performance of Internal Audit.

#### 4.6 External Audit

- Act as a forum for communication between the Council, General Manager, senior management, internal audit and external audit.
- Provide input and feedback on the financial statement and performance audit coverage proposed by external audit, and provide feedback on the external audit services provided.
- Review all external plans and reports in respect of planned or completed external audits, and monitor the implementation of audit recommendations by management.
- Consider significant issues raised in relevant external audit reports and better practice guides, and ensure appropriate action is taken.

#### 4.7 Responsibilities of Members

Members of the Committee are expected to:

- Understand the relevant legislative and regulatory requirements appropriate to NAME OF COUNCIL.
- Contribute the time needed to study and understand the papers provided.
- Apply good analytical skills, objectivity and good judgment.
- Express opinions frankly, ask questions that go to the fundamental core of issues, and pursue independent lines of enquiry.

## 5. Reporting

At the first Committee meeting after 30 June each year, Internal Audit will provide a performance report of:

- The performance of Internal Audit for the financial year as measured against agreed key performance indicators.
- The approved Internal Audit Plan of work for the previous financial year showing the current status of each audit.

The Committee may, at any time, consider any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chair of the Committee.

The Committee will report regularly, and at least annually, to the governing body of council on the management of risk and internal controls.

## 6. Administrative arrangements

### 6.1 Meetings

The Committee will meet at least four times per year, with one of these meetings to include review and endorsement of the annual audited financial reports and external audit opinion.

The need for any additional meetings will be decided by the Chair of the Committee, though other Committee members may make requests to the Chair for additional meetings.

A forward meeting plan, including meeting dates and agenda items, will be agreed by the Committee each year. The forward meeting plan will cover all Committee responsibilities as detailed in this Audit Committee Charter.

### 6.2 Attendance at Meetings and Quorums

A quorum will consist of a majority of Committee members, including at least one independent member. Meetings can be held in person, by telephone or by video conference.

The Head of Internal Audit will be invited to attend each meeting unless requested not to do so by the Chair of the Committee. The Committee may also request the Chief Finance Officer or any other employees to participate for certain agenda items, as well as the external auditor.

The General Manager may attend each meeting but will permit the Committee to meet separately with each of the Head of Internal Audit and the External Auditor in the absence of management on at least one occasion per year.

### 6.3 Secretariat

The Committee has appointed the Head of Internal Audit to be responsible for ensuring that the Committee has adequate secretariat support. The Secretariat will ensure the agenda for each meeting and supporting papers are circulated, at least one week before the meeting, and ensure minutes of the meetings are prepared and maintained. Minutes shall be approved by the Chair and circulated to each member within three weeks of the meeting being held.

### 6.4 Conflict of Interests

Councillors, council staff and members of council committees must comply with the applicable provisions of Council's code of conduct in carrying out the functions as council officials. It is the personal responsibility of council officials to comply with the standards in the code of conduct and regularly review their personal circumstances with this in mind.

Committee members must declare any conflict of interests at the start of each meeting or before discussion of a relevant agenda item or topic. Details of any conflicts of interest should be appropriately minuted.

Where members or invitees at Committee meetings are deemed to have a real or perceived conflict of interest, it may be appropriate they be excused from Committee deliberations on the issue where the conflict of interest may exist. The final arbiter of such a decision is the Chair of the Committee.

#### 6.5 Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

#### 6.6 Assessment Arrangements

The Chair of the Committee will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Chair), with appropriate input from management and any other relevant stakeholders, as determined by the Chair.

#### 6.7 Review of Audit Committee Charter

At least once every two years the Audit Committee will review this Audit Committee Charter.

The Audit Committee will approve any changes to this Audit Committee Charter.

**Approved:**                      Audit Committee Meeting                      Date:

## Appendix 3 - Sample Internal Audit Charter

The mission of internal auditing is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit at NAME OF ORGANISATION is managed by the TITLE OF INTERNAL AUDIT MANAGER who is the designated Head of Internal Audit within the organisation. The Head of Internal Audit is the top position within an organisation for internal audit activities, as defined in The International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors.

### 1. Introduction

This Internal Audit Charter is a formal statement of purpose, authority and responsibility for an internal auditing function within NAME OF ORGANISATION.

- It establishes Internal Audit within NAME OF ORGANISATION and recognises the importance of such an independent and objective service to the organisation.
- It outlines the legal and operational framework under which Internal Audit will operate.
- It authorises the Head of Internal Audit to promote and direct a broad range of internal audits across NAME OF ORGANISATION and, where permitted, external bodies.

Mandate for Internal Audit THIS WILL VARY FROM ORGANISATION TO ORGANISATION AND MAY INCLUDE LEGISLATIVE OR REGULATORY REQUIREMENTS).

### 2. Role and Authority

The Head of Internal Audit is authorised to direct a comprehensive program of internal audit work in the form of reviews, previews, consultancy advice, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks in the context of the achievement of business objectives.

For this purpose, all members of Internal Audit are authorised to have full, free and unrestricted access to all functions, property, personnel, records, information, accounts, files, monies and other documentation, as necessary for the conduct of their work.

### 3. Objectivity, Independence and Organisational Status

Objectivity requires an unbiased mental attitude. As such, all Internal Audit staff shall perform internal audit engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Further, it requires Internal Audit staff not to subordinate their judgment on internal audit matters to that of others.

To facilitate this approach, Internal Audit shall have independent status within NAME OF ORGANISATION, and for this purpose shall be responsible directly through the Head of Internal Audit to the Audit Committee and administratively to the General Manager. Internal Audit shall be independent of the activities reviewed, and therefore shall not undertake any operating responsibilities outside internal audit work. Neither shall Internal Audit staff have any executive or managerial powers, authorities, functions or duties except those relating to the management of Internal Audit. Internal Audit staff and contractors shall report to the Head of Internal Audit any situations where they feel their objectivity may be impaired. Similarly, the Head of Internal Audit should report any such situations to the Audit Committee.

The work of Internal Audit does not relieve the staff of NAME OF ORGANISATION from their accountability to discharge their responsibilities. All NAME OF ORGANISATION staff are responsible for risk management and the operation and enhancement of internal control. This includes responsibility for implementing remedial action endorsed by management following an internal audit.



Internal Audit shall not be responsible for operational activities on a daily basis, or in the detailed development or implementation of new or changed systems, or for internal checking processes.

#### 4. Scope of Work

The scope of services provided by Internal Audit shall encompass:

- The examination and evaluation of the adequacy and effectiveness of systems of internal control, risk management, governance, and the status of ethical behaviour.
- Ascertaining conformity with the goals and objectives of NAME OF ORGANISATION.
- Assessment of the economic and efficient use of resources.
- The examination of compliance with policies, procedures, plans and legislation.
- Assessment of the reliability and integrity of information.
- Assessment of the safeguarding of assets.
- Any special investigations as directed by the Audit Committee.
- All activities of NAME OF ORGANISATION, whether financial or non-financial, manual or computerised.

#### 5. The scope of work may include

- **Assurance services** – objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organisation. Examples may include financial, performance, operational, compliance, system security, and due diligence engagements.
- **Consulting services** – advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

#### 6. Internal Audit Methodology

Internal Audit shall use the most appropriate methodology for each internal audit engagement, depending on the nature of the activity and the pre-determined parameters for the engagement. Generally, internal audits will include:

- Planning.
- Reviewing and assessing risks in the context of the audit objectives.
- Examination and evaluation of information.
- Communicating results.
- Following up on implementation of audit recommendations.

#### 7. Operating Principles

Internal Audit shall conform with:

- The Standards and Code of Ethics issued by the Institute of Internal Auditors.
- Where relevant, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association.
- Relevant auditing standards issued by the Auditing and Assurance Standards Board.

#### 8. Internal Audit shall:

- Possess the knowledge, skills, and technical proficiency essential to the performance of internal audits.

- Be skilled in dealing with people and in communicating audit issues effectively.
- Maintain their technical competence through a program of continuing education.
- Exercise due professional care in performing internal audit engagements.

#### **9. Internal Audit staff shall:**

- Conduct themselves in a professional manner.
- Conduct their activities in a manner consistent with the concepts expressed in the Standards and the Code of Ethics.

#### **10. Reporting Arrangements**

The Head of Internal Audit shall at all times report to the Audit Committee. At each Audit Committee meeting the Head of Internal Audit shall submit a report summarising all audit activities undertaken during the period, indicating:

- ✓ Internal audit engagements completed or in progress.
- ✓ Outcomes of each internal audit engagement undertaken.
- ✓ Remedial action taken or in progress.

On completion of each internal audit engagement, Internal Audit shall issue a report to its audit customers detailing the objective and scope of the audit, and resulting issues based on the outcome of the audit. Internal Audit shall seek from the responsible senior executive an agreed and endorsed action plan outlining remedial action to be taken, along with an implementation timetable and person responsible. Responsible officers shall have a maximum of ten working days to provide written management responses and action plans in response to issues and recommendations contained in internal audit reports.

The Head of Internal Audit shall make available all internal audit reports to the Audit Committee. However, the work of Internal Audit is solely for the benefit of NAME OF ORGANISATION and is not to be relied on or provided to any other person or organisation, except where this is formally authorised by the Audit Committee or the Head of Internal Audit.

In addition to the normal process of reporting on work undertaken by Internal Audit, the Head of Internal Audit shall draw to the attention of the Audit Committee all matters that, in the Head of Internal Audit's opinion, warrant reporting in this manner.

#### **11. Planning Requirements**

Internal Audit uses a risk-based rolling program of internal audits to establish an annual Internal Audit Plan to reflect a program of audits over a 12 month period. This approach is designed to be flexible, dynamic and more timely in order to meet the changing needs and priorities of NAME OF ORGANISATION.

The Head of Internal Audit shall prepare an annual Internal Audit Plan for review and approval by the Audit Committee, showing the proposed areas for audit. The annual Internal Audit Plan shall be based on an assessment of the goals, objectives and business risks of NAME OF ORGANISATION, and shall also take into consideration any special requirements of the Audit Committee and senior executives.

The Head of Internal Audit has discretionary authority to adjust the Internal Audit Plan as a result of receiving special requests from management to conduct reviews that are not on the plan, with these to be approved at the next meeting of the Audit Committee.

#### **12. Quality Assurance & Improvement Program**

The Head of Internal Audit shall oversee the development and implementation of a quality assurance and improvement program for Internal Audit, to provide assurance that internal audit work conforms to the Standards and is focused on continuous improvement.

**13. Co-ordination with External Audit**

The Head of Internal Audit shall periodically consult with the external auditor, to discuss matters of mutual interest, to co-ordinate audit activity, and to reduce duplication of audit effort.

**14. Review of the Internal Audit Charter**

The Head of Internal Audit shall periodically review the Internal Audit Charter to ensure it remains up-to-date and reflects the current scope of internal audit work.

**15. Evaluation of Internal Audit**

The Head of Internal Audit shall develop performance measures (key performance indicators) for consideration and endorsement by the Audit Committee, as a means for the performance of Internal Audit to be periodically evaluated.

Internal Audit shall also be subject to an independent quality review at least every five years. Such review shall be in line with the Standards of Professional Practice in Internal Audit and be commissioned by and report to the Audit Committee.

**16. Conflict of Interests**

Internal auditors are not to provide audit services for work for which they may previously have been responsible. Whilst the Standards provide guidance on this point and allow this to occur after 12 months, each instance should be carefully assessed.

When engaging internal audit contractors, the Head of Internal Audit shall take steps to identify, evaluate the significance, and manage any perceived or actual conflicts of interest that may impinge upon internal audit work.

Instances of perceived or actual conflicts of interest by the Head of Internal Audit or Internal Audit staff and contractors are to be immediately reported to the Audit Committee by the Head of Internal Audit.

Any changes to this Internal Audit Charter will be approved by the Audit Committee.

**Approved:**                      Audit Committee Meeting                      Date:



## Appendix 4 - Risk Management Assessment Tool

*This tool is designed to assist the Audit Committee's consideration of risk management, through the review of material, and discussion or presentations from senior management.*

*The Committee's charter will determine the extent to which the Audit Committee needs to consider risk management or whether this is to be overseen by a separate Risk Committee.*

*The tool consists of a series of questions, or high level prompts, which should be tailored to meet the Council's particular circumstances. The extent and nature of the Committee's consideration of risk will largely be dependent on whether or not the Council has in place a formal and structured risk management framework.*

*Some elements, for example, questions on risk strategy and structure, could be addressed on an annual basis while others could be considered on a more regular basis, depending on Council's individual risk management activities, and the Committee charter.*

*A 'no' answer does not necessarily indicate a failure or breakdown in Council's risk management framework but may indicate where more detailed discussion or consideration by the Committee is warranted.*

<b>Risk Strategy</b>	<b>Yes</b>	<b>No</b>
Is Council's risk management framework clearly articulated and communicated to all staff?	<input type="checkbox"/>	<input type="checkbox"/>
Is Council's risk posture clear? (i.e. the amount of risk Council is willing to take)	<input type="checkbox"/>	<input type="checkbox"/>
Has the 'tone at the top' from the General Manager's perspective permeated the risk culture of the Council?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a clear link between risk management, the control environment and business planning?	<input type="checkbox"/>	<input type="checkbox"/>
<b>Risk Structure</b>	<b>Yes</b>	<b>No</b>
Is responsibility and accountability for risk management clearly assigned to individual managers?	<input type="checkbox"/>	<input type="checkbox"/>
Are risk management activities/responsibilities included in job descriptions, where appropriate?	<input type="checkbox"/>	<input type="checkbox"/>
Are the primary risk management activities (for example, business continuity planning, fraud control plan, annual risk assessment, and so on) across Council, clearly defined?	<input type="checkbox"/>	<input type="checkbox"/>
Is responsibility for co-ordinating and reporting risk management activity to the Audit Committee, or other relevant committee clearly defined?	<input type="checkbox"/>	<input type="checkbox"/>
Does Council have a risk management support capability to assist the development of emerging risk management practices?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a common risk management language/terminology across Council?	<input type="checkbox"/>	<input type="checkbox"/>

Does management have a formal business continuity plan incorporating a disaster recovery plan?	<input type="checkbox"/>	<input type="checkbox"/>
<b><i>Risk Identification and Assessment</i></b>	<b>Yes</b>	<b>No</b>
Are risk assessments undertaken at both strategic and operational levels?	<input type="checkbox"/>	<input type="checkbox"/>
Have the risks associated with cross-agency governance arrangements been identified?	<input type="checkbox"/>	<input type="checkbox"/>
Does a comprehensive risk profile exist?	<input type="checkbox"/>	<input type="checkbox"/>
Is a risk assessment undertaken for all significant organisational changes/projects?	<input type="checkbox"/>	<input type="checkbox"/>
Does management have effective processes for ensuring risk assessments have been performed in each major business area?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a process in place to identify emerging risks and to incorporate these into the Council's risk management plan?	<input type="checkbox"/>	<input type="checkbox"/>
Do the Council's policies appropriately address relevant operational and financial risks?	<input type="checkbox"/>	<input type="checkbox"/>
Have any frauds, material irregularities or possible illegal acts been identified?	<input type="checkbox"/>	<input type="checkbox"/>
Does Council have a current fraud control policy and plan in place which identifies all fraud related risks?	<input type="checkbox"/>	<input type="checkbox"/>
<b><i>Risk Mitigation and Improvement</i></b>	<b>Yes</b>	<b>No</b>
Has management assessed the effectiveness of controls over the highest priority risks?	<input type="checkbox"/>	<input type="checkbox"/>
Does management consider the controls to mitigate risks to within Council's risk tolerance to be adequate?	<input type="checkbox"/>	<input type="checkbox"/>
Have all significant recommendations that impact on risk or the effective operation of controls, made by Council's internal and external auditors, been addressed in a timely manner?	<input type="checkbox"/>	<input type="checkbox"/>
Is there a response plan for prompt and effective action when fraud or an illegal act is discovered?	<input type="checkbox"/>	<input type="checkbox"/>
<b><i>Monitoring and Assurance</i></b>	<b>Yes</b>	<b>No</b>
Are systems in place for measuring and monitoring risk, including consideration of common risk themes across Council?	<input type="checkbox"/>	<input type="checkbox"/>
Are risks, including suspected improprieties, escalated to the appropriate levels of management within Council?	<input type="checkbox"/>	<input type="checkbox"/>
Does Council have a formal process by which senior management periodically assure the General Manager/Council that key control strategies are operating effectively?	<input type="checkbox"/>	<input type="checkbox"/>

<b>Continuous Improvement</b>	<b>Yes</b>	<b>No</b>
Do Council's management practices reflect the concept of risk management?	<input type="checkbox"/>	<input type="checkbox"/>
Does Council have a culture of continuous improvement? (for example does Council 'learn' from past risk exposures)	<input type="checkbox"/>	<input type="checkbox"/>
Does management periodically review its risk profile?	<input type="checkbox"/>	<input type="checkbox"/>
Is risk a priority consideration whenever business processes are improved?	<input type="checkbox"/>	<input type="checkbox"/>

Name		
Position	<i>(To be completed by the most senior executive responsible for risk management within council)</i>	
Signed	Date	

## Appendix 5 - Common risks in the council environment

This appendix lists some of the more significant risk exposures which are likely to be faced in the council environment.

*Warning - This list is provide as an aid to check completeness. It should only be used after a thorough risk identification process is conducted and should not be used as a substitute for an effective risk identification process. Not adhering to this advice is likely to result in significant risks which are specific to your council not being identified, which may have significant consequences if that risk were to eventuate.*

### Governance

- Advocacy processes ineffective at State and Federal Government level leading to unwanted results/lack of funding etc.
- Governance training processes (Code of Conduct, Protected Disclosures, Conflict of Interests, councillor interaction with staff, identifying fraud) not undertaken/ineffective leading to higher risk of fraud and corruption.
- Corruption (development applications/rezonings/election funding) leading to loss of reputation of Council.
- Lack of cohesion of Councillors leading to lack of strategic direction/poor decision making.
- Complaints handling processes ineffective leading to legal disputes/lack of transparency.
- Misuse of personal information leading to penalties under Privacy legislation or loss of confidence in Council.
- Poor processes for the disclosure and management of staff conflicts of interest leading to partial decision making.
- Inappropriate delegations or delegations not properly exercised.
- Failure to implement council resolutions leading to breakdown of council/staff relationships.

### Planning and Regulation

- Unanticipated population growth leading to unsustainable natural environment/infrastructure demand.
- Planning strategies not developed in timely manner leading to delayed delayed/inappropriate development/community angst.
- Population decrease leading to community breakdown.
- Planning controls outdated, leading to poor urban design.
- Legislation not complied with leading to legal disputes/penalties
- Poor planning controls leading to poor planning decisions

### Assets and Finance

- Adequate asset management processes not being in place, leading to substantial additional long term financial burdens to council.
- Adequate long term financial management processes not being in place leading to poor decision making by council.
- Limited opportunities to increase rates and user charges, leading to increasing reliance on grants/one off funding.
- Cost of infrastructure to be funded under section 94 contributions underestimated/unaffordable, leading to funding shortfalls/reduced level of infrastructure.
- Limited regional collaboration between councils, leading to on-going inefficiencies and additional costs to regional residents.

- Operational unit business plans not effectively in place, leading to poor decision making/performance monitoring.
- Inadequate disaster/crisis management processes, leading poor response in real situation.
- Community assets under-utilised leading to closure in longer term.
- Quasi commercial operations of Council (child care/tourist parks/airports/cultural centres etc) not operated effectively leading to higher than appropriate council subsidisation.
- Project management practices not effectively in place, leading to cost over run/quality issues.
- Appropriate procurement processes not undertaken, leading to value for money issues/questions of probity.
- Council assets under insured leading to financial exposure to Council
- Plant fleet under utilised leading to additional costs to Council.
- Minor road condition unable to be maintained at satisfactory level leading to community dissatisfaction.
- Mismanagement of Council supported community entities leading additional financial burden to Council/cessation of service.
- Knowledge management processes not effectively in place leading to poor decision making.
- Inadequate information security leading to issues of confidentiality or legal/financial penalties to Council.

#### **Community and Consultation**

- Inability to maintain/increase employment base leading to adverse socio/economic consequences.
- Poor issues management, leading to sustained loss of public support for council in media and/or public.
- Unnecessary bureaucratic processes/red tape leading to additional costs to those dealing with Council.

#### **Workforce Relations**

- Productivity levels of council below industry/commercial benchmarks or not measured, leading to additional costs/perpetuation of inefficiencies.
- Skill shortages in professional areas, leading to inability to maintain standards/deliver services.
- Loss of trained staff with specific knowledge, leading to loss of knowledge, ability and experience.
- Inadequate/insufficient staff training leading to reduced skills, currency of knowledge, errors and omissions, turnover of staff.
- Information technology systems outdated leading to on-going inefficiencies..
- OHS not appropriately embedded in operational processes leading to major injury/death or penalty against Council or Council staff.





**REPORT: Risk Management Maturity and Benchmarking Report**

**AUTHOR: Manager Governance and Risk Services**

**REPORT DATE: 29 November 2016**

**TRIM REFERENCE: ID16/2177**

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**EXECUTIVE SUMMARY**

Early in 2016 Echelon Australia was engaged to develop a report for the former Dubbo City Council regarding an assessment of Council's maturity in its Enterprise Risk Management implementation. This report details where the former Dubbo City Council is positioned generally in Risk Management terms compared to other like entities and details where DCC is positioned compared to best practice.

It should be further noted that as a result of the merger between the former Dubbo City and Wellington councils, Echelon has again been engaged to review the documentation of Dubbo Regional Council and provide assistance in reviewing the Enterprise Risk Management Policy and Plan to ensure that it meets the requirements of the new Council.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the information contained within this report be noted.**

*Michael Ferguson*  
Manager Governance and Risk Services

## REPORT

Early in 2016, Echelon Australia was engaged to develop a report for the former Dubbo City Council regarding an assessment of Council's maturity in its Enterprise Risk Management implementation. This report details where the former Dubbo City Council was positioned generally in Risk Management terms compared to other like entities and details where the then Council was positioned compared to best practice. This report is attached as **Appendix 1**.

With applying the methodology (as detailed in the report) Echelon was able to ascertain quite accurately where the former Dubbo City Council was positioned generally in risk management terms compared to other local government entities.

The survey and benchmarking review clearly indicates that the former Dubbo City Council's Enterprise Risk Management Program and associated processes was in the top 15% when compared to 146 other local government entities (including County Councils) within New South Wales.

This finding has been ascertained from Echelon/JLT's corporate intelligence and other internal knowledge of their respective clients. If a more detailed survey was conducted directly with the individual entities then a much better result would probably have been produced. This is because the survey and benchmarking result is only being based on what Enterprise Risk Management Program components are in place and not going down to the level of implementation of the components throughout the operations of each entity. To achieve a more in depth analysis would have required an ERM Diagnostic Review to be conducted with all 146 entities which would then have established each entities risk management maturity level and culture. There is still much to do to fully implement ERM throughout the organisation however due to limited resources the results of this report are pleasing at this stage.

It should be further noted that as a result of the merger between the former Dubbo City and Wellington councils, Echelon has again been engaged to review the documentation of Dubbo Regional Council and provide assistance in reviewing the Enterprise Risk Management Policy and Plan to ensure that it meets the requirements of the new Council. This work will commence in early December 2016 to be completed early 2017.

The report was considered by Council's Executive Staff Committee meeting held May 2016 where it was recommended that it be forwarded to Council's Audit and Risk Management Committee for notation.

### Appendices:

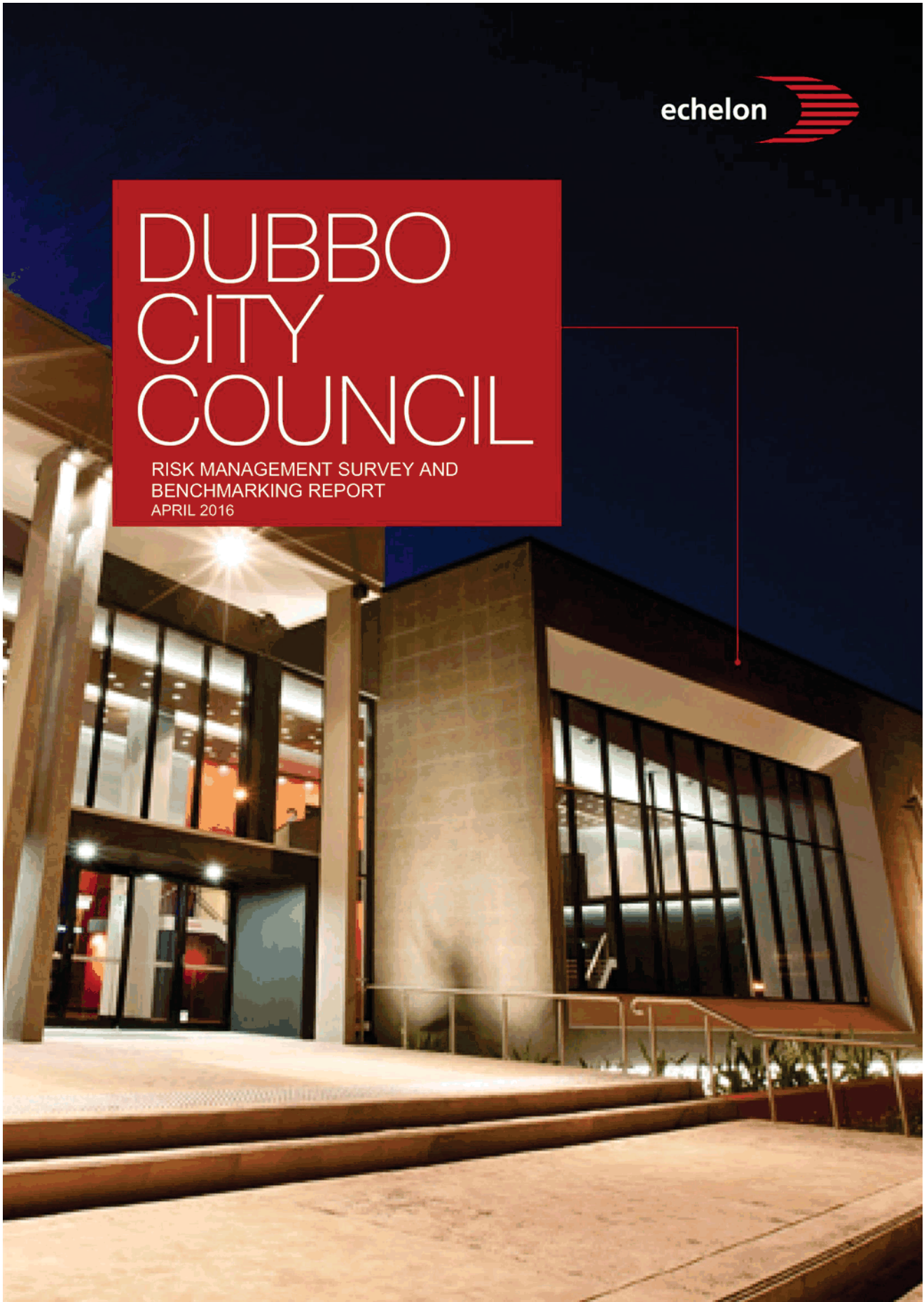
- 1 The Former Dubbo City Council - Enterprise Risk Management - Survey and Benchmarking Report





# DUBBO CITY COUNCIL

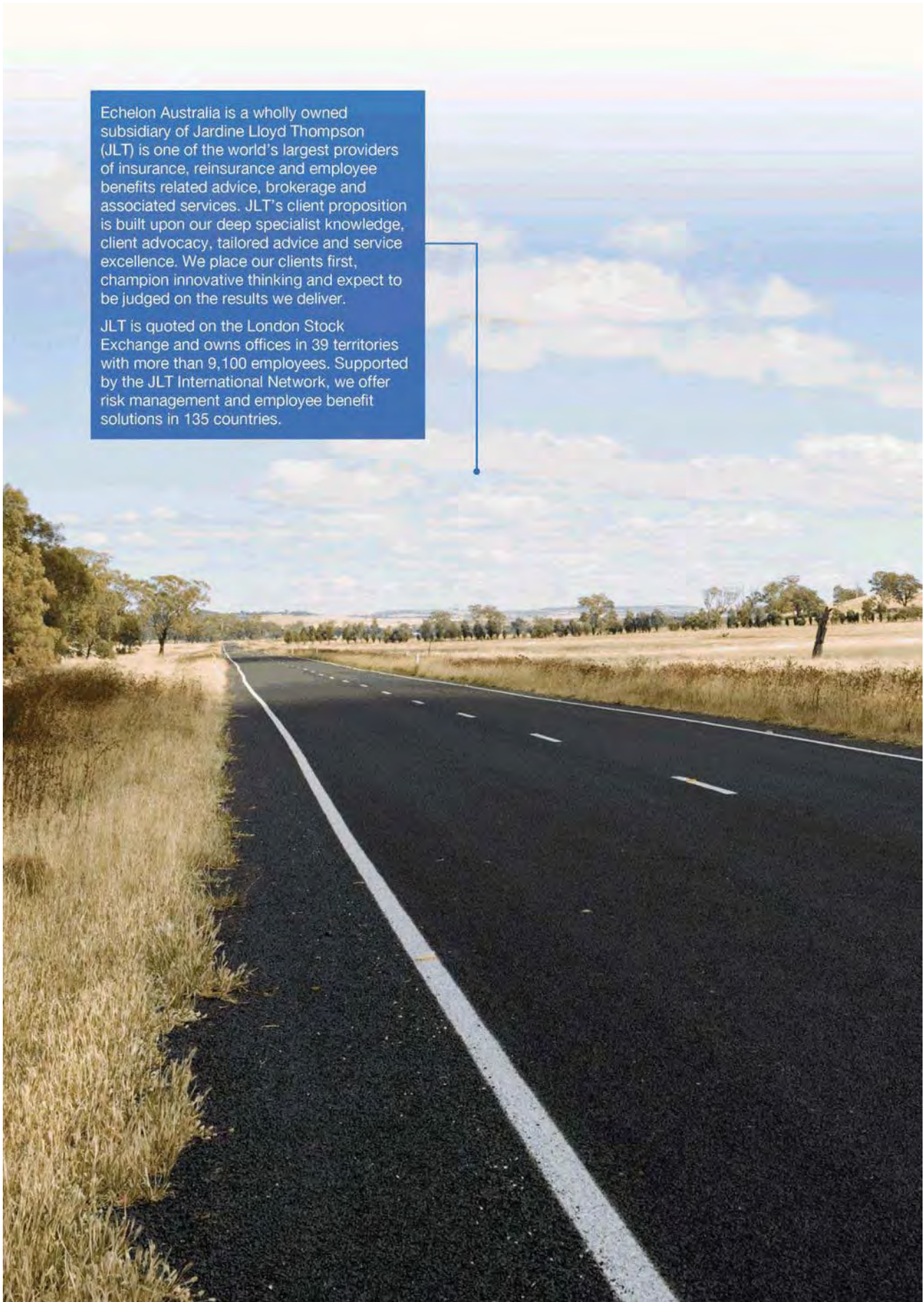
RISK MANAGEMENT SURVEY AND  
BENCHMARKING REPORT  
APRIL 2016





Echelon Australia is a wholly owned subsidiary of Jardine Lloyd Thompson (JLT) is one of the world's largest providers of insurance, reinsurance and employee benefits related advice, brokerage and associated services. JLT's client proposition is built upon our deep specialist knowledge, client advocacy, tailored advice and service excellence. We place our clients first, champion innovative thinking and expect to be judged on the results we deliver.

JLT is quoted on the London Stock Exchange and owns offices in 39 territories with more than 9,100 employees. Supported by the JLT International Network, we offer risk management and employee benefit solutions in 135 countries.





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# EXECUTIVE SUMMARY

## BACKGROUND

### Project Scope

Echelon was engaged to develop a report for the Executive Staff Committee which:

- Details where Dubbo City Council is positioned generally in risk management terms compared to other like entities, and
- Details where Dubbo City Council is positioned compared to risk management best practice.

## FINDINGS OVERVIEW

With applying the methodology (as detailed in the report) Echelon was able to ascertain quite accurately where Dubbo City Council is positioned generally in risk management terms compared to other local government entities.

The survey and benchmarking review clearly indicates that Dubbo City Councils Enterprise Risk Management Program and associated processes is in the top 15% when compared to 146 other local government entities (including County Councils) within New South Wales.

This finding has been ascertained from JLT's corporate intelligence and other internal knowledge of their respective clients. If a more detailed survey was conducted directly with the individual entities then a much better result would probably have been produced. This is because the survey and benchmarking result is only being based on what Enterprise Risk Management Program components are in place and not going down to the level of implementation of the components throughout the operations of each entity. To achieve a more in depth analysis would have required an ERM Diagnostic Review to be conducted with all 146 entities which would then have established each entities risk management maturity level and culture.

The methodology applied in this survey and benchmarking process involved analysing Enterprise Risk Management Program components from a 'best practice' perspective. Therefore the final results can be viewed as being able to be respectively compared with general risk management best practice.

Due to confidentiality of data no individual organisation's name is disclosed.





# METHODOLOGY

## ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) has become widely recognised as a robust and sustainable framework which is designed to effectively identify, assess and manage potential risks within an organisation.

The existence of a robust and sustainable ERM Program also ensures that the organisation achieves and maintains the confidence of the Council, community and other stakeholders that effective governance and risk management processes are in place.

The methodology applied has attempted to closely align with AS/NZS ISO 31000:2009; Risk management – Principles and guidelines and the risk management component of the Office for Local Government 'Promoting Better Practice Program' requirements.

## ENTERPRISE RISK MANAGEMENT FRAMEWORK AND ASSOCIATED SYSTEM COMPONENTS

The results of the survey and benchmarking process presented indicate the establishment of the major components required in the implementation of an Enterprise Risk Management Framework and associated system. These major components, when combined, provide a robust, systematic and sustainable approach to the management of risk. The major components are:

1. Formal Risk Management System/Enterprise Risk Management Framework:
    - The framework details diagrammatically how risk management will be integrated within/across the entity, and identifies the methodologies, tools and processes to be utilised to support the integrated approach.
  2. Risk Management Policy:
    - The policy affirms the entities commitment to risk management and reflects the value it places on the management of risk. It sets out the principles underpinning the entities approach to risk management; the policies objectives and the responsibilities of management and staff.
  3. Risk Management Plan:
    - The Plan details the total process that the entity will be undertaking in the implementation of the Risk Management Program. It is also the entities document that provides the detail of the methodologies/processes involved that will satisfy the requirements of AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines.
  4. Organisation-Wide Risk Register;
    - Is the register that documents the entities risk profile that details:
      - o the major organisational risks;
      - o where the exposures are occurring;
      - o the level of risk of each respective risk; and
-



- The controls/treatment plan in place to address each respective risk.

It is the main management tool in ensuring that the organisation is adequately addressing all major risks.

5. Risk Management associated documentation and monitoring and review processes:

- This is the additional documentation/processes required to ensure that there is effective implementation of the Risk Management Program throughout the entity. It can include:
  - Risk Management Reporting Framework
  - Risk Management Communication/Consultation Plan
  - Risk Management Implementation Action Plan
  - Risk Management Templates
  - Risk Management Education/Awareness Training
  - Risk Management monitoring and review processes
  - Etc.

The existence of each of the components is indicative of the extent to which risk management is implemented throughout the Organisation.

One component may exist without the other but this would then have a negative impact on the extent and robustness/sustainability of the respective organisation's risk management program. Resilience can only exist when the whole organisation works towards achieving the same objective through a strong and well established framework, embedded in the fabric and culture of the organisation.

**NB** The extent of the methodology applied in this survey and benchmarking project does not allow for the identification of the risk management culture and maturity level that exists within each organisation. Also the methodology does not allow the determination of the quality of the risk management components documentation.



## RISK MANAGEMENT SURVEY AND BENCHMARKING PROCESS

With JLT's extensive knowledge of Local Government entities within New South Wales we were able to utilise this knowledge and intelligence and develop a risk management profile for their 146 client entities. To be able to ascertain further valuable information there were subsets of data collected within each of the 5 major ERM Framework and System components. The full set of survey and benchmarking questions on which this report has been prepared are:

Question	Response
Council has a formal Risk Management System/ERM Framework	Yes
Council has a Risk Management Policy	Yes
Council has adopted the Risk Management Policy	Yes
Council's Risk Management System is supported by a Risk Management Plan	Yes
Council has adopted the Risk Management Plan	Yes
Council's Risk Management Plan is being implemented by Council	Yes
Council's Risk Management Plan is being implemented by all sections of the organisation	Yes
Council has developed a Council-wide Risk Register	Yes
Council uses an electronic profiling system such as JRS to manage its Risk Register	Yes
Council's electronic Risk Register is managed at a responsible officer level	Yes
Council's ERM Framework/System is supported by associated documentation and monitoring and review processes.	Yes
This framework includes:	
Reporting Framework	Yes
Communication Strategy	Yes
Action Plans	Yes
Templates	Yes
Formal monitoring and review processes	Yes

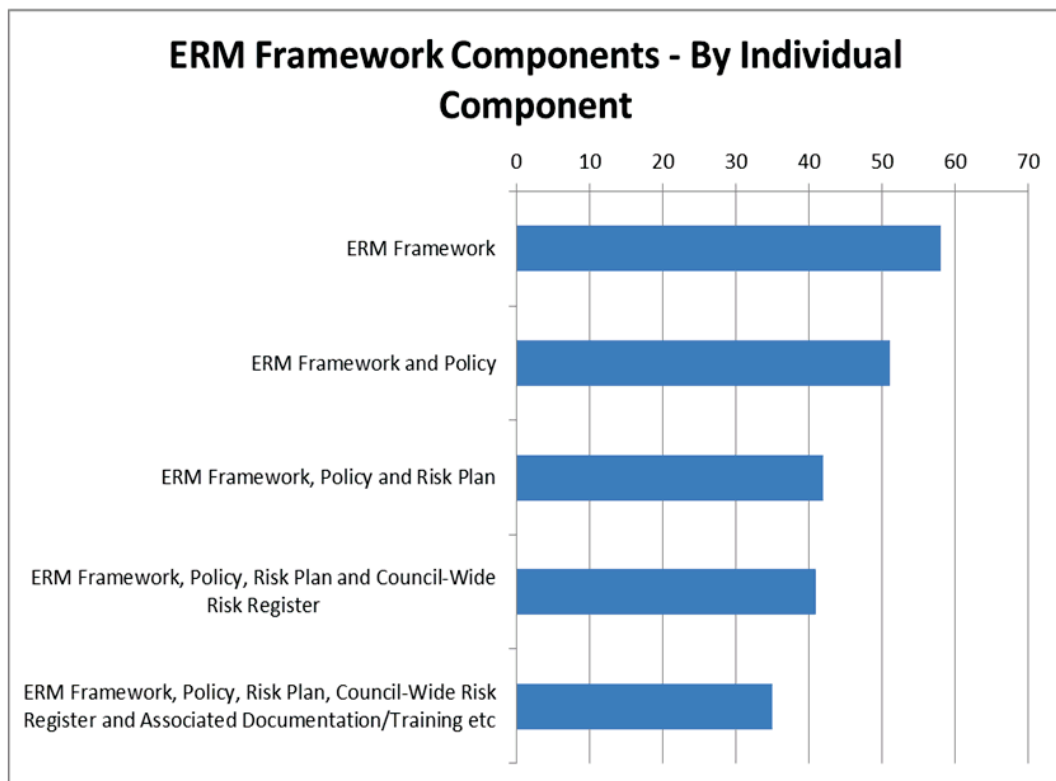




## FINDINGS

On completion of the risk management profiles of the 146 Local Government entities (including County Councils) in New South Wales the following results were identified:

1.



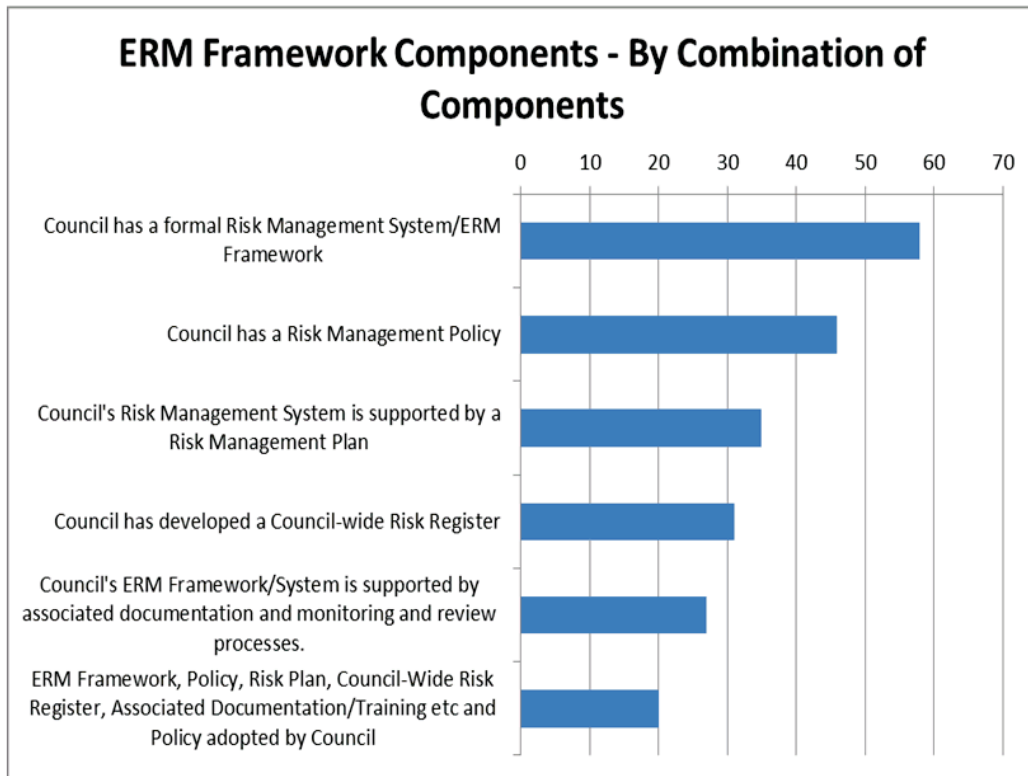
This graph indicates the number of surveyed entities that have developed or established each of the individual major risk management components, they being:

1. Formal Risk Management System/Enterprise Risk management Framework – **58 bodies**
2. Risk Management Policy – **51 bodies**
3. Risk Management Plan – **42 bodies**
4. Organisation-Wide Risk Register – **41 bodies**
5. Risk Management associated documentation and monitoring and review processes – **35 bodies**

**Dubbo City Council's risk management profile has positioned them as satisfying all of the 5 major risk management system components above.**



2.



This graph indicates the number of surveyed entities that have developed or established the cumulative combination of each of the individual major risk management system components, they being:

1. Risk Management System/ERM Framework – **58 bodies**
2. Risk Management System/ERM Framework and Risk Policy – **45 bodies**
3. Risk Management System/ERM Framework, Risk Policy and Risk Management Plan – **35 bodies**
4. Risk Management System/ERM Framework, Risk Policy, Risk Management Plan and Organisation-Wide Risk Register – **31 bodies**
5. Risk Management System/ERM Framework, Risk Policy, Risk Management Plan, Organisation-Wide Risk Register and Risk Management associated documentation and monitoring and review processes – **27 bodies**
6. Risk Management System/ERM Framework, Risk Policy, Risk Management Plan, Organisation-Wide Risk Register, Risk Management associated documentation and monitoring and review processes Risk Policy adopted by Council and the Risk Management Plan being implemented throughout the entity – **20 bodies**



Dubbo City Council's risk management profile has positioned them as having established and implemented the cumulative combination of each of the individual major risk management system components. In addition Dubbo City Council's Risk Management Policy has been adopted by Council and the Risk Management Plan is being implemented throughout the organisation.

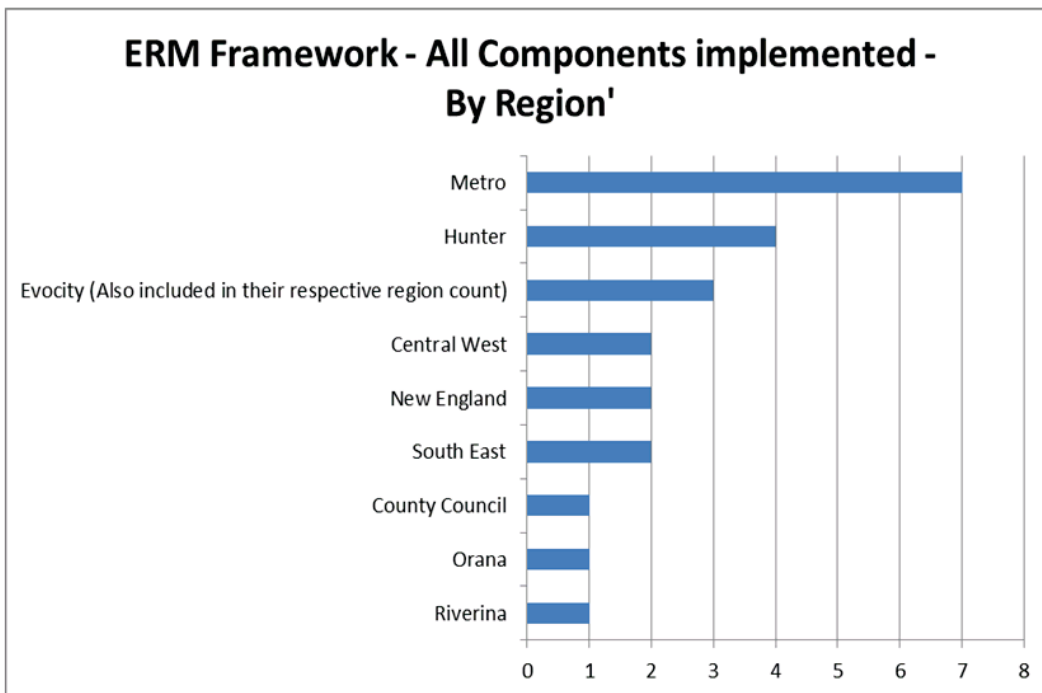
**Dubbo City Council is to be congratulated for this excellent survey and benchmarking result. Only 20 entities (out of the 146 entities that profiles were developed for) or 13.6% of the entity universe have progressed their Risk Management Framework and associated system to a level where the following components have all been established and implemented:**

- Risk Management System/ERM Framework,
- Risk Policy,
- Risk Management Plan,
- Organisation-Wide Risk Register,
- Risk Management associated documentation and monitoring and review processes.
- Risk Policy adopted by Council; and
- Risk Management Plan being implemented throughout Dubbo Council's operations.

The robustness, sustainability and resilience of an entities risk management program can only be achieved if the full combination of the major risk management components have been established and implemented. The nonexistence of one or more of the risk management components would severely diminish the effectiveness of an entities risk management program.



3.



This graph indicates the New South Wales Local Government Regions where the 20 entities (who have established and implemented the cumulative combination of each of the individual major risk components) are located.

**Dubbo City Council is the only entity in the Orana Region who has achieved this excellent risk management performance result.**

The graph above also includes the results of the member Councils of Evocity shown as 'Evocity'. The individual Council's results and are also included in their respective region count.

The graph also indicates that only 8 regions are represented by entities that have established and implemented the cumulative combination of each of the individual major risk components out of the 17 regions that exist and the County Councils'. The regions where entities (whose risk management profiles were developed) were located are:

- |                 |                 |
|-----------------|-----------------|
| Central West    | Namoi           |
| County Councils | New England     |
| Far West        | North Coast     |
| Hunter          | Northern Rivers |
| Illawarra       | Orana           |
| Metro           | Riverina        |
| Mid Murray      | South East      |
| Mid North Coast | Tablelands      |
| Murrumbidgee    | Upper Murray    |



## CONCLUSION

The survey and benchmarking review clearly indicates that Dubbo City Councils Enterprise Risk Management Program and associated processes is in the top 15% when compared to 146 other local government entities (including County Councils) within New South Wales.

Dubbo City Council is to be congratulated for this excellent survey and benchmarking result. Only 20 entities (out of the 146 entities that profiles were developed for) or 13.6% of the entity universe have progressed their Risk Management Framework and associated system to a level where all of the major risk management program components have been established and implemented:

This finding has been ascertained from JLT's corporate intelligence and other internal knowledge of their respective clients.

If a more detailed survey was conducted directly with the individual entities then a much better result would probably have been produced. This is because the survey and benchmarking result is only being based on what Enterprise Risk Management Program components are in place and not going down to the level of implementation of the components throughout the operations of each entity. To achieve a more in depth analysis would have required an ERM Diagnostic Review to be conducted with all 146 entities which would then have established each entities risk management maturity level and culture.

The methodology applied in this survey and benchmarking process involved analysing Enterprise Risk Management Program components from a 'best practice' perspective. Therefore the final results can be viewed as being able to be respectively compared with general risk management best practice.

I am confident that with the current commitment displayed by Dubbo City Council's Executive Staff and the Organisational Services Management Team to the Enterprise Risk Management Program that this will further enhance the organisations ability to maintain a robust, sustainable and resilient risk management program.

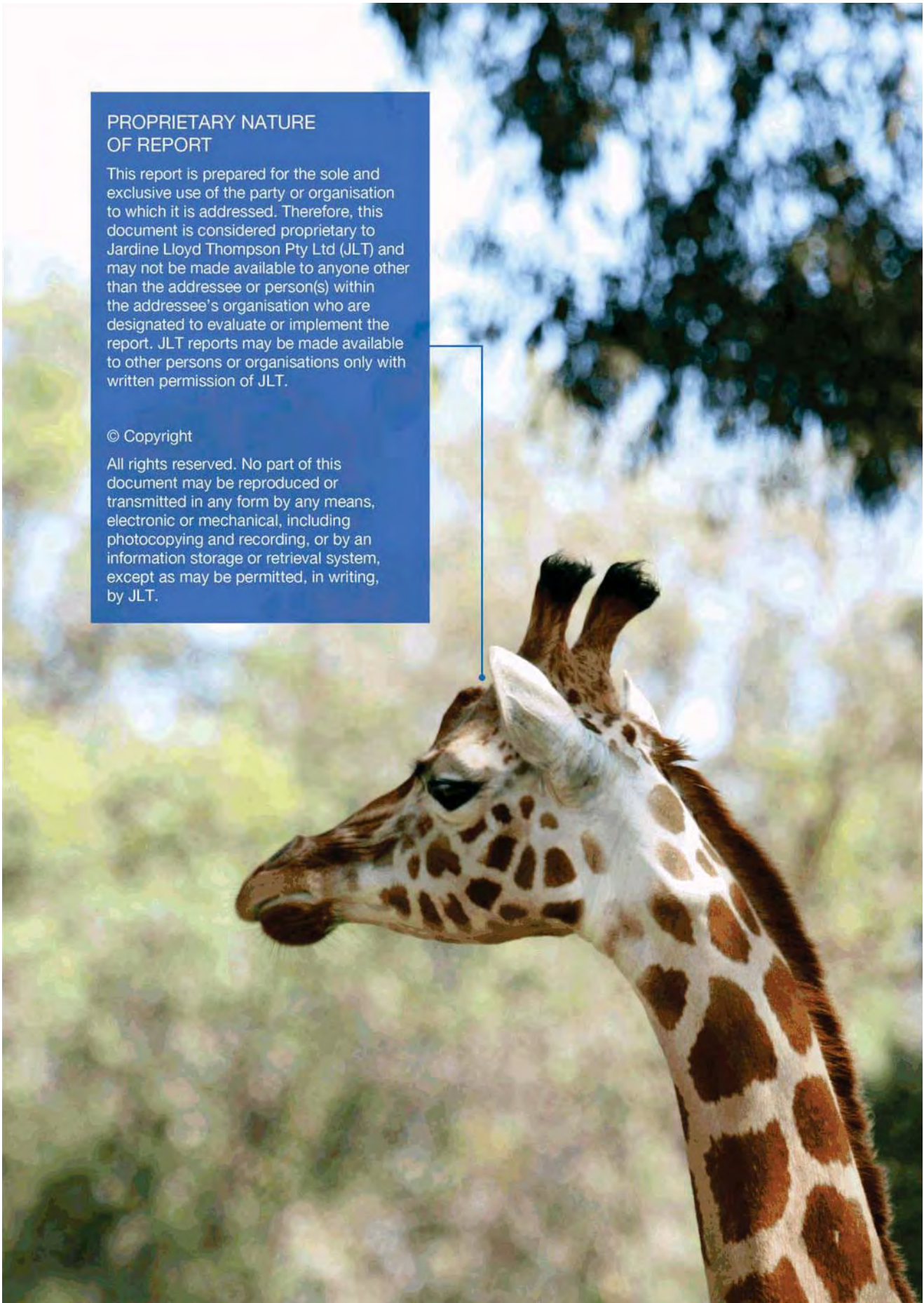


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CONTACT

EDDIE STEWART  
NATIONAL MANAGER – RISK  
SYSTEMS

+61 2 4940-8604

eddie.stewart@echelonaustralia.com.au

Echelon Australia Pty Ltd ABN 96 085 720 056,  
Level 11, 66 Clarence Street, Sydney NSW 2000  
Tel +61 2 9320 2700, Fax +61 2 9299 2029.



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**REPORT: Internal Audit Review - Dubbo Aquatic Leisure Centre Cash Receipting Process Progress Report**

**AUTHOR: Manager Business Support Parks and Landcare Services**  
**REPORT DATE: 30 November 2016**  
**TRIM REFERENCE: ID16/2226**

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**EXECUTIVE SUMMARY**

Following the meeting of the former Dubbo City Council's Audit and Risk Management Committee held on Monday 16 March 2015 Council resolved:

- "1. That the internal audit review interim draft report on Dubbo Aquatic Leisure Centre cash handling process be adopted.*
- 2. That management consider effecting changes to the DALC cash receipting processes in order to enhance the risk management framework noting that Interim results of this assessment indicate that some aspects of the process may require to be adjusted as a matter of urgency."*

It was requested that a progress report be submitted to the Audit and Risk Management Committee 9 October 2015 to ensure that all identified improvements are implemented and a final report submitted 3 June 2016 for review at the completion of the swimming season.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the information contained within this report be noted.**

*Natasha Everett*

Manager Business Support Parks and Landcare Services

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**REPORT**

At its meeting held 16 March 2015, the former Dubbo City Council Audit and Risk Management Committee considered a report that recommended improvements to the Dubbo Aquatic Leisure Centre (DALC) Cash receipting process from the Internal Auditor.

It was requested that a final report be submitted to the Committee to ensure that all identified improvements were implemented during the swimming season.

Prior to the commencement of the 2015/2016 swimming season enhancements to all processes for ensuring all admissions are accounted for have been addressed with the Dubbo Aquatic Leisure Centre Contractor and staff within Parks and Landcare. Formal meetings were held with the Director Parks and Landcare, Manager Business Support Parks and Landcare and B&N Aquatics Contractor to ensure the following objectives of the audit were achieved;

1. There were effective procedures in place to ensure that cash receipts were complete.
2. There were effective procedures in place to ensure that all revenue receipted is banked intact.
3. Revenue receipts were being banked on a timely basis.
4. Cash on hand was stored in a safe place as appropriate.
5. There was an effective procedure to ensure that accounts receivable in respect of season tickets and scheduled events are duly recorded in Council's accounting system.

Now that the 2015/2016 swimming season has been completed, Parks and Landcare can submit this final report to the committee as to the effectiveness of the objectives implemented.

**1. Completeness of Cash Receipts**

DALC Revenue and Gladstone MRM were reconciled weekly to account for gate, carnival and waterslide takings which were banked in accordance with the Cash Handling Policy. Security collections for cash transfer were performed by Western Plains Security.

Season Ticket holders were admitted via turnstile with a membership card swiped upon entry for Gladstone MRM (cash register receipting (point of sale) system) to account for the admissions with reports showing demographics of the season ticket holders.

School group booking revenue was collected upon admission and reconciled to the Events Perfect (EP) booking system. The practical application of admitting groups through gates could not be eliminated entirely, therefore a record of numbers was kept via a spreadsheet to reconcile takings in addition to all other measures. Business Support administers all school group bookings in EP, reviews B&N Aquatic's spreadsheets for AOP and KPI reporting and reconciles the revenue on a quarterly basis.

## **2. Completeness of Banking**

GST treatment of the invoicing was determined and invoices were submitted to Council as GST inclusive from B&N Aquatics.

Revenue from the Learn to Swim, Kiosk, swimming product stock and the pool inflatable was accounted for through the Kiosk EFTPOS system owned and operated exclusively by B&N Aquatics. Council is not in a position to procure swimming product stock and administer the inflatable bookings, which is operated under the ownership of B&N Aquatics. This agreement resolved the issue of B&N Aquatics reimbursing themselves from the cash takings of Council for pool stock and inflatable revenue and is compliant with the DALC contract. The Contractor agreed to provide all operating expenditure data for the kiosk, inflatable and swimming stock, as required, by Council to assist with benchmarking, planning and future development of the centre.

Council implemented a new EFTPOS system installed at the Reception area due to the financial control changing services from the Commonwealth Bank to the National Australia Bank. Issues were experienced with Gladstone MRM and an amount of 'down time' has been recorded during this season.

## **3. Timeliness of Banking**

Banking was consistent throughout 2015/2016 and complies with policy. The DALC contract states banking shall be completed Monday, Wednesday and Friday. If money held on a Tuesday or Thursday exceeds \$2,000 the Contractor contacts the Security Company to transfer funds for deposit in Council's bank account.

## **4. Cash storage**

All cash storage complies with Council's Cash Handling Policy.

## **5. Accounting for Seasonal Tickets and Scheduled Events**

Gladstone MRM was used to reconcile the Season Ticket holder sales and revenue – to date no anomalies have been identified. The EFTPOS system and cash register records the ticket type and payment type along with application forms, which were submitted to Council for record keeping in the HP records manager system. Submission of season ticket application forms to Council for record keeping is now a standard procedure, submitted to the Manager Recreation Planning and Programs.

Fitness Passport systems were introduced for admission during this season. An electronic admission system, operated by the Fitness Passport Company accurately records admissions via iPad. B&N Aquatics submitted invoices to Council for reimbursement of revenue reconciled by login to the passport platform and reporting system.

A standard procedure was implemented for scheduled events for school bookings only which was entered into Events Perfect for reconciliation. All other group bookings were receipted and accounted for via spreadsheet submitted to Council by B&N Aquatics. Quarterly reconciliation of group takings were conducted by Manager Business Support Parks and Landcare.

#### **6. Goods and Services Tax**

Receipts were to be amended to comply with the Tax Invoice requirements under the GST Act regardless of value. At the time of this report, Council is still waiting for a response from Gladstone MRM to finalise these requirements after the recent upgrade of the system.

#### **SUMMARY**

This report confirms the improvement of cash handling processes by the contractor. Any inconsistencies between the Council's preferred frequency of banking procedure as per the Cash Handling Policy and the terms of the contract with the DALC contractor have been eliminated. No anomalies regarding cash storage arrangements have been identified. The use of Events Perfect software system in administering bookings for school group events at the DALC have been implemented as an improvement to the accounting for revenue on group bookings transactions. Improvement to the framework for complying with the Goods and Services Tax Act has been identified and implemented.

Further improvement to the management of the reception, cash handling and reconciliation of takings will require a systematic improvement of the Gladstone MRM software and the overall capability of the admissions turnstile system to the DALC.



## **Report of the Planning and Development Committee - Meeting 12 December 2016**

**AUTHOR:** Administrative Officer - Governance

**REPORT DATE:** 13 December 2016

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The Council had before it the report of the Planning and Development Committee meeting held 12 December 2016.

### **RECOMMENDATION**

**That the report of the Planning and Development Committee meeting held on 12 December 2016, be adopted.**



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## **REPORT PLANNING AND DEVELOPMENT COMMITTEE MEETING - 12 DECEMBER 2016**

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**PRESENT:**

Mr M Kneipp (Administrator).

**ALSO IN ATTENDANCE:**

The Interim General Manager, the Director Organisational Services (M Ferguson), the Supervisor Governance, the Director Corporate Development, the Corporate Communications Supervisor, the Economic Development Officer, the City Promotions and Events Supervisor, the Director Technical Services, the Manager Technical Support, the Manager Civil Infrastructure and Solid Waste, the Manager Works Services, the Manager Fleet Management Services, the Director Environmental Services, the Manager Building and Development Services, the Planner, the Manager City Strategy Services, the Manager Environmental Control, the Director Community Services, the Director Parks and Landcare Services and the Transition Project Leader.

Mr M Kneipp (Administrator) assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.35pm.

**PDC16/7      REPORT OF THE PLANNING AND DEVELOPMENT COMMITTEE - MEETING 17  
OCTOBER 2016 (ID16/2269)**

The Committee had before it the report of the Planning and Development Committee meeting held 17 October 2016.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that the report of the Planning and Development Committee meeting held on 17 October 2016, be adopted.**

**CARRIED**



**PDC16/8 COUNCIL POLICY - FLOODING IN GEURIE (ID16/2153)**

The Committee had before it the report dated 7 December 2016 from the Manager City Strategy Services regarding Council Policy - Flooding in Geurie.

Moved by Mr M Kneipp (Administrator)

**MOTION**

The Committee recommends:

1. That the draft Policy for Flooding in Geurie, included as Appendix 1 to this report, be endorsed for the purposes of public exhibition.
2. That the draft Policy for Flooding in Geurie be placed on public exhibition for a period of not less than 28 days.
3. That following completion of the public exhibition process, a further report be provided to Council for consideration, including any submissions received.

**CARRIED**

**PDC16/9 DEVELOPMENT APPLICATION D16-5: DETACHED DUAL OCCUPANCY - LOT 18 SECTION 54A DP 1600 AND LOT A DP 393090, 85 PIERCE STREET, WELLINGTON  
APPLICANT: MR E SMITH  
OWNER: MR G & MRS E FRENCH  
LODGED: 25 FEBRUARY 2016 (ID16/2187)**

The Committee had before it the report dated 7 December 2016 from the Senior Planner 2 regarding Development Application D16-5: Detached Dual Occupancy - Lot 18 Section 54A DP 1600 and Lot A DP 393090, 85 Pierce Street, Wellington.

Moved by Mr M Kneipp (Administrator)

**MOTION**

The Committee recommends that Development Application D16-5 for a Detached Dual Occupancy development on Lot 18 Section 54A DP 1600 and Lot A DP 393090, 85 Pierce Street, Wellington be refused for the following reasons:

- a. The site is possibly contaminated (asbestos) and therefore on the basis of information provide, unsuitable for residential use in accordance with Clause 7(1) of State Environmental Planning Policy No 55 – Remediation of Land (S79C(1)(a)(i) Environmental Planning and Assessment Act, 1979).
- b. The proposed development has insufficient off-street car parking which does not comply with the minimum parking requirements in Wellington Development Control Plan 2013 (S79C(1)(a)(iii) Environmental Planning and Assessment Act, 1979).

- c. The proposed front setback is not consistent with the established setbacks in Pierce Street in accordance with the Wellington DCP 2013 (S79C(1)(a)(iii) Environmental Planning and Assessment Act, 1979).
- d. The site has not provided sufficient and adequate private open space areas in accordance with the Wellington DCP 2013 (S79C(1)(iii) Environmental Planning and Assessment Act, 1979).
- e. The proposed front fence is contrary to the requirements of the Wellington DCP 2013 (S79C(1)(iii) Environmental Planning and Assessment Act, 1979).
- f. The subject site is deemed unsuitable for the proposed development, and is considered therefore to be overdevelopment of the site (S79C(1)(c) Environmental Planning and Assessment Act, 1979).
- g. The proposed development is not considered to be in the public interest (S79C(1)(e) Environmental Planning and Assessment Act, 1979).

**CARRIED**

**PDC16/10 DEVELOPMENT APPLICATION D16-4: TWO (2) LOT COMMUNITY TITLE SUBDIVISION - LOT 18 SECTION 54A DP 1600 AND LOT A DP 393090, 85 PIERCE STREET, WELLINGTON  
APPLICANT: MR E SMITH  
OWNER: MR & MRS G AND E FRENCH  
LODGED: 25 FEBRUARY 2016 (ID16/2233)**

The Committee had before it the report dated 7 December 2016 from the Senior Planner 2 regarding Development Application D16-4: Two (2) Lot Community Title Subdivision - Lot 18 Section 54A DP 1600 and Lot A DP 393090, 85 Pierce Street, Wellington.

Moved by Mr M Kneipp (Administrator)

#### **MOTION**

The Committee recommends that Development Application D16-4 for two (2) lot community title subdivision of Lot 18 Section 54A DP 1600 and Lot A DP 393090, 85 Pierce Street, Wellington be refused for the following reasons:

- a. The proposed lot layout is predicated on the approval of the dual occupancy development proposed separately under D16-5 which is recommended for refusal and accordingly the details of the layout of the subject subdivision are unresolved (S79C(1)(c) Environmental Planning and Assessment Act, 1979).
- b. The proposed lot layout is not considered to constitute orderly development of land (S5(a)(ii) Environmental Planning and Assessment Act, 1979).
- c. The site is potentially contaminated (asbestos) and therefore it may (in the absence of a site audit statement) be unsuitable for residential use in accordance with Clause 7(1) of State Environmental Planning Policy No 55 – Remediation of Land (S79C(1)(a)(i) Environmental Planning and Assessment Act, 1979).

**CARRIED**

**PDC16/11 DEVELOPMENT APPLICATION D16-366: TWO (2) LOT SUBDIVISION LOT 62 DP 596342, 24 TAMWORTH STREET, DUBBO  
APPLICANT: MR N O'CONNOR  
OWNER: MR N AND MS J O'CONNOR  
LODGED: 11 AUGUST 2016 (ID16/2251)**

The Committee had before it the report dated 6 December 2016 from the Planner regarding Development Application D16-366: Two (2) Lot Subdivision Lot 62 DP 596342, 24 Tamworth Street, Dubbo. The Committee reports having met with Mr James Morrow, Ms Mirandah Shields, Mr Wayne Rowe, and Mr Graeme Astley.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the information contained within the report of the Planner be noted.**
- 2. That determination of the subject development application be deferred pending receipt of an amended application providing development details of the proposed development on proposed Lot 621.**
- 3. That the additional details and supporting information be notified to affected property owners and people who made submissions to the original development for a period of not less than 21 days.**
- 4. That following assessment of the amended development application including consideration of any submissions, a further report be provided to council for determination.**

**CARRIED**

The meeting closed at 6.02 pm.

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CHAIRMAN



## **Report of the Works and Services Committee Meeting - 12 December 2016**

**AUTHOR:** Administrative Officer - Governance

**REPORT DATE:** 13 December 2016

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The Council had before it the report of the Works and Services Committee meeting held 12 December 2016.

### **RECOMMENDATION**

**That the report of the Works and Services Committee meeting held on 12 December 2016, be adopted.**



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## **REPORT WORKS AND SERVICES COMMITTEE MEETING - 12 DECEMBER 2016**

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**PRESENT:**

Mr M Kneipp (Administrator).

**ALSO IN ATTENDANCE:**

The Interim General Manager, the Director Organisational Services (M Ferguson), the Supervisor Governance, the Director Corporate Development, the Corporate Communications Supervisor, the Economic Development Officer, the City Promotions and Events Supervisor, the Director Technical Services, the Manager Technical Support, the Manager Civil Infrastructure and Solid Waste, the Manager Works Services, the Manager Fleet Management Services, the Director Environmental Services, the Manager Building and Development Services, the Planner, the Manager City Strategy Services, the Manager Environmental Control, the Director Community Services, the Director Parks and Landcare Services and the Transition Project Leader.

Mr M Kneipp (Administrator) assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 6.02pm.

**WSC16/28 REPORT OF THE WORKS AND SERVICES COMMITTEE - MEETING 21  
NOVEMBER 2016 (ID16/2270)**

The Committee had before it the report of the Works and Services Committee meeting held 21 November 2016.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that the report of the Works and Services Committee meeting held on 21 November 2016, be adopted.**

**CARRIED**

**WSC16/29 BUILDING SUMMARY - NOVEMBER 2016 (ID16/2263)**

The Committee had before it the report dated 7 December 2016 from the Director Environmental Services regarding Building Summary - November 2016.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that the information contained in this report be noted.**

**CARRIED**

**WSC16/30 PROPOSED PIPELINE FROM BURRENDONG DAM TO DUBBO - RESULTS OF PUBLIC SUBMISSION (ID16/1710)**

The Committee had before it the report dated 1 December 2016 from the Director Technical Services regarding Proposed Pipeline from Burrendong Dam to Dubbo - Results of Public Submission.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the information contained within the report of the Director Technical Services be noted.**
- 2. That the people who made submissions be advised of the outcome of Council's considerations and thanked for their submission.**

**CARRIED**

**WSC16/31 ADOPTION OF TECHNICAL CONSTRUCTION SCHEDULES (ID16/2202)**

The Committee had before it the report dated 2 December 2016 from the Director Technical Services regarding Adoption of Technical Construction Schedules.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the submissions received in respect to the draft Technical Schedules of Water Supply and Sewerage Works be noted.**
- 2. That the Council adopt the Water Supply and Sewerage Works Technical Schedules.**
- 3. That the people who made a submission be advised of Council's considerations and be thanked for their submission.**

**CARRIED**

**WSC16/32 RESTART NSW FUNDING DEED - PURVIS LANE UPGRADING (ID16/2151)**

The Committee had before it the report dated 30 November 2016 from the Manager Civil Infrastructure and Solid Waste regarding Restart NSW Funding Deed - Purvis Lane Upgrading.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the funding offer of \$2,260,000 from the State Government's Restart NSW Fund to construct the Purvis Lane upgrading, be accepted.**
- 2. That the necessary documentation be executed under the Common Seal of the Council.**

**CARRIED**

**WSC16/33 PROPOSED NEW LICENCE FOR NSW GOVERNMENT TELECOMMUNICATIONS AUTHORITY AT MOUNT BODANGORA (ID16/2230)**

The Committee had before it the report dated 1 December 2016 from the Manager Civil Infrastructure and Solid Waste regarding Proposed New Licence for NSW Government Telecommunications Authority at Mount Bodangora.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That Council agree to a four (4) x five (5) consecutive year licence being granted to the NSW Government Telecommunications Authority (ABN 85 430 594 829) in respect of the Mount Bodangora Telecommunications site on Lot 7001, DP1020657.**
- 2. That the terms of the licence be in accordance with the IPART review of rental arrangements for communication towers on Crown Land – July 2013.**
- 3. That all necessary documentation in relation to this matter be executed under the Common Seal of the Council.**

**CARRIED**



**WSC16/34 UPCOMING CIVIL INFRASTRUCTURE WORKS REQUIRING TREE REMOVALS AND REPLACEMENTS (ID16/2138)**

The Committee had before it the report dated 21 November 2016 from the Director Parks and Landcare Services regarding Upcoming Civil Infrastructure Works Requiring Tree Removals and Replacements.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the information contained within this report be noted.**
- 2. That the proposed replacement planting plans for Wingewarra, Brisbane and Macquarie streets are endorsed to enable the kerb and guttering replacement program to proceed.**

**CARRIED**

**WSC16/35 INCREASED VEGETATION CLEARANCE ZONES AT MYALL STREET RESERVOIR (ID16/2152)**

The Committee had before it the report dated 23 November 2016 from the Director Parks and Landcare Services regarding Increased Vegetation Clearance Zones at Myall Street Reservoir.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the information contained within this report be noted.**
- 2. That the proposed removal and replanting program be endorsed and implemented as soon as practical.**

**CARRIED**

**WSC16/36 REVIEW OF THE DUBBO REGIONAL COUNCIL SIGNIFICANT TREE REGISTER  
2017 (ID16/2183)**

The Committee had before it the report dated 29 November 2016 from the Manager Horticultural Services regarding Review of the Dubbo Regional Council Significant Tree Register 2017.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that the reviewed Tree Preservation Order and the Significant Tree Register for 2017, dated 29 November 2016, be adopted effective 1 January 2017.**

**CARRIED**

**WSC16/37 ENVIRONMENTAL CONTROL POLICIES REVIEW (ID16/2271)**

The Committee had before it the report dated 7 December 2016 from the Manager Environmental Control regarding Environmental Control Policies Review.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the Council policies provided as Appendices 1 to 5 be placed on public exhibition for a period of not less than 28 days.**
- 2. That at the conclusion of the public exhibition period a further report be prepared for consideration.**

**CARRIED**

At this juncture the meeting adjourned, the time being 6.15 pm.

The meeting recommenced at 6.28pm.

**WSC16/38 TENDER FOR THE SUPPLY OF A TWO WAY COMMUNICATION SYSTEM UPGRADE (ID16/2159)**

The Committee had before it the report dated 5 December 2016 from the Manager Fleet Management Services regarding Tender for the Supply of a Two Way Communication System Upgrade.

Moved by Mr M Kneipp (Administrator)

**MOTION**

The Committee recommends that members of the press and public be excluded from the meeting during consideration of this item, the reason being that the matter concerned information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).

**CARRIED**

Moved by Mr M Kneipp (Administrator)

**MOTION**

The Committee recommends:

1. That in accordance with Clause 178 (1)(b) of the Local Government (General) Regulation 2005, Council decline to accept any tenders received for the supply of a Two Way Communication System Upgrade as the tenders received exceed the funds allocated in the project budget.
2. That in accordance with Clause 178(3)(e) Council enter into negotiations with the most favourable tenderer being Simoco Australasia.
3. That Council not invite fresh tenders for the supply of a Two Way Communication System Upgrade as a fresh tender process is unlikely to provide a better result for Council.
4. That in accordance with section 377(1)(i) of the Local Government Act 1993, Council delegate to the Interim General Manager the acceptance of tenders in relation to the supply of a Two Way Communication System Upgrade.
5. That a report be presented to the February 2017 meeting of Council detailing the outcome of this tender process.
6. That the documents and considerations in regard to this matter remain confidential to Council.

**CARRIED**

**WSC16/39 REPLACEMENT OF PLANT NUMBER 2075 A HEAVY HAULAGE TIPPING TRUCK AND PLANT NUMBER 1148 A TRI-AXLE DOG TRAILER (ID16/1948)**

The Committee had before it the report dated 2 December 2016 from the Manager Fleet Management Services regarding Replacement of Plant Number 2075 a Heavy Haulage Tipping Truck and Plant Number 1148 a Tri-axle Dog Trailer.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that members of the press and public be excluded from the meeting during consideration of this item, the reason being that the matter concerned information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).**

**CARRIED**

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the tender from West Orange Motors to supply a Hino FS2848 heavy haulage tipping truck and an Almighty tri-axle dog trailer for the purchase price of \$282,345.02 (ex GST), less \$87,272.73 for plant numbers 2075 and 1178, for a changeover of \$195,072.29 (ex GST) be accepted.**
- 2. That the documents and considerations in regard to this matter remain confidential to Council.**

**CARRIED**

**WSC16/40 REPLACEMENT OF PLANT NUMBER 2083, A 12,500 LITRE WATER TRUCK (ID16/1947)**

The Committee had before it the report dated 2 December 2016 from the Manager Fleet Management Services regarding Replacement of Plant Number 2083, a 12,500 Litre Water Truck.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that members of the press and public be excluded from the meeting during consideration of this item, the reason being that the matter concerned information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).**

**CARRIED**

Moved by Mr M Kneipp (Administrator)

**MOTION**

The Committee recommends:

1. That the tender from West Orange Motors to supply a Hino FS2844 truck fitted with a Burrows water tank for the purchase price of \$251,482.32 (ex GST), less \$73,636.36 trade-in for plant number 2083, a Volvo FM 48 tipping truck, for a changeover of \$177,845.96 (ex GST) be accepted.
2. That the documents and considerations in regard to this matter remain confidential to Council.

**CARRIED**

**WSC16/41 REPLACEMENT OF PLANT NUMBER 1159, A CCF CLASS 4.4 TO 5.5 BACKHOE LOADER (ID16/1946)**

The Committee had before it the report dated 29 November 2016 from the Manager Fleet Management Services regarding Replacement of Plant Number 1159, a CCF Class 4.4 to 5.5 Backhoe Loader.

Moved by Mr M Kneipp (Administrator)

**MOTION**

The Committee recommends that members of the press and public be excluded from the meeting during consideration of this item, the reason being that the matter concerned information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).

**CARRIED**

Moved by Mr M Kneipp (Administrator)

**MOTION**

The Committee recommends:

1. That the tender from Wideland Ag and Construction to supply a JCB 3CX Elite backhoe loader for the purchase price of \$157,184.55 (ex GST), less \$40,000.00 trade-in for plant number 1159, a Caterpillar backhoe loader, for a changeover of \$117,184.55 (ex GST) be accepted.
2. That the documents and considerations in regard to this matter remain confidential to Council.

**CARRIED**

**WSC16/42 TENDER FOR THE CONSTRUCTION OF DUBBO RURAL FIRE SERVICE AIRPORT  
HARDSTAND AREA AND AIRPORT ROAD. (ID16/2257)**

The Committee had before it the report dated 5 December 2016 from the Manager Works Services regarding Tender for the Construction of Dubbo Rural Fire Service Airport Hardstand Area and Airport Road.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends That members of the press and public be excluded from the meeting during consideration of this item, the reason being that the matter concerned information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).**

**CARRIED**

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the contract for the Construction of Dubbo Airport Rural Fire Services Hardstand Area be awarded to MAAS Civil Pty Ltd for the amount of \$600,685.59 (GST exclusive).**
- 2. That any necessary documents in regard to this matter be executed under the Common Seal of Council.**
- 3. That the documents and considerations in regard to this matter remain confidential to Council.**

**CARRIED**

The meeting closed at 6.34pm.

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CHAIRMAN



## **Report of the Finance and Policy Committee Meeting - 12 December 2016**

**AUTHOR:** Administrative Officer - Governance

**REPORT DATE:** 13 December 2016

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The Council had before it the report of the Finance and Policy Committee meeting held 12 December 2016.

### **RECOMMENDATION**

**That the report of the Finance and Policy Committee meeting held on 12 December 2016, be adopted**





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## REPORT FINANCE AND POLICY COMMITTEE 12 DECEMBER 2016

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**PRESENT:**

Mr M Kneipp (Administrator).

**ALSO IN ATTENDANCE:**

The Interim General Manager, the Director Organisational Services (M Ferguson), the Supervisor Governance, the Director Corporate Development, the Corporate Communications Supervisor, the Economic Development Officer, the City Promotions and Events Supervisor, the Director Technical Services, the Manager Technical Support, the Manager Civil Infrastructure and Solid Waste, the Manager Works Services, the Manager Fleet Management Services, the Director Environmental Services, the Manager Building and Development Services, the Planner, the Manager City Strategy Services, the Manager Environmental Control, the Director Community Services, the Director Parks and Landcare Services and the Transition Project Leader.

Mr M Kneipp (Administrator) assumed chairmanship of the meeting.

The proceedings of the meeting commenced at 5.54pm

**FPC16/27      REPORT OF THE FINANCE AND POLICY COMMITTEE - MEETING 21 NOVEMBER  
2016 (ID16/2268)**

The Committee had before it the report of the Finance and Policy Committee meeting held 21 November 2016.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that the report of the Finance and Policy Committee meeting held on 21 November 2016, be adopted.**

**CARRIED**

**FPC16/28 INVESTMENTS UNDER SECTION 625 OF THE LOCAL GOVERNMENT ACT  
(ID16/2265)**

The Committee had before it the report dated 6 December 2016 from the Director Organisational Services regarding Investments Under Section 625 of the Local Government Act.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that the information contained within this report be noted.**

**CARRIED**

**FPC16/29 DELEGATION TO THE INTERIM GENERAL MANAGER THE ACCEPTANCE OF A  
TENDER TO CONSTRUCT A CHILD CARE CENTRE (ID16/2228)**

The Committee had before it the report dated 1 December 2016 from the Manager Governance and Risk Services regarding Delegation to the Interim General Manager the Acceptance of a Tender to Construct a Child Care Centre.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That in accordance with Section 377(1)(i) of the Local Government Act 1993 Council delegate to the Interim General Manager the acceptance of tenders in relation to the construction of a child care centre being Playmates Cottage.**
- 2. That a report be presented to the February 2017 meeting of Council detailing the outcome of this tender process.**

**CARRIED**

**FPC16/30 INVESTMENT POLICY AND STRATEGY REVIEW (ID16/2264)**

The Committee had before it the report dated 6 December 2016 from the Manager Financial Accounting Services regarding Investment Policy and Strategy Review.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the draft Investment Policy December 2016 and the draft Investment Strategy December 2016 be adopted.**
- 2. That Council's Investment Policy and Investment Strategy be again reviewed and submitted to Council for determination via Council's Finance and Policy Committee in June 2017.**

**CARRIED**

**FPC16/31 EMERGENCY SERVICES PROPERTY LEVY (ID16/2256)**

The Committee had before it the report dated 5 December 2016 from the Revenue Accountant regarding Emergency Services Property Levy.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that the information contained within this report be noted.**

**CARRIED**

**FPC16/32 WELLINGTON CORRECTIONAL CENTRE EXPANSION OPPORTUNITIES PAPER AND ACTION PLAN (ID16/2267)**

The Committee had before it the report dated 6 December 2016 from the Economic Development Officer regarding Wellington Correctional Centre Expansion Opportunities Paper and Action Plan.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the information contained within this report be noted.**
- 2. That progress on the implementation of the Action Plan be reported to Council in line with the Economic Development Action Plan quarterly report.**

**CARRIED**

**FPC16/33      EVENT DEVELOPMENT FUND (EDF) AND MAJOR EVENT SPONSOR PROGRAM  
(MESP) - STREAM 2: APPLICATIONS (ID16/2176)**

The Committee had before it the report dated 29 November 2016 from the City Promotions and Events Supervisor regarding Event Development Fund (EDF) and Major Event Sponsor Program (MESP) - Stream 2: Applications.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends that the recommended amounts as contained in this report in respect of funding to organisations under Council's Event Development Fund and the Major Event Sponsor Program be adopted.**

**CARRIED**

**FPC16/34      INTERIM CORPORATE COMMUNICATIONS STRATEGY (ID16/2266)**

The Committee had before it the report dated 6 December 2016 from the Media and Public Relations Coordinator regarding Interim Corporate Communications Strategy.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That the draft six month 2017 Corporate Communications Strategy be adopted.**
- 2. That a report and new six month Communications Strategy be provided to Council in June 2017.**

**CARRIED**

**FPC16/35 COMMENCEMENT OF DEVELOPMENT OF KESWICK STAGE 4 RELEASE 3B  
(ID16/2261)**

The Committee had before it the report dated 6 December 2016 from the Manager Commercial Facilities regarding Commencement of Development of Keswick Stage 4 Release 3B.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That approval be granted to commence the process to develop Keswick Stage 4 Release 3B residential subdivision.**
- 2. That all necessary documentation relating to the construction and subdivision of the subject land be executed under the Common Seal of the Council.**

**CARRIED**

**FPC16/36 BODANGORA AIRSTRIP - LICENSED HANGAR AREAS (ID16/2259)**

The Committee had before it the report dated 5 December 2016 from the Manager Commercial Facilities regarding Bodangora Airstrip - Licensed Hangar Areas.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

- 1. That Council enter into a licence agreement with Wellington Aero Club in accordance with the following terms and conditions:**
  - (i) Licence term 5 years, with an option to renew for a further 5 years at the end of first term with the licence fee in any further term is to be determined in consideration of market conditions.**
  - (ii) Licensee must provide public liability insurance of not less than \$20 million.**
  - (iii) Licensee cannot sub-lease without the authorisation of Council.**
  - (iv) Licence fee of \$100.00 per annum (exc. GST) for the first term only.**
- 2. That Council enter into a licence agreement with Mack Watson in accordance with the following terms and conditions:**
  - (i) Licence term 5 years, with an option to renew for a further 5 years at the end of first term with the licence fee in any further term is to be determined in consideration of market conditions.**
  - (ii) Licensee must provide public liability insurance of not less than \$20 million.**
  - (iii) Licensee cannot sub-lease without the authorisation of Council.**
  - (iv) Licence fee of \$50.00 per annum (exc. GST) for the first term only.**

3. That the current lease at Bodangora between Wellington Council (lessor) and Mack Watson (lessee) be extinguished upon the commencement of the new licence agreement between Council and Mack Watson for Hangar area A4.
4. That any documentation in relation to these matters be executed under the Common Seal of the Council.

**CARRIED**

**FPC16/37 OLD DUBBO GAOL CULTURAL TOURISM AWARD AND MANAGER DUBBO REGIONAL THEATRE AND CONVENTION CENTRE AWARDS (ID16/2161)**

The Committee had before it the report dated 29 November 2016 from the Director Community Services regarding Old Dubbo Gaol Cultural Tourism Award and Manager Dubbo Regional Theatre and Convention Centre Awards.

Moved by Mr M Kneipp (Administrator)

**MOTION**

**The Committee recommends:**

1. That the Manager Business Support Community Services, Jamie Angus, and staff of the Old Dubbo Gaol be formally congratulated on the Old Dubbo Gaol's Cultural Tourism Award in the 2016 NSW Tourism Awards.
2. That the Manager of the Dubbo Regional Theatre and Convention Centre, Linda Christof, be formally congratulated on her Highly Commended Employee of the Year Award and Orana Region Ambassador Award in the 2016 Women Out West Awards.

**CARRIED**

The meeting closed at 6.28pm.

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CHAIRMAN



**REPORT: Progress on Council Merger Projects**

**AUTHOR: Interim General Manager**

**REPORT DATE: 13 December 2016**

**TRIM REFERENCE: ID16/2314**

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**EXECUTIVE SUMMARY**

Each month a report is submitted to Council providing an update on the significant number of projects related to the merger. It should be recalled that projects can be grouped into the following dominant streams:

- Financial and Operating Systems
- Information Technology
- Organisational Design (includes Human Resources)
- Service Review
- Communication
- Customer Service

The progress of major projects within those streams are:

- Civica Pty Ltd and Council staff have held detailed meetings in regards to specific modules within the financial and business operating system. This is to ensure the creation of an integrated financial and business operating system is achievable by 1 July 2017. It should be noted this represents an almost \$1 million investment with the cost met by the NSW Government's \$5 million Implementation Fund.
- Council staff are working through the budget development process to enable an integrated draft budget to be submitted for exhibition/consultation in 2017.
- The installation of a microwave link between the Dubbo and Wellington administration buildings is progressing with the communication towers installed at both Twelve Mile and Rifle Range Reservoirs. Electrical power has been connected to the Rifle Range site whilst Council is still awaiting connection to the Twelve Mile site. The connection will create significant efficiencies for the organisation and enable more efficient service delivery.
- Council has received the tenders for the supply of a digital 2 way radio communication system and is expected to engage a business in this regard in coming weeks. The functionality and more immediate delivery of a Council owned system has significant advantages over the offer from the NSW Telco Authority. There is the potential for



Council to sell access to its infrastructure in coming years to organisations such as the NSW Telco Authority.

- The Service Review investigation is progressing well for the priority areas of service delivery. It should be recalled that priorities focus on:
  - The efficiency and effectiveness of differing service delivery options.
  - Where Council can benefit from the increased scale and capacity.
  - Identification of opportunities for innovation.
  - Where changes to service provision may impact on organisational structure.

The outcomes of some elements of the Service Review will inform potential organisation structural changes. External support will be sourced to assist the organisation undertake this critical body of work.

- The development of corporate mission and vision statements and values as part of building a new organisational culture has been completed with a launch to staff at the inaugural all staff information session held on 1 December 2016 (see **Appendix 1**). The Department of Premier and Cabinet overseeing the overall Council amalgamation process has described the outcome as “elegant and simple.” It is being distributed to other newly created councils as a positive example of meeting a departmental requirement. It should be recalled that the values, purpose and associated strategies were developed through significant staff consultation. This cost is being funded by the NSW Merger Implementation fund.
- An employee opinion survey was developed and released to staff on Monday 21 November 2016. Results are being processed with a release to staff of the outcome in late December 2016.
- Stronger Communities Fund – Major Projects.  
The Grant Assessment Panel convened on 13 December 2016 and made a determination in regards to the allocation of \$9 million. The outcome is the subject of a separate report to Council this month. It should be noted that the Regional Coordinator from the Department of Premier and Cabinet, a member of the assessment panel, has described the Dubbo Regional Council processes as the best out of large number of other Council assessment processes that they have participated in.

## FINANCIAL IMPLICATIONS

It should also be noted that the costs associated with the other listed consultancies to assist Council undertake organisational change are also covered by the \$5,000,000 Merger Implementation funding provided by the NSW Government.

The \$9 million Stronger Communities Fund Major Projects is NSW Government funding only available to amalgamated Councils. These projects would not be progressing if not for the amalgamation processes.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

**That the information contained within this report be noted.**

*Mark Riley*  
Interim General Manager

APPENDIX 1

VISION

“ GREAT COMMUNITY  
GREAT COUNCIL ”

PURPOSE

“ TO MAKE OUR COMMUNITY  
A GREAT PLACE TO LIVE,  
WORK AND PLAY ”

VALUES

“ CUSTOMER FOCUSED

We are passionate about serving our community and creating a great place to live.

INTEGRITY

We act with integrity and professionalism and we are accountable to deliver the results we promise.

ONE TEAM

We work as one team and partner with others to deliver more than we can achieve alone.

”



## **REPORT: Successful Projects Under the Stronger Communities Major Project Round**

**AUTHOR: Transition Project Leader**

**REPORT DATE: 13 December 2016**

**TRIM REFERENCE: ID16/2324**

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### **EXECUTIVE SUMMARY**

As an element of the reform of NSW Local Government, the NSW Government established the Stronger Communities Fund for newly amalgamated councils. In this regard, Dubbo Regional Council was granted \$10 million as it was created by the merging of the former Dubbo City and Wellington councils. \$1 million of that funding was set aside for community group projects, whilst the remaining \$9 million has been set aside for the Stronger Communities Major Projects Round.

Council staff proposed projects that have previously been identified by the former Council's strategic planning processes. In all, 33 projects with a total value of \$44,968,849.

Projects have been assessed by staff utilising the Capital Works Prioritisation Framework – a system that measures alignment with Community Strategic Plans, project readiness, capital type (new/upgrade/renewal) and greatest risk should the project not proceed.

The short list of projects, adopted via resolution of Council, were then put before the community to ascertain community attitudes and priorities. The findings of the community consultation were then provided to the Grant Assessment Panel, as required under the NSW Government guidelines, in conjunction with the results arising from Council's own Capital Works Prioritisation Framework.

The Grant Assessment Panel was required to consist of the Local Member of Parliament (or delegate), the Director of the Regional Coordination Branch - Department of Premier and Cabinet, an independent auditor and the Administrator. Council has received correspondence from the independent auditor, Luka Group, detailing the process conducted while assessing applications for Stronger Communities Fund – Major Projects. This correspondence is appended to this report.

The projects determined by the Grant Assessment Panel to receive funding are:

Wellington Caves Visitor Experience Centre	\$2,500,000
Cameron Park Regional Playground	\$280,000

Wellington Pool	\$3,000,000
Moxon Park Improvements, Stuart Town	\$85,000
Euchareena Local Projects	\$84,700
Geurie Multi Court Facility and Playground Equipment	\$245,000
Dubbo Regional Botanic Garden Adventure Playground	\$1,300,000
Dubbo Regional Botanic Garden – Carpark	\$240,000
Installation of a new GPT – to be located at the West Dubbo Main Drain outfall into Macquarie River	\$198,540
Dubbo Aquatic and Leisure Centre Aquatic Playground	\$800,000

It should be noted that for projects on the shortlist that have not been allocated funding under the Stronger Communities Fund, the Grant Assessment Panel identified a number of alternative funding opportunities that shall be targeted in 2017.

### **FINANCIAL IMPLICATIONS**

The \$9 Million Stronger Communities Fund Major Projects is a NSW Government funding stream only available to Councils formed through amalgamation.

### **POLICY IMPLICATIONS**

There are no policy implications arising from this report.

### **RECOMMENDATION**

- 1. That Council endorse the following projects to receive an allocation from the Stronger Communities Fund – Major Projects Round:**
  - i. Wellington Caves Visitor Experience Centre** \$2,500,000
  - ii. Cameron Park Regional Playground** \$280,000
  - iii. Wellington Pool** \$3,000,000
  - iv. Moxon Park Improvements, Stuart Town** \$85,000
  - v. Euchareena Local Projects** \$84,700
  - vi. Geurie Multi Court Facility and Playground Equipment** \$245,000
  - vii. Dubbo Regional Botanic Garden Adventure Playground** \$1,300,000
  - viii. Dubbo Regional Botanic Garden – Carpark** \$240,000
  - ix. Installation of a new GPT – to be located at the  
West Dubbo Main Drain outfall into Macquarie River** \$198,540
  - x. Dubbo Aquatic and Leisure Centre Aquatic Playground** \$800,000
- 2. That in respect of the Wellington Pool allocation of \$3 million out of a total project cost of an estimated \$7.5 million, Council proceed to apply for funding of \$3,750,000 under the Building Better Regions Fund (formerly National Stronger Regions Fund) as one of the two applications Council is allowed to submit and further allocate \$750,000 from the former Wellington Council Uncommitted Asset Management Reserve and that such funding allocation be included in Councils 2017/2018 Operational Plan and Budget.**

3. That Council seek alternative funding for the following projects from the identified potential sources:
  - i. Convention Centre Upgrades – ClubGRANTS, Cultural Infrastructure funding
  - ii. WPCC Large Object Storage – ClubGRANTS, Cultural Infrastructure funding
  - iii. Boundary Road Infrastructure – Housing Acceleration Fund, Restart NSW, Building Better Regions Fund
  - iv. Road Network Flood Damage Resilience Program –alternative road funding
  - v. Regular Public Transport RPT Apron Extension – Restart NSW
  - vi. Dubbo State Emergency Service Local Unit Headquarters – emergency services infrastructure funding
  - vii. Victoria Park 2 and 3 Car Park – Sport and Recreation, ClubGRANTS
  - viii. Improve lighting in Council’s off-street carparking areas within the CBD – community safety funding
  - ix. Sandy Beach Boatshed - Sport and Recreation, ClubGRANTS
  - x. Wiradjuri Park - Aboriginal Cultural Park – Tourism, Cultural Infrastructure funding
  - xi. Wellington Police Station and Gaol - ClubGRANTS, Cultural Infrastructure funding
  - xii. Rygate Park Stage 2 - Sport and Recreation, ClubGRANTS
4. That Council respond in writing to community members who made direct submissions to thank them and explain why their proposals were not proceeding under the Stronger Communities Fund – Major Projects round.
5. That the correspondence from Luka Group as appended to this report be noted.

*Murray Wood*  
Transition Project Leader

## BACKGROUND

Soon after the proclamation on 12 May 2016 of the newly merged Councils in NSW, the State Government released the guidelines for the Stronger Communities Fund. The purpose of this fund was to “kick start the delivery of projects that improve community infrastructure and services.” (page 3, Stronger Communities Fund guidelines)

Funding of \$10 million was provided to Dubbo Regional Council which was formed as a result of the merger of the former Dubbo City and Wellington councils.

\$9 million was set aside under this funding program for Major Projects. The NSW government funding criteria for projects under this round are;

- Have been through a community consultation process
- Demonstrate social and/or economic benefits to the community
- Consider issues of sustainability and equity across the broader community
- Demonstrate project feasibility and value for money, including full life cycle costs;
- Did not have funds allocated by the former councils
- Give consideration to the processes and procedures outlined in the capital expenditure review guidelines issued by the Office of Local Government (OLG).

Councils are required by the NSW Government to establish a Stronger Communities Fund Assessment Panel which will use the defined criteria to assess and recommend projects for funding. The panel is to include:

- Administrator, or delegate
- State member(s) of Parliament or representative
- Regional Coordinator of the Department of premier and cabinet, or delegate
- Other members, appointed by the Administrator,
- An independent probity advisor, appointed by the Administrator to advise the Panel on their deliberations and assessment process.

By December 2016, councils are to notify OLG of their three year plan for allocating the Stronger Communities Fund, as well as which individual projects Council has approved for funding.

The Stronger Communities Fund is to be spent or committed by 30 June 2019, with all funding acquitted before 31 December 2019.

In order to meet the government requirements Council has undertaken the following implementation of the Major Projects Round (\$9 million):

- September to October 2016 - Council staff developed a list of projects from previously adopted and/or updated strategies and asset management plans which were then evaluated against Council’s Capital Works Prioritisation Framework that measures alignment to Community Strategic Plans, risks, readiness and the like.
- 20 October 2016 - presentation to Local Representation Committee.



- 27 October 2016 - shortlist of projects considered by an Extraordinary Council meeting with recommendation for being placed on public exhibition for the purposes of community consultation.
- 27 October to 11 November 2016 - Community consultation undertaken including the wide range of consultation methodologies.
- 24 November 2016 – results and information pack delivered to the Stronger Communities Fund Assessment Panel.
- 13 December 2016 – Stronger Communities Fund Assessment Panel met to determine projects to receive funding.

## REPORT

### COMMUNITY CONSULTATION

The Council report, supporting material and a prioritisation survey was placed on Public Exhibition immediately following the Extraordinary meeting on 27 October 2016 to 5pm 11 November 2016 (a period of 15 days). This public exhibition period was promoted with a proactive media plan, consultation and communication plan including online communications, a web based survey, online and targeted radio advertising, face-to-face consultation and static displays.

The response to the consultation has seen a high degree of participation in the prioritisation survey with 1,120 completed surveys. In addition there were eleven public submissions received. Online advertising has successfully reached a wide audience. Total reach of the paid facebook advertising was 10,172 users and generated 1,050 clicks on the community prioritisation survey.

#### Communications and promotional activity

<b>Activity</b>	<b>Outcome</b>
Council Column	Public notice in Council dedicated notices in the Daily Liberal/Wellington Times
Radio Advertising	Binjang Radio, community radio broadcasting throughout the Wellington district 5 reads per day across 7 days
Face to face consultation	111 surveys completed by intercept surveys conducted by Council staff
Social media (paid)	10,172 people shown the sponsored post with 1,050 clicks to the survey
Social media (organic)	5,523 viewed one of six posts – 482 click through to survey or website information
Media campaign	11 print articles generated across Dubbo and Wellington (print and online) plus extended interviews on ABC Radio and 2DU with Administrator
Website visits	651 unique visits to Major Projects campaign web page
Public displays	18 stickers marked against projects

Face to face consultation

Council staff also conducted intercept surveys using the prioritisation survey at the following locations between 4 November and 10 November 2016.

- Church Street Rotunda Dubbo
- Presentation of Stronger Community Fund Community Grants (DRTCC)
- Nanima Village
- Wellington Pool
- Wellington Senior Citizens Centre
- Wellington Public School
- Wellington PCYC
- Wellington CBD

The Grant Assessment Panel was provided detailed information regarding each project proposal on the shortlist, the outcomes from Council's Capital Works Prioritisation Framework and the community consultation.

At a meeting held on the 13 December 2016 the Grant Assessment Panel undertook a review of all projects against the guidelines and criteria.

**SUCCESSFUL PROJECTS**

The projects determined by the Grant Assessment Panel to be funded are:

**Table 1: Successful Projects**

Wellington Caves Visitor Experience Centre	\$2,500,000
Dubbo Regional Botanic Garden Adventure Playground, and	\$1,300,000
Dubbo Regional Botanic Garden – Carpark	\$240,000
Wellington Pool reconstruction	\$3,000,000
Dubbo Aquatic and Leisure Centre Aquatic Playground	\$800,000
Cameron Park Regional Playground	\$280,000
Geurie Multi Court Facility and Playground Equipment	\$245,000
Installation of a new Gross Pollutant Trap at West Dubbo Main Drain outfall into Macquarie River	\$198,540
Moxon Park Improvements, Stuart Town	\$85,000
Euchareena Local Projects	\$84,700
Funds reserved for contingency/future allocation	\$266,760
<b>TOTAL</b>	<b>\$9,000,000</b>

Listed below are the individual project summaries previously put before Council at the extraordinary meeting held on 27 October 2016.

### **Wellington Caves Visitor Experience Centre**

This project involves the development and construction of a new Visitor Experience Centre at the Wellington Caves Reserve that will:

- Provide a state of the art visitor experience for guests
- Provide a space for educational experiences and research through the creation of a Discovery Lab
- Protect and conserve historic artefacts, fossils and material collected from the Wellington Caves Reserve
- Catalogue and house all the written material pertaining to the history and scientific research of the Wellington Caves Reserve
- Construction of the new facility will also allow for the redevelopment of the existing Visitor Information Centre into a historic display on the history of the Wellington Caves Reserve

### **Dubbo Regional Botanic Garden Adventure Playground**

Dubbo Regional Council has been progressively developing the Dubbo Regional Botanic Garden since the adoption of the Elizabeth Park Master Plan in 1997.

To date, approximately 25% of the site has been developed and approximately 55,000 visitors attend per year. One of the main attractions of the garden is Shoyoen, which is recognised as one of the best examples of a Japanese Garden in Australia. Visitation rates to the garden could be increased if a suitable Regional Standard playground could be installed. Plans have developed to construct a nature based play space for children with supporting facilities such as a kiosk. With an increasing incidence of obesity, diabetes, heart disease etc, exercise has been demonstrated through the scientific literature of being extremely effective at reducing and delaying the onset of many diseases.

A senior gym area is also proposed to encourage our more senior members of our community to remain active and fit - reducing the risk of trips and falls.

### **Dubbo Regional Botanic Garden (DRBG) – Carpark**

Construction of a gravel carpark and bus parking area to provide off street parking for visitors to the Dubbo Regional Botanic Garden.

Council has been developing the DRBG since the original master plan was adopted in 1997. As a major tourist attraction, one of its major limiting factors is the lack of an off-street all weather (gravel) carpark. It is proposed to construct this carpark on the western side of the existing internal road way to make this site more accessible for disabled persons especially, and the general public.

During wet weather Council has been forced to close the access road within the park due to visitors' cars getting bogged and being required to be towed out. This is in contrast with the high quality experiences found with Shoyoen Gardens and the like.

**Wellington Pool Re-construction**

Dubbo Regional Council has undertaken an assessment of the structural stability of the Wellington Pool. This is because previously the Pool had spent over \$50,000 on purchasing potable water to top up the pool due to leakages. A subsequent structural engineering

investigation reported that the walls of the main pool were structurally unsound requiring remediation work that would not be a long term solution.

As a result Council is now planning for a complete rebuild of a Wellington based aquatic facility for an estimated cost of \$7.5 million.

The project is only seeking \$3 million from the Stronger Communities Fund, leaving a shortfall of \$4.5 million. It shall be a recommendation of this report that the matching funds be sought through a combination of Council and the Australian Government Building Better Regions Fund.

Council is eligible to submit only two applications under the Building Better Regions Fund and this federal program requires 50:50 funding. In this regard it is proposed to fund the project as follows:

Contribution from Stronger Communities Fund – Major Projects	\$3,000,000
Contribution from Dubbo Regional Council -	\$750,000
<u>Contribution from Building Better Regions Fund-</u>	<u>\$3,750,000</u>
<u>Total Wellington Pool Construction</u>	<u>\$7,500,000</u>

It should be noted that Council’s funding contribution of \$750,000 is proposed to be allocated from the Uncommitted Asset Management Reserve of the former Wellington Council budget.

**Dubbo Aquatic Leisure Centre Aquatic Playground**

Dubbo has a good example of the desire for families with young children to participate in aquatic play that is more than just swimming e.g. the Elston Park water play infrastructure which is a very simple piece of infrastructure.

Other regional and metropolitan aquatic centres have installed indoor water play elements that caters for young families. No other regional centre in the Central West has an aquatic playground of this scale. Aquatic playgrounds have less input costs than swimming pools as there is no opportunity for complete immersion. The experience from other centres has shown an increase in revenue from greater utilisation by family groups.

It is proposed that an aquatic playground would be located where the existing Pool Manager’s residence is currently situated which is planned for demolition within the next three years. This location creates efficiencies due to the proximity to plant rooms and the water slide.

### **Cameron Park Regional Playground**

Upgrade the playground facilities at Cameron Park (Wellington) with a regional standard playground to improve facilities within the township.

The Cameron Park (Wellington) playground was inspected by an independent third party (KidSafe) and was found to have in excess of 60 defects. These defects included multiple head and finger entrapments, as well as non-compliant items and soft fall. Due to the position of the playground (which would not meet Safer by Design standards) and its age, it is not viable to spend money trying to bring it up to the Australian Standard. It is proposed to replace the existing playground with a higher standard facility to provide improved facilities to the community and help encourage travellers to stop within the town.

This project sees the installation of infrastructure for local residents and visitors that regularly use Cameron Park for a wide range of activities including markets, community events, rest and recreation. It will provide incentive for travellers to stop and utilise the regional level facilities (playground/amenities/BBQs) rather than continuing onto Dubbo or Orange. This in turn will provide an economic stimulus to the adjacent Wellington CBD.

The total cost of the project is \$630,000 with \$280,000 being sought from the Stronger Communities Fund. The balance of \$350,000 is being reallocated from the Cobbora Transition Fund for a community project that did not proceed.

### **Geurie Multi Court Facility and Playground equipment**

The Geurie tennis courts have recently been upgraded from two asphalt courts to synthetic grass with improved drainage and fencing. The back two asphalt courts were not improved and are not able to be used due to significant surface damage.

This is an opportunity to resurface these back courts to a multi-sport court and include hoops, backboards and line marking. There is also an opportunity to re-fence this area completing the facility. Improved fencing would tie into the front two tennis courts improving visual amenity. This is similar to a solution the former Dubbo City Council delivered in the village of Wongarbron.

This would enable the precinct to cater for the wider population given its position between the Geurie Swimming Pool and Tom Culkin Oval.

### **Installation of a New Gross Pollutant Trap – to be located at the West Dubbo Main Drain Outfall into Macquarie River**

This is considered the priority location for Gross Pollutant Trap (GPT) installation within the urban area of Dubbo. The Dubbo community has over recent years expressed dissatisfaction with the gross pollutants entering the Macquarie River – this included public meetings facilitated by Council to establish priorities for addressing the environmental health of the river. The former Dubbo City Council resolved “That Council review the overall prioritisation of GPT installations throughout the City in conjunction with the 2016/2017 budget preparation process.” This project is consistent with this strategic direction.

The GPT would trap items such as bottles, plastic, leaf litter and packaging. Council would have a relatively small increase in operating costs to ensure the GPTs are serviced appropriately.

#### **Moxon Park Improvements - Stuart Town**

Undertake improvements to playground soft fall, fencing and paths in Moxon Park, Stuart Town.

This is an opportunity to finalise works at Moxon Park previously funded under a Village Beautification Program. Details of the works are:

- A new 701m iron bark back fence.
- New soft fall underneath the play equipment 80 m<sup>2</sup>
- A crushed granite walkway established to provide linkage between Moxon Park and Boehmes Hall.

#### **Euchareena Local Projects**

Undertake installation of a playground, cemetery fencing and gravel laneway access at Euchareena. Works would consist of:

- Constructing a new playground equipment including soft fall addresses a current lack of playground infrastructure in the Euchareena district.
- Providing a 180m gravelled laneway to the Public School to provide safe passage for students by not walking on the road and also provide ambulance access.
- Install new Cemetery fencing with an iron bark post and rail at the entrance, double gate access and perimeter fencing.

#### **UNSUCCESSFUL PROJECTS**

Through the Grant Assessment Panel deliberations, a number of alternative funding sources were identified by members. It shall be a recommendation of this report that specific projects be targeted by Council staff for grant applications. In this regard Council staff will work with the Member for Dubbo's office and relevant departmental delegates to better target projects for NSW Government funding that is or will be available.

**TABLE 2: Projects that have alternative NSW Government funding stream available (in no priority order)**

<b>Project Title</b>	<b>Funding Stream</b>
Large Sliding Divider Door and External Signage - Dubbo Regional Theatre and Convention Centre	ClubGRANTS; Cultural Infrastructure
Regular Public Transport RPT Apron Extension	Restart NSW; Economic Infrastructure
Dubbo State Emergency Service Local Unit Headquarters	Emergency Services Infrastructure funding

Road Network Flood Damage Resilience Program (Not covered by Natural Disaster Relief Program Funding)	Targeted emergency road funding
Large Object Storage for WPCC collection	ClubGRANTS; Cultural Infrastructure
Victoria Park 2 and 3 Car Park	ClubGRANTS; Sport and Recreation
Boundary Road Infrastructure	Housing Acceleration funding; Restart NSW; Building Better Regions Fund (Commonwealth program)
Improve lighting in Council's off-street carparking areas within the CBD	Community Safety
Sandy Beach Boatshed	ClubGRANTS; Sport and Recreation
Main Hall Upgrade - Macquarie Auditorium - Dubbo Regional Theatre and Convention Centre	ClubGRANTS; Cultural Infrastructure
Backstage and Breakout Rooms - Dubbo Regional Theatre and Convention Centre	ClubGRANTS; Cultural Infrastructure
Separate Entrance to Oxley Room - Dubbo Regional Theatre and Convention Centre	ClubGRANTS; Cultural Infrastructure
Wiradjuri Park - Aboriginal Cultural Park	ClubGRANTS; Cultural Infrastructure
Development of New Sporting Fields (ex Battisalls/Ex Pavans)	Sport and Recreation; Council's Section 94 Developers Contribution fund
Wellington Police Station and Gaol	ClubGRANTS; Cultural Infrastructure
Rygate Park Stage 2	ClubGRANTS; Sport and Recreation
New Toilets and Amenities - Dubbo Regional Theatre and Convention Centre	ClubGRANTS; Cultural Infrastructure
Dedicated Foyer Entrance, Foyer Air-Conditioning, New Foyer Ceiling - Dubbo Regional Theatre and Convention Centre	ClubGRANTS; Cultural Infrastructure

It should be noted that the Boundary Road Infrastructure Project is to be Council's second of two projects Council can submit under the Australian Government Building Better Regions Fund. Council has allocated part funding for this project but to date has been unsuccessful securing matching funds in order for the project to proceed. In addition to already meeting the 50:50 funding requirement, the Boundary Road project has merit due to the economic activity created by providing access to appropriately zoned land for residential subdivision.



**SUMMARY**

The Stronger Communities Fund Major Projects Round is only available for Council's that have been created through amalgamation in this term of the NSW Government. As a result Dubbo Regional Council has an allocation of \$9 million available under the guidelines issued by the Office of Local Government.

The Grant Assessment Panel has made its determination in regards to projects that are to proceed under the Stronger Communities program. It should be noted that there is a spread of projects across the Local Government Area and the projects are typically available upon completion to a wide cross section of the community. Without the amalgamation funding these projects would not be delivered and available for the community before December 2019.



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13 December 2016

Dubbo Regional Council  
Attention: Mr Michael Kneipp  
PO Box 81  
DUBBO NSW 2830

Dear Sir,

**Re: Stronger Communities Fund – Major Projects**

I was appointed to the position of Probity Officer by Dubbo Regional Council for the Stronger Communities Fund – Major Projects Panel. The Panel met today and I was in attendance for the duration of the meeting.

I have reviewed the process undertaken by Dubbo Regional Council in compiling the relevant project information and the entire process has been conducted in a professional and thorough manner without any bias or prejudice.

I have reviewed the Community Consultative process undertaken by Dubbo Regional Council and I am of the opinion it was an adequate process.

I have reviewed all projects and all of the successful individual funding applications have met the criteria as outlined in the Stronger Communities Fund guidelines.

Other observations are:

- There was evidence that each Panel Member had spent considerable time reviewing each application prior to the meeting.
- Adequate input from each Panel Member was sought and encouraged during the meeting.
- Information prepared by Dubbo Regional Council staff was informative and well prepared. The detail for each project was extensive and allowed Panel members to adequately consider and review all projects in regards to the Funding criteria.
- There was no biased or unfair opinion offered by any of the Panel members.

Please do not hesitate to contact me if you have any queries.

Yours faithfully  
LUKA GROUP

Per: 

MICHAEL MCKENNA  
MANAGING PARTNER





**REPORT: Dubbo Street Tree Master Plan**

**AUTHOR: Director Parks and Landcare Services**

**REPORT DATE: 12 December 2016**

**TRIM REFERENCE: ID16/2306**

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**EXECUTIVE SUMMARY**

The Dubbo Street Tree Master Plan was placed on public exhibition from Thursday, 20 October 2016 through to 2 December 2016, after a two week extension was granted. The public exhibition period actively informed the community to ascertain their opinions and values in regards to the proposed strategic plan to actively improve the quality of the street trees within the City of Dubbo.

The Dubbo Street Tree Master Plan was publicly displayed at the Civic Administration Buildings (Dubbo and Wellington), the Macquarie Regional Library (Dubbo and Wellington branches) and on Council's website. Media to publicise the plan included the print media and radio.

A total of 14 submissions were received over the 6 weeks public exhibition period. A range of opinions were expressed ranging from full support of the Street Tree Master Plan, to the expression of concerns regarding the planting of individual streets or trees that have been removed and not replaced. A summary of the feedback is provided below:

Full support for the implementation of the master plan was received from four of the submissions, including Essential Energy. Four other submissions were supportive of the master plan but raised a number of issues for consideration that generally fall into one of the seven following categories:

1. Perceived lack of community consultation during the development of the plan
2. Lack of, or concern for the trees in the Central Business District
3. Trees removed to make way for development and /or civil infrastructure projects
4. Perceived lack of linkages to other strategic planning documents that relate to the management of urban trees
5. Perceived lack of consideration of urban biodiversity
6. Lack of a Street Tree Master Plan for Wellington
7. A number of submissions also drew comparisons between the poor quality of the street tree canopy of Dubbo compared to other regional centres including Orange, Bathurst, Tamworth and Wagga Wagga.

These issues will be addressed in the main body of the report.

**FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

- 1. That the information contained within this report be noted.**
- 2. That the Dubbo Street Tree Master Plan be adopted with an amendment that includes the survey results and explanation derived from the 2015 Community Needs Survey that identifies the importance and satisfaction level of the community on street trees.**
- 3. That those respondents who submitted feedback on the Dubbo Street Tree Master Plan be thanked for their submissions and advised of any outcomes.**

*Ian McAlister*

Director Parks and Landcare Services

## BACKGROUND

The original master plan for the management of Dubbo's street trees was developed in 1998 and was subsequently revised in 2004. Since 2004 no further review of the tree management systems has taken place and this document is now out of date with current tree management philosophy and practices.

The draft Dubbo Street Tree Master Plan has been developed to provide a strategic approach to the improvement of the aesthetics of the City of Dubbo, and at the same time improve the tree canopy cover through a Prioritised Planting Plan. Increasing canopy cover (i.e. shade) is extremely important to help the residents of Dubbo cope with the predicted warming climate that will see an increase in the overall number of days over 38 degrees Celsius. The Prioritised Planting Plan has been designed to target low socio-economic neighbourhoods and streets that have large numbers of missing trees.

A further consideration of the Dubbo Street Tree Master Plan is that the urban forest must be resilient not only to the changing climate but also to the possibility of the introduction of disease that could decimate Council's tree stock. To combat this threat the Dubbo Street Tree Master Plan has identified a planting palette of over 240 species, many of which are endemic or native species. In the event of a disease outbreak only a potentially small percentage of the trees may be affected.

As the Dubbo community has a large stake in the presentation of the City the proposed Dubbo Street Tree Master Plan was placed on public exhibition for the required 28 days. Following the identification of a problem with the electronic submission form the public exhibition period was extended for a further 14 days.

## REPORT

### The Public Exhibition

The draft Dubbo Street Tree Master Plan was publicly exhibited from Thursday, 20 October 2016 through to Friday, 2 December 2016 at the following locations:

- Council's Civic Administration Buildings - Dubbo and Wellington offices
- Macquarie Regional Library – Dubbo and Wellington branches
- Online at [www.dubbo.nsw.gov.au](http://www.dubbo.nsw.gov.au)

Further promotion of the Dubbo Street Tree Master Plan was undertaken during the public exhibition period and was also undertaken through the following mediums:

- Online via Council's website and including social media
- Print, both individual articles and through the Administrators column and a radio interview (ABC).

## Results

Fourteen (14) formal submissions were made to Council via hardcopy submissions and Council's electronic submission form, located on the website.

Full support for the implementation of the master plan was received from four of the submissions, including Essential Energy. Several other submissions (four) were supportive of the master plan in general but raised a number of issues for consideration that generally fall into one of the seven following categories:

1. Perceived lack of community consultation during the development of the plan.
2. Lack of, or concern for the trees in the Central Business District.
3. Trees removed to make way for development and /or civil infrastructure projects.
4. Perceived lack of linkages to other strategic planning documents that relate to the management of urban trees.
5. Perceived lack of consideration of urban biodiversity.
6. Lack of a Street Tree Master Plan for Wellington.
7. A number of submissions also drew comparisons between the poor quality of the street tree canopy of Dubbo compared to other regional centres including Orange, Bathurst, Tamworth and Wagga Wagga.

The remaining submissions raised individual issues and are addressed at the end of the report.

Each of the themes of those submissions is provided below. It should be noted that a number of submissions had multiple themes articulated.

### **Issue 1. Perceived lack of community consultation during the development of the plan**

Several respondents expressed concern regarding the lack of community consultation during the development phase of the Dubbo Street Tree Master Plan.

The Dubbo Street Tree Master Plan has been developed using information obtained from our Customer Request Management System, in-house knowledge and expertise and through the engagement of a number of Consultants that specialise in urban tree management and planning. Through this approach a high level of independent assessment has been achieved in the determination of the potential three species identified for most streets. This independent assessment is important to prevent results from being skewed by personal preferences (both internal and external from Council), or by disproportionate representation by individual groups.

The rationale behind this approach is that residents of individual streets have a high stake in the overall appearance of the street they live, and therefore it is vitally important that they are given the opportunity to influence the plantings in their area. Many of these people however may not attend a community meeting due to other commitments.

Dubbo Regional Council recognises this and accommodates this and encourages community consultation within the Plan by providing the residents of the street the opportunity to vote on the tree (usually out of three suitable species). The species that gains the most votes will then be the species planted. This approach of community consultation on a street by street approach spreads the cost of community consultation across the life of the plan, rather than absorbing the cost upfront. Finally, this approach builds in a high degree of flexibility within the plan to accommodate changes in available / preferred species that helps to ensure the longevity of the plan.

Comments were received regarding a statement of page 8 of the plan that states *“It is unsure yet, how Dubbo’s community feel about (a) the presence of street trees and (b) what types of plantings and species they prefer . . .”* Consideration was given to the removal of this statement as Council has a good understanding of the public’s view about the streetscapes of Dubbo, as shown in the figure below that comes from the Community Needs Survey 2015. It can be observed that 74% respondents believe that streetscapes are Moderate to High importance, with 59% of respondents identifying a Moderate to High level of satisfaction. However as the second part of the statement is important to the approach that Council has taken in providing the community with the choice of tree they would like in their street the statement was left in. The below table and an explanation will be included in the Dubbo Street Tree Master Plan in the appropriate section.



Just 3% of Survey respondents considered Streetscape Maintenance to be of low Importance, with 74% giving it a score of 4 or 5. 15% of respondents have low Satisfaction, with 25% scoring it as Average Satisfaction with a score of 3. 59% of respondents indicated a Satisfaction score of 4 or 5.

One respondent suggested the community consultation phase be extended for a further three to six months with a range of workshops, video and images being incorporated. This is not supported as it will add additional costs without much, if any gain, and delay the implementation of the plan.

**Issue 2. Lack of, or concern for the trees in the Central Business District**

Several respondents expressed concern regarding the apparent lack of consideration of the trees in the Central Business District, including Macquarie Street itself.



As the trees in Macquarie Street were planted in the last 20 years or so, these trees have a life expectancy of over 40 years and were not considered in the current Priority Planting schedule. Similarly, the trees in Church Street between Bligh and Darling streets were replaced around 10 years ago and the trees in Brisbane Street between Talbragar and Wingewarra streets were only replaced in the last four years. Additionally, as there are already plans in place for additional side plantings for Brisbane Street as a result of future civil works (reshaping of the street) it is deemed not necessary to identify these trees as they will be funded under these works. Plans are also currently being prepared for the redevelopment of Talbragar Street that will propose tree planting in this area. Due to the early stage of plan development and that the tree planting in the area will be included in the civil works budget for the project this street was not given a priority rating.

The street within the Central Business District that is of immediate concern is Bultje Street. Accordingly this street has been identified as a Priority 1 planting with Council already applying for grant funding to re-establish trees between Macquarie and Darling streets.

### **Issue 3. Trees removed to make way for development and /or civil infrastructure projects**

This issue was identified by several respondents. Of particular note are:

- the Plane Trees that we removed in Erskine Street
- the Narrow Leaf Peppermint Gums and Bottlebrush removed in Talbragar Street
- the White Cedars removed in Brisbane Street, and
- the Plane Trees that were removed in Darling Street

#### **Plane Trees in Erskine Street**

One respondent made the claim that these trees formed part of a Memorial Avenue. This is incorrect and this avenue of trees does not appear on the List of Memorial Avenues.

It is acknowledged that these trees had survived numerous other civil works over the years. In this particular case the RMS had indicated that due to heavy patching works that were being undertaken the tree roots would need to be severed 50cm from the trunk. This raised concerns on the stability and viability of the trees and a decision was made to remove them. Replacement trees were required to be planted under the Part 5 assessment by May 2016. Options and costings have been provided to Manager Civil Infrastructure in regards to this matter.

#### **Narrow Leaf Peppermint Gums in Talbragar Street**

In early 2014, as a result of a Development Application to redevelop the old shunting yards, 30 Narrow Leaf Peppermint Gums and 32 Callistemons were removed from the northern side of Talbragar Street. As part of Development Application the Developer was required to remove these trees at his own cost and provide replacement trees as part of the redevelopment. Unfortunately following the removal of the trees the development has stalled and neither the building nor the replacement tree planting has commenced.

This condition still remains with the Development Application and will be enforced once this development recommences. There is little point Council replacing these trees ourselves at this stage as they are likely to be damaged when/if the development continues.

It should be noted that the majority of these gums, at the time of the 2012 tree audit, had a life expectancy of only 5 – 15 years, with many also having structural faults identified.

#### White Cedars in Brisbane Street

In September 2010 the Technical Services Division commenced stormwater augmentation works through Brisbane Street (Wingewarra Street to Talbragar Street) and down Hawkins Lane to reduce the frequency and effects of flooding through the CBD. To facilitate these works the Parks and Landcare Services removed 18 street trees (White Cedars) from Brisbane Street that were planted in the shoulders of the road. These trees were approximately 70 years old and were in decline, with many of them having significant rot throughout their structure.

As part of the stormwater augmentation Council constructed underground vaults down the centre of Brisbane Street to accommodate the planting of larger trees to improve the amenity landscape and shading of the street. Further tree planting in the shoulders of the street is proposed as part of future civil works to reshape the cross section of the street.

#### Plane Trees in Darling Street.

In 2014 Council commenced the redevelopment of Darling Street between Talbragar and Wingewarra streets. The key features of this road development include:

- Renewal of aged infrastructure including deteriorated kerb and gutter, footpaths and road pavement.
- Rectifying the drainage deficiencies which impacts on accessibility to the street
- Implementing a new tree planting scheme to replace the existing memorial avenue.
- Incorporating “Park Street” concept design elements into the project to reflect the *Dubbo City Park and Open Space System* adopted by Council in 2009.

As a result of the redevelopment 17 Plane Trees, mostly mature, were removed. Due to the significance of these trees, being a part of a Memorial Avenue, these removals were undertaken only after consultation and concurrence with the RSL Sub-Branch.

As part of the redevelopment a planting strategy was developed that provided for a total of 25 trees to be replanted back into the landscape.

#### **Issue 4. Perceived lack of linkages to other strategic planning documents that relate to the management of urban trees**

One submission identified the apparent lack of linkages to other strategic planning documents that relate to the management of urban trees.

The respondent suggests that there is no tree preservation plan to protect the tree canopy cover of Dubbo Regional Council.

A Tree Preservation Order does currently exist that covers all trees within the urban area located on public lands and has been in place since 23 June 1995 (Council resolution Clause 95/64). This includes parks, ovals, reserves and streetscapes and those trees identified on the Significant Tree Register. It was at this time Council gave the community the right to manage trees on their own land back to them, other than those identified on the Significant Tree Register.

This Tree Preservation Order and Significant Tree Register is updated annually and comes into effect on 1 January of each year. At the present time only one *Brachychiton rупetris* (Bottle Tree) located on Quinn Street, and a group of 10 *Brachychiton populneus* (Kurrajong) on Macquarie Street, are street trees. The remainder of the trees located on the Significant Tree Register are located on private property.

As part of all new Development Applications for new sub-divisions Council (specifically the Parks and Landcare Services division) requires a landscape plan to be submitted. The landscape plan and planting methods are reviewed against the current standards and either approved or sent back for modification. The Parks and Landcare Services division is also responsible for the ensuring of compliance with the adopted landscape plans and planting methods and has the authority to reject sub-standard works and withhold bonds associated with the public open space and street tree planting.

#### **Issue 5. Perceived lack of consideration of urban biodiversity**

The Dubbo Street Tree Master Plan, although silent on the issue, strongly promotes the need for a high level of biodiversity within the City. This is demonstrated by the matrix itself that lists 247 species, of which 107 are Australian natives, and within the second booklet "Street Trees for the City of Dubbo. Eighty three (83) species (48 natives) of the more commonly identified trees in the "Trees by Street" spreadsheet again demonstrates Council's objective of securing the City's canopy cover by providing a diverse palate of suitable trees. This high level of biodiversity is necessary to ensure that Dubbo has a resilient urban forest to withstand climate change and the potential incursion of plant diseases.

The Dubbo Street Tree Master Plan is only one component of a broader strategy to improve the biodiversity within the City of Dubbo. While the Dubbo Street Tree Master Plan has constraints placed on species selection by site specific conditions (eg: overhead / underground services, street width etc.) Council is currently working on an Urban Biodiversity Master Plan. Under this plan it will proposed that additional plantings, predominately endemic species to the Dubbo area, will be planted throughout the stormwater network (water retarding basins, broad grass swales etc.). If adopted this plan will assist in the further development of the canopy cover of Dubbo and improve the connectivity and linkages to existing patches of vegetation within the City. It is anticipated that the Dubbo Urban Biodiversity Plan will be available for public exhibition March / April 2017.

**Issue 6. Lack of a Street Tree Master Plan for Wellington**

One resident of Wellington raised the issue about recent tree removals in the town, and asked whether Wellington has a Street Tree Master Plan. Any tree removals that have occurred since the proclamation date of 12 May 2016 would have already been scheduled.

Wellington currently does not have a street tree master plan to provide strategic direction in the management of public trees. This is being addressed with a street tree audit currently being organised as the first step in the process. Once the audit results have been finalised work will commence on the development of a draft Wellington Street Tree Master Plan. It is anticipated that this document will be available for public exhibition March/April 2017.

**Issue 7. Comparisons between the poor quality of the street tree canopy of Dubbo compared to other regional centres including Orange, Bathurst, Tamworth and Wagga Wagga**

The tree canopy cover of Dubbo is often compared to other regional cities and is often cited as having one of the worst. From my own observations driving through these other centres I would tend to agree that we need to improve the quality of our street trees. Part of the solution is by the careful selection of trees that are suitable for the environment that they are being planted in, and careful consideration of the site specific constraints of each planting site. This decision making process forms the basis of the Dubbo Street Tree Master Plan.

An example of how site specific constraints can have a significant effect can be found in Orange. Dubbo is often criticised about the severity of pruning that occurs within the City to maintain powerline clearances. Orange on the other hand is lauded as having big beautiful shady street lined streets. The difference is Orange has, in many locations, overhead services which run perpendicular to the roads (ie. between the trees), whereas in Dubbo our overhead powerlines tend to run parallel to the carriageway. This simple change of alignment has a significant impact on the aesthetics of the City as a whole.

Each regional centre needs to make it make its own determination on the management of their urban trees and their appetite for absorbing costs of damage to infrastructure such as roads, kerb and guttering, stormwater and water mains. For Council our approach is to attempt to minimise and manage these future impacts by means of a considered approach and species selection.

**Other issues**

One respondent requested the establishment of an avenue planting on Fitzroy Street, North Dubbo. In the plan Fitzroy Street (north) has been identified as a Priority 6 – 10 planting site.

One respondent requested tree planting in Stuart Street – West Dubbo. This street has been identified as a Priority 2 planting site.

Two respondents raised the issue of excessive pruning of street trees to maintain clearance zones for overhead powerlines. A new process has been implemented whereby Essential Energy contractors need approval from Council prior to any lopping works continuing. This has proved extremely successful with no complaints being received in the last round of clearance pruning conducted earlier this year. Council also sits on a Vegetation Management Committee established by Essential Energy to develop new guidelines and principles for managing trees near powerlines.

One respondent makes the comment about deciduous trees being planted in unsuitable areas and cites the Tracker Riley Walkway as an example. While the Tracker Riley Walkway does not fall under the Dubbo Street Tree master Plan, I agree and is demonstrated through the replacement plantings of the *Ulmus* and *Populus* species along Bligh Street with the endemic *Angophora floribunda* (rough barked apple) and *Eucalyptus tereticornis* (Forest Red) in both Ollie Robbins Oval and Macquarie Lions Park.

One respondent claims that a number of local species are not present in the matrix, citing *Casuarina cristata* as one that should be. Many of the local tree species, including *C. cristata* are in both in matrix (line 178) and identified as potential street tree species – at least seven streets for this species. Council recognises the need for a tree population that is resilient to climate change and our endemic species are best suited for our conditions.

One respondent claims not to understand how a tree species can have a high amenity value in one area but a low amenity value in another and requests clarification. A tree in one location may be in poor condition, nearing the end of Useful Life expectancy, have a poor form, or is not consistent with the character of a particular area. In these cases this tree species may be classified as having a low amenity value for that particular area. The same species in another area may be in good condition, have 15 – 40 yrs life expectancy, have a good form and be consistent with the character of the area. In this case the tree species would be judged as having a high amenity value.

One respondent claims that there was no mention of historical connections. This is incorrect as on page 9 describing the eight the historical significance of the Central precinct is identified as follows: “Many older residences still exist within this precinct, notably Bultje Street, Gipps Street and sections of Erskine Street. Planting in these areas should reflect and strengthen this heritage element.”

**SUMMARY**

The Dubbo Street Tree Master Plan has been prepared to provide both a strategic and agile management approach to street trees within in the City of Dubbo. The adoption and subsequent implementation of the plan, subject to funding, will see the tree canopy of Dubbo improve over the next 15 – 25 years.

To ensure its success Council is committed to the undertaking a street by street community consultation process to provide residents the opportunity to influence the long term look of their street, and in turn this will evoke a sense of civic pride and ownership of these valuable assets.

Appendices:

- 1 Public Submissions - Dubbo Street Tree Master Plan - 2016

# DUBBO FIELD NATURALIST & CONSERVATION SOCIETY INC.



Fostering interest, knowledge and enjoyment in natural history and conservation since 1977.

General Manager  
Dubbo Regional Council  
PO Box 81, DUBBO NSW 2830  
[drc@dubbo.nsw.gov.au](mailto:drc@dubbo.nsw.gov.au)

16 November 2016

## SUBMISSION ON DRAFT STREET TREE PLAN FOR DUBBO

The Dubbo Field Naturalist and Conservation Society Inc. (DFN&CS), thank you for the opportunity to comment on the draft Street Tree Master Plan including the three constituent documents. Our Society has had an ongoing concern for the management of Dubbo's urban street trees, particularly around the remnant, historical and high biodiversity value trees in various parts of Dubbo.

You will appreciate that the DFN&Cs have long had concerns about urban street tree management in Dubbo. Some key actions throughout the 37-year history of our organisation have been to advocate for the protection of remnant trees in urban landscapes and for encouraging urban biodiversity through native tree plantings.

We note the discussions in 2015 between the Mayor, Dubbo City Council staff and various community members, including several written submissions at that time. At that time, we noted there are three key themes of street tree issues most often raised by our membership:

- 1) *There is a **high level of ongoing concern** about the management of urban street trees.*
- 2) *Part of the above concern arises from a lack of effective communication about street trees. We'd like to see **more communication regarding actions** to manage them.*
- 3) *We'd like to see **more community involvement and ownership of planning and strategy** of our future street trees*

It appears none of these concerns were communicated to, or recognised by, Council staff, given the draft document on public exhibition and consultation process used, which appears to have had no regard for those comments.

### **Our primary concern: a lack of proper community consultation**

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Dubbo Field Naturalist & Conservation Society is a volunteer community organisation.  
All correspondence to: The Secretary, PO Box 1171 Dubbo NSW 2830.  
Or Email: [contact@dubbofieldnats.org.au](mailto:contact@dubbofieldnats.org.au) [www.dubbofieldnats.org.au](http://www.dubbofieldnats.org.au)



We note the opening section of the Master Plan document has a section on engagement with the community, admitting:

**'It is unsure yet, how Dubbo's community feel about (a) the presence of street trees and (b) what types of plantings and species they prefer...'**

This is our key concern relating to this document – it is written by Council parks and gardens staff and contracted (non-local) horticulturalists without any structured opportunity for input during the writing process from the broader community of Dubbo.

Public exhibition via your website and hard copies in Council offices is unsuitable for obtaining this shared vision - it will only (as you'll see below in our other comments) serve to provide a series of comments. The more cynical membership would also recognise that Council staff will probably ignore these due to timing constraints given they have no time or budget left for any major changes in the lead-up to a final copy. It is a trend we have seen multiple times from Dubbo City Council in recent years, and it seems Dubbo Regional Council is following the same form.

**Public exhibition of a draft final document by Council staff alone is completely insufficient** to determine what the citizens of Dubbo, who are obviously quite keen to be involved - given the SOS Trees campaign of 2015 – want. We suggest a community engagement process be used to inform this strategy: to determine what people want their city to look like, what street tree values should be prioritised, particularly in relation to key entrance roads and parts of the city. A series of targeted workshops could achieve this. Aesthetics could be polled, discussion on aspects like deciduous vs evergreen and leaf drop could be drawn out. **Not only would enhanced consultation grow ownership of the Strategy, it would serve to provide specific guidance to Council staff on community values and preferences that should be critical components to this strategy.**

### **Inadequate handling of urban biodiversity**

While it was positive to see mention of green links in specific precincts such as the South West Dubbo and Eastern Fringe, we feel the overall consideration for the environmental values and opportunities for street trees is not communicated well through the strategy documents.

Specifically, this is reflected in:

- a) No recognition of local biodiversity in the context sections of the Strategy document. It appears Council staff are planning for street trees with no knowledge of, or identification of key features of the surrounding landscape, ecosystems or vegetation communities. We feel that there are a range of excellent street tree species that will then be overlooked in favour of exotic or non-endemic native species. We're keen to see more of the local natives, such as *E. viridus*, *E. melliodora*, *E. dwyeri*, *E. crebra*, *E. melanophloia*, *E. populnea*, *Acacia pendula*, *Halea sericea*, *Casuarina cunninghamia*, *Leptospermum parviflorum*, *Leptospermum divaricatum*, *Callistemon linearis*, *Callistemon paludus* and others planted throughout the city to provide improved biodiversity services to local species.
- b) Green biodiversity links rarely explicitly identified. There should be clearer focus on where biodiversity can be maintained and enhanced through the street network,

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 All correspondence to: The Secretary, PO Box 1171 Dubbo NSW 2830.  
 Or Email: [contact@dubbofieldnats.org.au](mailto:contact@dubbofieldnats.org.au) [www.dubbofieldnats.org.au](http://www.dubbofieldnats.org.au)

especially in relation to the links between larger parkland and peri-urban fringe areas. This could have great benefits for species like Grey-crowned Babblers, wrens and lerp-eating small birds such as Thornbills and Weebills that provide a strong environmental service to local gardens in terms of insect control. The priority areas do not appear to consider adjacent biodiversity areas, such as the Macquarie River floodplain and riparian areas, newer parklands such as Wiradjuri Park, even older parks like Elston. It would be great if these key areas could be included in maps and more clearly integrated into the strategy.

- c) The toolkit treatment of biodiversity as a sideline, non-rated value is not supported – specific comments below.

We feel that Council could do a lot better in this regard to create something that adequately addresses these values and makes the strategy something we'd be happy to support and promote.

### Comments on the Toolkit Document and Matrix

Firstly, the matrix is very problematic to interpret given it is vertical, the column headings are not carried over between pages and the whole document appears to be a scanned print rather than a proper searchable PDF copy. Where we could interpret the tables, we noted the following two key comments:

- a) We note that despite specific discussions with representatives of DFNCs in 2014/5, no biodiversity values have been included in the scoring matrix, meaning species with excellent biodiversity values are not recognised or prioritised within the scoring. As biodiversity currently appears in the tables, all 'birds, insects' trees appear equal in biodiversity value, but this is far from the case. These values should not be 'Non-rated criteria', but 'Rated Criteria'. We see no reason not to include them.

We would suggest that this value be articulated so that Council staff, developers and members of the public can read and properly compare the actual value of the selected species to the biodiversity of Dubbo. Species such as Peppercorns or Water Gums hold little value for biodiversity compared to a majestic flowering Yellow Box, a native bee-rich acacia or a callistemon. Aspects such as nesting, roosting, foraging, insect loads and specific values for specific species (e.g. Glossy Black-Cockatoo) could be reflected in the rating. This would also preference many local natives over exotic natives, but not always.

- b) 'Weed potential' we note there are several species of local native species rated with moderate weed possibility. Given that these are local natives, we see no justification for this, unless you mean its ability to recruit into adjacent areas. All local native species should have a minimal 'weed' score, unless you are interpreting weed differently?

### Environmental Weeds

It is great to see the potential for a species to become an environmental weed to be recognised.

Known local environmental weeds – such as Hackberry or *Melia sp.* (White Cedar) – or those that have the strong potential to become weeds – such as Olives - should be clearly reported as such, and wholly excluded from further planting due to the significant downstream and riparian area environmental effects. This is not made clear in the document, but should be made so.

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 Or Email: [contact@dubbofieldnats.org.au](mailto:contact@dubbofieldnats.org.au) [www.dubbofieldnats.org.au](http://www.dubbofieldnats.org.au)

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### Other specific comments

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- **City Identity:** the issue of a city botanical identify seems not be feature much in the documents. Perth has wildflowers, trees and shrubs dominant throughout the city where it adds to the atmosphere of what the urban area offers. Broken Hill has a lot of the same street tree which leaves a positive memory about the city. We would advocate for endemic native trees to both suit the local environment and Central NSW landscape identity of Dubbo.
- **Deciduous Trees in unsuitable areas:** We note the wrongful planting of large deciduous trees along Tracker Riley Walkway which is a floodplain, carelessly contributing to the spread of non-indigenous flora throughout the region by floods and by birds. We'd like to see protections against deciduous trees put in place for the floodplain, to avoid the massive seasonal biomass polluting the river, causing anoxic conditions in lower flows and potential future fish kills which would not be good for the river ecosystem, and not good for Council's environmental reputation.
- The term '**Amenity value**' is used often through the document but appears not to be defined. It appears some species in some areas have high Amenity Value and in other areas Low. This is confusing and would be good to see clarified.
- **Historical Connections:** We note there was no mention of key historical connections of some areas – including trees around Victoria Park.
- We note the absence of several local native species from the matrix tables, including some listed in the main documents – for example, *Casuarina cristata*.
- We note the recommendations for *Eucalyptus mannifera* as street tree in some areas. We are aware of discussions in other areas (e.g. Canberra) about their size and branch drop (known as Brittle Gum). Members have also noted what appear to be *Corymbia maculata* planted in some areas of the city. Both species are not local native species, with much higher water requirements than those from our area. We feel there are more suitable *Eucalyptus* species that could do the same job here – especially local native species, such as Fuzzy Box, Inland Grey Box or Yellow Box.
- The Sterling Street Willow Myrtles appear not to be listed for the street. These are noted for their charisma in that street.
- *Backhousia citroida* are known to be potentially drought tolerant only when mature as they are native to far wetter areas of Australia. The volume of water required to grow should be a consideration. We note some books they are indicated as drought and heat intolerant.
- **Tree Management -** We note there are some specifications about roadworks and physical maintenance of street trees. We hope these are provided to Council road maintenance and engineering staff for use throughout the city.

We look forward to further discussion with Council on this matter and would be happy to arrange further meetings to clarify or further develop any of the above ideas.

Yours faithfully,

Janis Hosking  
 President, Dubbo Field Naturalist and Conservation Society Inc  
 (02) 6887 2692 [contact@dubbofieldnats.org.au](mailto:contact@dubbofieldnats.org.au)

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 Or Email: [contact@dubbofieldnats.org.au](mailto:contact@dubbofieldnats.org.au) [www.dubbofieldnats.org.au](http://www.dubbofieldnats.org.au)

General Manager  
Dubbo Regional Council  
PO Box 81  
DUBBO NSW 2830  
[drc@dubbo.nsw.gov.au](mailto:drc@dubbo.nsw.gov.au)

### **Dubbo Street Tree Masterplan**

It is pleasing that a Draft Street Tree Plan has at last been provided to replace the previous plan of 2004. This is a positive move towards the management of Dubbo's Tree Canopy.

### **Community Consultation**

Page 8 of the plan is of serious concern to the community of Dubbo . This indicates "It is unsure yet, how Dubbo's community feel about a) the presence of street trees and b) what types of plantings and species they prefer". It ends with "A community engagement program would help Council to understand this".

On 2 June 2015, a group of concerned citizens from Dubbo held a meeting with Mayor Dickerson and Murray Wood to raise our concerns of the systematic loss of the mature tree canopy from the Dubbo CBD. Our concerns were:

- 1 Lack of strategic direction in the management of the streetscape of the Dubbo CBD in particular
- 2 Lack of consultation with the Community of Dubbo
- 3 Lack of transparency and accountability in the decision making processes

We asked for community involvement before and during the development of the Street Tree Plan. This was an opportunity for Council to show leadership and vision to enter into a community engagement program. We raised that it was entirely unsatisfactory to produce a draft document and then ask for community consultation.

The amalgamation of Dubbo and Wellington councils was not known at that time. However this plan does not include Wellington. Council should start the process again with community input from both communities.

### **Concerns about the content of the Tree Masterplan**

One of the few streets in the CBD that still has mature street trees is Macquarie Street in the CBD. However the Tree Masterplan does not mention this street. What are the plans for Macquarie Street? Will there be community input into this decision? With the exception of Macquarie Street, there is no street in the Dubbo CBD where a pedestrian can walk under a shady tree canopy during our extremely hot summer months.

What are the plans for the avenue of Jacaranda in Fitzroy Street? Will these and other existing trees that have bitumen up to the trunks have bitumen removed to give them a chance to access water? Those Jacaranda will flower in the next few weeks and they are a picture even though one side of the street has been heavily pruned under the power lines.

When I asked the former Mayor about the new large Jacaranda in Elston Park he said I would have to ask RMS. A less than transparent comment given that Council and not RMS manages the parks.

The reports of Tree Logic Pty Ltd and Urban Forest Consulting were commissioned by Council and should be available to the Community of Dubbo. These reports would assist with Community input into a Tree Masterplan.

### **Dubbo Street Tree Masterplan as a strategic document**

It is Council's responsibility to show leadership and to assimilate vision into Council's culture to inform the direction of key decisions in relation to planning and development.

The Tree Masterplan does not interrelate with the Significant Tree Register, LEP or DCP. There is no Tree Preservation Plan to protect the tree canopy within Dubbo Regional Council. How is the existing tree canopy on both private and Council land being protected. It is not! This can be demonstrated by a number of examples.

#### **(a) Development Applications**

##### **Talbragar Street between Railway Station and Aldi**

This DA was approved by 2012 however the only action taken by the developer

since then was to remove the large shady natives that provided welcome shade and a couple of years later remove the regrowth and delete the open in 2014 sign on the vacant land. It was the view of the former Mayor of Dubbo it is the responsibility of citizens of Dubbo to follow DA's and make objections to the removal of trees. Council did not wish to discourage developers.

Council has a responsibility to inform the direction of key decisions in relation to planning and development. The community and native fauna should have been able to utilise the shade, shelter and food from native trees until such time as any development proceeded.

The before and after photos of this section of Talbragar Street on our SOS Trees Dubbo facebook page had over 1000 visits.

#### **(b) Co - existence of infrastructure and our street tree assets**

##### **Erskine Street, Newell Highway**

On 14 February 2015 11 mature Plane trees were removed to allow for repairs to the road pavement. These trees had their own laneway that was shared with parked vehicles. For over 70 years the road pavement was repaired/replaced without the loss of the trees but not in 2015.

##### **Brisbane Street**

The 70 year old White Cedar trees on the Western side of Brisbane Street needed to be removed to allow for the installation of large stormwater drains. The trees on the eastern side were removed to make it easier for Council to manage traffic.

##### **Darling Street**

The loss of 17 Mature London Plane trees to make way for the "beautification of Darling Street"

I am a member of a small but dedicated group of community members with facebook page SOS Trees Dubbo. In 2015 the site had approximately 3000 visits. We had a number of articles in the Daily Liberal including an Editorial, radio interviews, numerous phone calls and a number of meetings with other community members and Council. Citizens of Dubbo are very fortunately to have the Dubbo Field Naturalist & Conservation Society with almost 40 years history and an enormous wealth of local knowledge who are always willing and able to be part of a consultation process with Council. I am of the view the selection of species of

trees for our community should have further input from the Field Nats.

Hopefully in the future Council will seek community contribution during the planning process to work towards an integrated approach that recognises the need to upgrade infrastructure as well as recognise the value of our tree canopy. Of course there will always be times when there is no alternative to removing trees to upgrade infrastructure. However there needs to be a robust and transparent process and that has not always been the case in the past. I look forward to a time that the removal of healthy trees will be the exception rather than the rule and there will be protection for trees in Dubbo that are on public and private property.

Yours faithfully

Barbara Sutherland  
20 Good St.  
DUBBO NSW 2830  
16 November 2016



From: <comms@dubbo.nsw.gov.au>  
 Sent: Wed, 23 Nov 2016 15:13:43 +1100  
 To: "DRC Mailbox" <council@dubbo.nsw.gov.au>  
 Subject: Public submission - Draft Dubbo Street Tree Master Plan Sutherland

The following information has been submitted from the Dubbo Regional Council:

**Title :** Mrs  
**First name :** Kylie  
**Surname :** Sutherland  
**Contact number :** 0447 445 472  
**Email address :** genaren@tpg.com.au  
**Are you submitting this form on behalf of a business or organisation? :** No  
**Business or Organisation Details**  
**ABN/ACN :**  
**Registered business name :**  
**Trading name :**  
**Are you registered for GST :**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**  
**Is the business mailing address the same as the address above? :**  
**Business mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**  
**Personal details**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
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**Is your mailing address the same as the address above? :**  
**Mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**

**Comments/Feedback :**

I would like to see as many trees as possible in our streets, particularly the CBD. Suggest close plantings so the tree crowns meet and therefore shade the pavement and bitumen to reduce the radiant heat in summer. In making this suggestion I cite Orange as an example. How often have you heard Dubbo residence say how they enjoy a visit to Orange because of their parks gardens and trees (shopping is also up there for us ladies).

Would like to see residents education about sticking to a street species planting plan and not trimming or replanting individual trees of a different species. This ruins the esthetic look of an avenue street trees of the same species. Again planting trees with a spacing's allowing crowns to meet down the street and were suitable across the street in residential areas is the ultimate in creating a beautiful green environment for the neighborhood kids and families to enjoy.

Dubbo is a hot city - radiant heat is a real issue in the summer and having as many trees as possible greatly reduces heat and offers an aesthetically pleasant environment in which people wish to linger and spend time.

**Attachment/s :**

**From:** <comms@dubbo.nsw.gov.au>  
**Sent:** Thu, 24 Nov 2016 07:50:27 +1100  
**To:** "DRC Mailbox" <council@dubbo.nsw.gov.au>  
**Subject:** Public submission - Draft Dubbo Street Tree Master PlanBarnes

The following information has been submitted from the Dubbo Regional Council:

**Title :** Mr  
**First name :** Tim  
**Surname :** Barnes  
**Contact number :** 0420835761  
**Email address :** timbarnes6@gmail.com  
**Are you submitting this form on behalf of a business or organisation? :** No  
**Business or Organisation Details**  
**ABN/ACN :**  
**Registered business name :**  
**Trading name :**  
**Are you registered for GST :**  
**Address line 1 :**  
**Address line 2 :**  
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**State :** (\$[Choose One])\$  
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**Suburb/City :**  
**State :** (\$[Choose One])\$  
**Postcode :**  
**Is your mailing address the same as the address above? :**  
**Mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])\$  
**Postcode :**

**Comments/Feedback :**

Hi,

Need more trees in CBD precinct. Look at Orange, Grafton, Armidale and even Casino is going ahead with trees in the CBD. Erskine street is a travesty. Will trees be put in on Myall Street near the reservoir? The only area that is even remotely okay is South Dubbo.

**Attachment/s :**

From: <comms@dubbo.nsw.gov.au>  
 Sent: Sat, 26 Nov 2016 16:07:59 +1100  
 To: "DRC Mailbox" <council@dubbo.nsw.gov.au>  
 Subject: Public submission - Draft Dubbo Street Tree Master PlanWallace

The following information has been submitted from the Dubbo Regional Council:

**Title :** Mr  
**First name :** Geoff  
**Surname :** Wallace  
**Contact number :** 68824090  
**Email address :** wallace36@bigpond.com  
**Are you submitting this form on behalf of a business or organisation? :** No  
**Business or Organisation Details**  
**ABN/ACN :**  
**Registered business name :**  
**Trading name :**  
**Are you registered for GST :**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])\$  
**Postcode :**  
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**State :** (\$[Choose One])\$  
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**State :** (\$[Choose One])\$  
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**Is your mailing address the same as the address above? :**  
**Mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])\$  
**Postcode :**

**Comments/Feedback :**

I strongly desire to see an lift in the number of annual trees planted from the proposed 1050 to 1500.

I would also like to see the city approaches given a higher priority.

**Attachment/s :**

**From:** "Steve Goldie" <steve.goldie@essentialenergy.com.au>  
**Sent:** Mon, 28 Nov 2016 10:56:14 +1100  
**To:** "Ian McAlister" <ian.mcalister@dubbo.nsw.gov.au>  
**Subject:** Draft Dubbo Street Tree Master Plan

Dear Ian

Thank you for the opportunity to comment on the Draft Dubbo Street Tree Master Plan.

Essential Energy supports Dubbo Regional Council in its vision to improve the streetscape using a targeted tree planting strategy. We appreciate the recognition the draft master plan provides to the importance of selecting appropriate tree species for planting underneath or in close proximity to overhead powerlines. The tool kit lists a number of species that may be suitable for planting near powerlines. We note that some of the species listed have the potential under certain circumstances to grow to a height that would ultimately impact on overhead powerlines. However we also appreciate that the toolkit makes reference to ensuring that each planting location be assessed in order to select the most appropriate species. Essential Energy would be happy to work with Dubbo Regional Council to provide advice in this regard where necessary in order to prevent any future conflict with powerlines.

In addition to the requirements for planting near overhead powerlines detailed in the masterplan, Essential Energy would like to ensure that overhead services and streetlights are considered in the planning process. We have found in the past that while tree plantings might not impact on the main powerlines, they may impact on the overhead services running from street poles to houses or to the streetlights mounted on the poles

We also note that the masterplan makes reference to ensuring that trees are not planted where they will interfere with underground powerlines or other utilities. In addition, Essential Energy is keen to ensure that trees with spreading root systems are not planted such that they would interfere with our underground pillars and padmount substations.

Essential Energy looks forward to building on our long standing working relationship with Dubbo Regional Council. We will continue to work closely with Council to share operational responsibility to balance costs associated with maintaining safety, protecting infrastructure and promoting positive environmental and amenity impacts

Please do not hesitate to contact Essential Energys Vegetation Compliance and Stakeholder Manager, Steve Goldie, on 02 6681 9114 or [steve.goldie@essentialenergy.com.au](mailto:steve.goldie@essentialenergy.com.au) if you would like to discuss Essential Energys submission

Regards

Steve Goldie  
Vegetation Compliance and Stakeholder Manager  
Essential Energy  
T: 02 6681 9114 M: 0429 007 984 [steve.goldie@essentialenergy.com.au](mailto:steve.goldie@essentialenergy.com.au)



**From:** "Mark Gardner" <mark.gardner@vbs.net.au>  
**Sent:** Mon, 28 Nov 2016 14:51:37 +1100  
**To:** "DRC Mailbox" <council@dubbo.nsw.gov.au>  
**Subject:** Comment on Street Tree Master Plan  
**Attachments:** image001.jpg; image004.jpg  
To whom it may concern:

We operate our office from 24 Erskine St.

I would like to make the following comments about the Dubbo Street Tree Master Plan.

1. Not long ago the Memorial Avenue planted Street Trees were taken out from along Erskine St. Around the same time the mature Kurrajongs were removed from the Erskine St/Darling St corner.
2. At this time I spoke to Council about replanting. I was told that this was in a planning stage.
3. I am very concerned that in the current Street Tree Master Plan there are no plans to replant this area. There is nothing on the plan that suggests Council is going to replace these trees.
4. This is most unacceptable. This area is now hot, there is no shade for cars or pedestrian traffic and the street scape has been wrecked. It provides a poor image for Dubbo and its Council.
5. Streetscape needs to be recreated and trees need to be put back. When I was discussing this with Council they pointed out that planter boxes were a potential along with 4-5 m street trees that were smaller than the Avenue Trees.
6. Where are the plans for these planting in the Street Tree Master Plan? Why are there no plans?
7. I will continue to point out that other regional Cities (Tamworth, Orange, Bathurst and Wagga to name a few) are able to maintain their mature trees. Dubbo Council has an unfortunate record of pulling its trees out. How about you start to plan for replanting some of the mature trees that have been pulled out, particularly along the entrances to our fine city.

I await your response.

This is not an issue that I feel very strongly about.

Regards

**Mark Gardner**  
Vanguard Business Services  
[www.vbs.net.au](http://www.vbs.net.au)

P (02) 6885 1925  
F (02) 6885 5737  
M 0419 611 302  
S mark.gardner60

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DUBBO NSW 2830  
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From: <comms@dubbo.nsw.gov.au>  
 Sent: Mon, 28 Nov 2016 16:14:54 +1100  
 To: "DRC Mailbox" <council@dubbo.nsw.gov.au>  
 Subject: Public submission - Draft Dubbo Street Tree Master PlanGrant

The following information has been submitted from the Dubbo Regional Council:

**Title :** Mr  
**First name :** Tracy  
**Surname :** Grant  
**Contact number :** 0415204562  
**Email address :** tragra@tpg.com.au  
**Are you submitting this form on behalf of a business or organisation? :** No  
**Business or Organisation Details**  
**ABN/ACN :**  
**Registered business name :**  
**Trading name :**  
**Are you registered for GST :**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One]\$)  
**Postcode :**  
**Is the business mailing address the same as the address above? :**  
**Business mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One]\$)  
**Postcode :**  
**Personal details**  
**Address line 1 :**  
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**Suburb/City :**  
**State :** (\$[Choose One]\$)  
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**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One]\$)  
**Postcode :**

**Comments/Feedback**

I live in North Dubbo in Fitzroy St after Barden Park. This section of Dubbo is quite forgotten and very dry and hot looking. This section is a main arterial road and is heavily used by vehicles entering or exiting the highway. I would love to see another green entry into Dubbo and the residents at this end of Fitzroy St would appreciate it too. By the way, this submission for gives no other title option for women who do not wish disclose their marital status. Miss is for little girls and the other option is for women who openly display they are married (great for those who do). It is 2016

**Attachment/s :**

From: <comms@dubbo.nsw.gov.au>  
 Sent: Tue, 29 Nov 2016 16:17:45 +1100  
 To: "DRC Mailbox" <council@dubbo.nsw.gov.au>  
 Subject: Public submission - Draft Dubbo Street Tree Master Plan Sutherland  
 Attachments: 0\_31184\_29Nov2016161602\_SOS Tree Dubbo Submission1.jpg  
 The following information has been submitted from the Dubbo Regional Council:

**Title :** Mrs  
**First name :** Barbara  
**Surname :** Sutherland  
**Contact number :** 0466495128  
**Email address :** rog.barb6@yahoo.com.au  
**Are you submitting this form on behalf of a business or organisation? :** Yes  
**Business or Organisation Details**  
**ABN/ACN :**  
**Registered business name :**  
**Trading name :** SOSTrees Dubbo  
**Are you registered for GST :** No  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** NSW  
**Postcode :** 2830  
**Is the business mailing address the same as the address above? :** Yes  
**Business mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**  
**Personal details**  
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**State :** (\$[Choose One])  
**Postcode :**  
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**Mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**

**Comments/Feedback :**

Submitted on behalf of our face book page  
SOSTrees Dubbo

**Attachment/s :**

0\_31184\_29Nov2016161602\_SOS Tree Dubbo  
Submission1.jpg

**From:** <comms@dubbo.nsw.gov.au>  
**Sent:** Tue, 29 Nov 2016 20:16:29 +1100  
**To:** "DRC Mailbox" <council@dubbo.nsw.gov.au>  
**Subject:** Public submission - Draft Dubbo Street Tree Master Plan GOLLAN

The following information has been submitted from the Dubbo Regional Council:

**Title :** Mr  
**First name :** Dale  
**Surname :** GOLLAN  
**Contact number :** 0407781830  
**Email address :** shazdale@westnet.com.au  
**Are you submitting this form on behalf of a business or organisation? :** No  
**Business or Organisation Details**  
**ABN/ACN :**  
**Registered business name :**  
**Trading name :**  
**Are you registered for GST :**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**  
**Is the business mailing address the same as the address above? :**  
**Business mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**  
**Personal details**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**  
**Is your mailing address the same as the address above? :**  
**Mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One])  
**Postcode :**



**Comments/Feedback :**

Council members firstly I must say that I was surprised that Dubbo has a tree master plan given that all I have seen is some of the most majestic streets in dubbo denuded of trees that had been growing for over 5 decades, gone overnight and replaced with nothing, not being a resident of Dubbo I was not privy to why this was taking place but since the change in the council boundaries I have seen similar removals in Wellington, Percy Street (the lower end) guttered with hand chiselled blue stone gutters down toward the PCYC has lost all of the trees that had been standing for some years additionally some palms that were of incredible height have also gone, but does Wellington have a Street Tree Plan? It appears not. We have lost trees some years ago in Gisborne Street and the Council stated that this was to allow the road area to increase it is a road between Lee and Raymond Streets and had an island in which the trees had grown for many years, they are all gone and now the area suffers from blistering of the tar and road base.

Country towns need trees either in the centre of the street or along the sides that part of what we are.

I am only a humble ratepayer but I think that we all deserve a response to what is happening to our town.

Regards

Dale GOLLAN

**Attachment/s :**

**From:** <comms@dubbo.nsw.gov.au>  
**Sent:** Thu, 1 Dec 2016 20:17:13 +1100  
**To:** "DRC Mailbox" <council@dubbo.nsw.gov.au>  
**Subject:** Public submission - Draft Dubbo Street Tree Master PlanAyoub

The following information has been submitted from the Dubbo Regional Council:

**Title :** Miss  
**First name :** Rita  
**Surname :** Ayoub  
**Contact number :** 0412274975  
**Email address :** ritaayoub99@gmail.com  
**Are you submitting this form on behalf of a business or organisation? :** No  
**Business or Organisation Details**  
**ABN/ACN :**  
**Registered business name :**  
**Trading name :**  
**Are you registered for GST :**  
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**Is your mailing address the same as the address above? :**  
**Mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One]\$)  
**Postcode :**

**Comments/Feedback :**

There appears to be a lack of a credible stakeholder analysis and consultation with the creation of this plan.

Trees play a crucial role in contributing to the health of the region, specifically environmental, economic and social sustainability. Specific sites of value were not earmarked, nor were pathways for shared decision-making with residents established. I would recommend 3-4 workshops with residents, with minutes and images and videos to be collected/documentated and made available online.

This consultation period needs to be extended for at least another three to six months.

Finally, I conclude with one further question:

Why are the two source documents , Tree Logic Pty Ltd and Urban Forest Consulting relating to the development of the Street Tree Masterplan not available to the community of Dubbo?

**Attachment/s :**

**From:** <comms@dubbo.nsw.gov.au>  
**Sent:** Thu, 1 Dec 2016 21:00:17 +1100  
**To:** "DRC Mailbox" <council@dubbo.nsw.gov.au>  
**Subject:** Public submission - Draft Dubbo Street Tree Master PlanInglis

The following information has been submitted from the Dubbo Regional Council:

**Title :** Mrs  
**First name :** Lisa  
**Surname :** Inglis  
**Contact number :** 0428763400  
**Email address :** lisa.inglis@hotmail.com  
**Are you submitting this form on behalf of a business or organisation? :** No  
**Business or Organisation Details**  
**ABN/ACN :**  
**Registered business name :**  
**Trading name :**  
**Are you registered for GST :**  
**Address line 1 :**  
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**Postcode :**  
**Is the business mailing address the same as the address above? :**  
**Business mailing address**  
**Address line 1 :**  
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**Suburb/City :**  
**State :** (\$[Choose One]\$)  
**Postcode :**  
**Personal details**  
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**Is your mailing address the same as the address above? :**  
**Mailing address**  
**Address line 1 :**  
**Address line 2 :**  
**Suburb/City :**  
**State :** (\$[Choose One]\$)  
**Postcode :**

**Comments/Feedback :**

It is a positive move to see that the council is finally providing information to the public as to the future plan for Dubbo Street Trees, however I do not think the plan addresses the community needs at this time. A street by street consultative plan would be a great start so that council can listen to the residence. It is too late to save any established trees near the CBD and the CBD is not even in the plan. Any shade that is available in the all day parking areas is taken prior to 8.00 am – and this would show that the workers obviously like what trees & shade we do have, although very scarce. For those people who do not like parking under trees – don't, however it has been these people who council obviously listen to.

My concerns are:

- Are there any further loss of Tree Canopy planned? Has the temperature of Dubbo in the future been considered and has there been any studies conducted in this regard?
- Talbragar Street between the Railway and Aldi – two years on and still no trees. Why were these removed? Also Lower Erskine Street with no replacement trees planned
- Not all resource documents are available to the public ie Tree Logic report
- I see why the birds are attracted to Macquarie Street. This is one of the last areas of tree canopy. Macquarie Street is not on the plan. What is the Council's plan for Macquarie Street?
- How is it that other councils ie Orange can work around established trees when there is major infrastructure projects and Dubbo wipe out streets of established trees overnight?
- There are also concerns from residence at Wellington regarding removal of trees. Where

is their plan?

- Has the Council obtained advice regarding the types of trees to be considered from the Field Nats or other long term local community groups? Dubbo is not going to look like a country landscape if the suggested planned types of species are planted in mass.

- I personally would like to see more trees in the dog park areas and along Sheraton Road and Cobra Street as these are areas that directly affect my wellbeing. I no longer walk along the path at the end of Cobra Street where the tree were raised in mass. Not all the trees that were removed affected the construction of the new roundabout. I also refuse to drive along Darling Street near Victoria park in protest of the past tree destruction.

There are more questions then answers that this document raises.

**Attachment/s :**

**DUBBO STREET TREE MASTER PLAN 2016**

**Submission**

**As a resident of Dubbo for fifty years, I congratulate Council's Parks and Landcare services for presenting this document, which will provide a cohesive basis for the next decade's tree plantings around Dubbo.**

**I particularly applaud its aim to work at linking into Council's broader priorities its departmental priorities of addressing the need to adapt to climate change, with its associated effect on community health and wellbeing.**

(Thanks goodness, gone are the days when, last century, I was discussing the matter with a former Mayor of this City they just did NOT 'get' the need for, and value of, (vistas of) public green (open) space, or think there was any way 'Council could tell Developers what to do' in regard to retaining/adding to tree-plantings to provide shade and amenity.)

**Given the fact that 'greening up industrial areas' was an aim of the 2004 document which this master Plan replaces, may I point out that pseudo-industrial 'landscapes' can appear even in our CBD – the rear of the Reading Cinema and the north-facing wall on lower Wingewarra St west of Macquarie St come immediately to mind, and I think MUCH closer liason and collaboration with developers to 'harmonise' AND maintain adjacent planting should be put in place, mandatory where necessary. (See addendum #1.)**

I am pleased to note too that the document's guidelines also reflect the formal requests over MANY years (including last century!) from Dubbo Field Naturalist and Conservation Society (of which I am a foundation member from 1977) in regard to such tree-related matters, as well as other then-'contentious' issues such as bitumening right up to the trunks of trees, inappropriate pruning and removal, and to include far more native species (regionally endemic where possible).

**With specifics having been spelled out in the Master Plan's Addendum *Toolkit for Planners, Developers, Service Providers and Contractors* for Structural Root Zones and Tree Protection Zones which address some of the above issues, I hope they will not only be strictly supervised and enforced, but also promptly updated to protect tree health and survival where new horticultural guidelines and data become available.**

**I sincerely think that there are grounds for Dubbo Regional Council to follow avenues of funding and infrastructure-building to become a model inland city and centre of excellence to lead the way in horticultural skills and data-building expertise in plantings, which address the closely-associated issues of climate change and community health and well-being. With a CSU campus here – (wishfully, with also the cooperation of what remains of our TAFE campus) there are surely grounds for not only practical horticultural skills but also associated research.**

I particularly hope that any such research can be focussed on the use, and as necessary horticultural adaptation, of our Western Region endemics. With anticipated increased temperatures, it seems reasonable to expect species from further west to be able to successfully adapt here, and assist in the survival of associated fauna, both vertebrate and invertebrate.

**It is pleasing to note that many Australian Native species are included in the list for consideration for plantings, including on the additional Trial Trees list. (See addendum #2), although I have not had the time to assess what percentage they make in the lists, or proportionally how much they**



**rank in proposed total plantings. Hopefully I will find that they are given a priority ranking where it is possible to do so, and improved horticultural knowledge in the future will see any proportion increase.**

I note the proposal to circulate residents when plantings are planned for their street, but may I request that the general community is at the same time given opportunity for input via multi- media coverage, as, like many, I drive along and appreciate many streets other than my own, and we could all have valid input!

I note the priority rankings applied across Dubbo, and I hope you will via the media regularly explain with media releases where planting are at, or are planned next to be.

Additional regular featuring in the local press etc of listed species will help to improve residents' awareness and knowledge.

**One suggestion I made many years ago is to label as many plants as possible – trees or otherwise, in order to passively improve the general awareness and knowledge of residents – and certainly for newcomers, both from other parts of the country or overseas.**

**I'm sure this would be enhanced through providing apps etc!**

**Elsie Howe**

**PO Box 123 Dubbo**

# DUBBO STREET TREE MASTER PLAN



## PUBLIC SUBMISSION FORM

Public exhibition period:  
Thursday, 20 October to Thursday, 17 November 2016

Name Don Graham Phone 6882-6037

Address 111 Bourke St. Nth. Dubbo

I would like all sections of DRC to review & be aware of the value of our street trees. It is disappointing to see trees cut off to the side of the road. From the other side of the road, the trees are cut off around the bank. But the other side of the road, I hope DRC has the say on what type of trees can be planted by residents & more on the street. I have some cherry trees planted 4-5m from the road but in some cases.

I would like to see more trees & what should be possible. One council & had the idea on them. If I can see this, I would have some planting done for the Mitchell Hwy. as you come in from the airport. If that is what you want.

PTD

In accordance with the Personal Information Protection Act 1998, written submissions received by Council containing personal information may be made public when the matter goes before the Council for determination, as it may be included in the Council Business Papers. Persons have the right to remain anonymous if they so chose by refraining from submitting the personal information, however, the submission may be given less weight in the overall assessment and determination process.

dubbo.nsw.gov.au / council@dubbo.nsw.gov.au  
(02) 6801 4000  
• Cnr Church and Darling Street, Dubbo  
• Cnr Nanima Crescent and Warne Street, Wellington  
PO Box 81, Dubbo NSW 2830

OFFICE USE ONLY	
Dubbo City	
Parcel.....	
Asset.....	<u>111</u>
- 5 DEC 2016	
<u>12/2015</u>	
File C.....	

Is there enough awareness for residents to not use the end level instead of lower. Also to not pile lawn clippings against the trunks. i.e. - re the chance of collar rot.

My thanks to all who are involved in the growing of Dubbo & Wellington etc. It makes a great difference to the quality of our lives & our day to day comfort & overall pleasure.

With thanks

Lion Jackson

P.S. Also for DRC to have full control over presenting best practices re the clipping of street trees etc.



**REPORT: Dubbo Regional Sports Council**

**AUTHOR: Manager Recreation Planning and Programs**

**REPORT DATE: 12 December 2016**

**TRIM REFERENCE: ID16/2309**

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**EXECUTIVE SUMMARY**

Due to the merger of the former Dubbo City and Wellington council's and the differing mediums and practices for communication and consultation within sport and recreation groups in Dubbo and Wellington there is a need to provide a streamlined overarching Sports Council framework.

As a result of discussions and consultation with sport and recreation groups from both Dubbo and Wellington, internal discussions within Parks and Landcare and the survey results reviewing the current Sports Council practice a new Dubbo Regional Sports Council framework has been developed.

The new framework will see an overarching Management Committee made up of a President, two Vice Presidents (one each from Dubbo and Wellington), the secretary as appointed by Council to be the Manager Recreation Planning and Programs and General Members (three from Dubbo and one from Wellington). Management meetings will be held as required and General meetings will be held bi-monthly on the first Tuesday of the month for Dubbo and the second Tuesday of the month for Wellington.

The current Dubbo Sports Council Improvement Fund will need to be reviewed as part of the broader analysis of sporting preparation fees and distribution of these fees within the budget prior to the 30 June 2017 with an aim to implement a streamlined Improvement Fund for the Dubbo Regional Sports Council beyond this timeframe.

It is recommended that the new Dubbo Regional Sports Council be implemented from 1 January 2017 with the Annual General Meeting to be held on the first Tuesday in February 2017 where the Constitution will be adopted, including the Affiliation Fees for the 2017/2018 Dubbo Regional Council Revenue Policy.

### **FINANCIAL IMPLICATIONS**

The financial implications associated with increasing the Dubbo Regional Sports Council Membership Fee to \$55 including GST within the Dubbo Regional Council Revenue Policy 2017/2018, will include an increase in revenue for the 9.07 Recreation Planning and Programs function.

### **POLICY IMPLICATIONS**

There are no policy implications arising from this report.

### **RECOMMENDATION**

- 1. That the new framework for the Dubbo Regional Sports Council be adopted and commence 1 January 2017.**
- 2. That an Annual General Meeting for the new Dubbo Regional Sports Council be held on the first Tuesday in February 2017 to elect the new management committee and adopt the new constitution.**
- 3. That the Dubbo Regional Sports Council Membership Fee of \$55 including GST, be tabled at the Dubbo Regional Sports Council Annual General Meeting and amended in the Dubbo Regional Council Revenue Policy Fees and Charges for 2017/2018.**
- 4. That a review of the Dubbo Sports Council Sporting Facilities Improvement Fund occur considering sporting preparation fees and distribution of these fees within the Dubbo Regional Council Parks and Landcare budget with the aim to streamline the Improvement Fund across the Local Government Area. Until the 30 June 2017 only Dubbo Sporting Clubs will be able to apply for the Sporting Facilities Improvement Fund.**

*Tracey Whillock*

Manager Recreation Planning and Programs

## **BACKGROUND**

The Dubbo Sports Council has been an informal committee of the former Dubbo City Council and the now Dubbo Regional Council for over three decades. The Committee is made up of representatives from sport and recreation groups and is administered by Council's Manager Recreation Planning and Programs.

The Dubbo Sports Council consisted of a Management Committee involving the executive and general members. The Management Committee traditionally met every month however over the past 12 months have been meeting as required. General Committee Meetings are held bi-monthly.

The former Wellington Council had a formal Committee of Council where representatives from sporting bodies attended. Since the merger of the former Dubbo City and Wellington Council's this formal committee has been disassembled and bi-monthly Wellington Sporting Club meetings have been held.

## **REPORT**

Following the merger of the former Dubbo City and Wellington council's of the former Wellington and Dubbo council's and subsequent discussions held at the September Dubbo Sports Council and Wellington Sporting Groups meetings it was recognised that there was a need to streamline a Sports Council framework for the new Local Government Area.

During September and October 2016 the Manager Recreation Planning and Programs provided all sport and recreation groups from within the Local Government Area the opportunity to complete a survey which reviewed the current Dubbo Sports Council and Wellington Sporting Group committee. 15 responses from the current 44 Sporting Clubs members within the Local Government Area were received.

As a result of discussions and the survey review it was determined a Dubbo Regional Sports Council framework would be developed as the overarching communication forum between Council and Sport and Recreation groups across the Local Government Area. With the survey indicating a 69% satisfaction rating with the current Dubbo Sports Council then the current framework will form a basis for the new Dubbo Regional council framework. The proposed Dubbo Regional Sports Council framework was tabled at the Dubbo Sports Council General Meeting on Tuesday 8 November 2016 and at the Wellington Sporting Groups Meeting on Tuesday 15 November 2016 with all feedback provided being positive and no submission against the proposal received. It will be recommended that the Dubbo Regional Sports Council be implemented from 1 January 2017.

The objectives of the Dubbo Regional Sports Council will include:

- To maintain adequate and effective communication between the sporting public and the Dubbo Regional Council in order that the existing and future needs of those participating in and those administering sports are accurately identified and brought to the attention of the Dubbo Regional Council.
- To collaborate with relevant organisations to identify areas that may be suitable for sporting and recreational development. This identification could take place with respect to existing needs but perhaps the greatest value would be in the identification of development required to meet the future demands of sport and recreation.
- To co-operate with the Dubbo Regional Council to ensure that sporting and recreational facilities are provided and maintained at an acceptable standard.
- In co-operation with the Dubbo Regional Council, Government Departments and other bodies/organisation to ensure that wherever possible optimum use is made of existing facilities.
- To recommend to the Dubbo Regional Council priorities in respect of development projects which may be competing for funds.
- To assist with the promotion of local, regional, state and national sporting events.
- To endeavour to co-operate with other agencies in order to keep the community fully informed of those facilities and clubs that exist within the Local Government Area.
- To make recommendations to the Dubbo Regional Council of all winter and summer seasonal allocations (both senior, junior and school) of sporting facilities.
- To negotiate with the Dubbo Regional Council to establish mutually acceptable fees and charges for use of sporting facilities.

The Dubbo Regional Sports Council membership shall consist of:

- One representative of each sport and/or recreation association conducting competition with the boundaries of the Dubbo Regional Council.
- One representative of the State High Schools, State Primary Schools and Independent Schools.
- Those persons in the community who have an active interest in promotion and development of sport and recreation in the Dubbo Regional Council Local Government Area.
- The Director Parks and Landcare Services or his nominee.
- The Secretary of the Sports Council in his/her capacity as Manager Recreation Planning and Programs with the Dubbo Regional Council.

An affiliation fee will be fixed each year at the Annual General Meeting and will be required to be paid by members within ninety days. The current affiliation fee for the Dubbo Sports Council is \$22 including GST. Based on the results of the survey conducted it will be proposed at the Annual General Meeting of the Dubbo Regional Sports Council to raise this affiliation fee to \$55 including GST.



The Dubbo Regional Council framework will include an Executive which includes a president, two vice president one being from Dubbo and the other Wellington and the secretary appointed by Council being the Manager Recreation Planning and Programs.

The Management Committee would consist of this Executive and include four additional members of which three will be from Dubbo and one from Wellington with all positions to be elected at the Annual General Meeting in February. The survey conducted indicated a 93.33% satisfaction with the above framework for the Management Committee. The Management Committee will meet as required with a minimum one meeting in March and September.

The Dubbo Regional Sports Council will hold General Meetings bi-monthly with one meeting in Dubbo on the first Tuesday of the month and the other in Wellington on the second Tuesday of the month. The survey results showed 46.67% of respondents wishes to maintain the bi-monthly meeting format and 86.67% indicated satisfaction with the first and second Tuesday of the month format for meetings.

In regard to the financials of the Dubbo Regional Sports Council, these will continue to be managed by Dubbo Regional Council.

The Dubbo Sports Council administered a Sporting Facilities Improvement Fund which is currently funded by the sporting preparation fees paid seasonally by the Dubbo Sporting Clubs. This Improvement Fund will continue to be only available for Dubbo Sporting Clubs until the 30 June 2017, as the Wellington Sporting Clubs have not contributed to the restricted funds. Pending a review of all sporting preparation fees paid by Dubbo and Wellington Sporting Clubs in accordance with the Dubbo Regional Council Revenue Policy 2016/2017 and the distribution of these fees within Dubbo Regional Council Parks and Landcare budgets, this improvement fund will be reviewed with the aim to streamline for the new Dubbo Regional Sports Council from the 1 July 2017.

## **SUMMARY**

In summary, it is recommended that Council endorse the proposed framework for the new Dubbo Regional Sports Council which will begin implementation on 1 January 2017. The first Dubbo Regional Sports Council Annual General Meeting will be held on the first Tuesday in February 2017, where the new constitution which includes affiliation fees structure, committee framework and the meeting formats will be tabled for adoption. A review of the Dubbo Sports Council Sporting Facilities Improvement Fund to occur as part of the development of the 2017/2018 Revenue Policy and Budget.



**REPORT: Wellington Pool - Development of Master Plan**

**AUTHOR: Director Parks and Landcare Services**

**REPORT DATE: 10 December 2016**

**TRIM REFERENCE: ID16/2304**

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**EXECUTIVE SUMMARY**

A structural integrity assessment was undertaken on the Wellington Pool Complex by Geolyse (July/August 2016). The finding of the report found that the Complex was in poor to very poor condition and was within two (2) years of the end of its useful and safe life expectancy. To ensure that the pool could open on time for the 2016/2017 swimming season Council spent approximately \$70,000 on repairs to ensure that the public was not disadvantaged or their safety compromised. These repairs are only a temporary solution and the Complex requires replacement within the next two (2) years or face closure.

This situation provides Dubbo Regional Council with a unique opportunity to work closely with the Wellington community to develop a master plan for a new swimming complex that will cater for the community for at least the next 50 years.

It is estimated that this process of community consultation and master plan development, as well as undertaking geotechnical investigation of the site, would cost \$60,000 Ex GST.

**FINANCIAL IMPLICATIONS**

To undertake the development of the master plan, and geotechnical investigation, it is proposed to utilise the \$36,000 from the Internally Restricted Asset identified as "Wellington – Strategic Plan for Pools" to offset the cost of the community consultation / master planning and geotechnical investigation. A further \$24,000 is requested from the "Wellington – Asset Maintenance – Uncommitted" restricted asset.

**POLICY IMPLICATIONS**

There are no policy implications arising from this report.

**RECOMMENDATION**

- 1. That \$60,000 be identified for the development of a master plan for the Wellington Pool Complex with \$36,000 being transferred from the “Wellington – Strategic Plan for Pools” Restricted Asset and a further \$24,000 from the Wellington – Asset Maintenance – Restricted Asset and that such allocations be made at the December 2016 Operational Plan and Budget Quarterly Review.**
- 2. That a community consultation process be designed and implemented to develop a Master Plan for the Wellington Pool Complex.**
- 3. That following the development of the Wellington Pool Master Plan a report be presented to the March 2017 Ordinary meeting of Council proposing a funding strategy and timeline for the replacement of the Wellington Pool Complex.**

*Ian McAlister*

Director Parks and Landcare Services

## REPORT

A structural inspection of the Wellington Swimming Pool facility was carried out by Geolyse in July 2016. The final report, received 12 August 2016, identified that the pool complex was in poor to very condition with major structural defects being identified in the Olympic Pool, medium pool and children's pool, change rooms, the filtration building and systems, and plumbing and reticulation system. The chlorination system uses a chlorine gas system that is outdated and potentially hazardous to the surrounding community.

The general basis of the report identified that:

*"The main assets are very near the end of the functional life and well into the phase where multiple expensive repairs are required to keep them operational." (p. 5).*

To enable the pool to open on time for the 2016/2017 swimming season Council undertook approximately \$70,000 worth of repairs that included: stabilisation of the wall at the deep end of the pool, the removal of a portion of wall in the men's change room and the relining of the pipes of the reticulation system to reduce water loss from the system. Even with these repairs it is projected that the entire asset group will need to be replaced within two (2) years. This timeframe may be able to be extended for a further short period following a reassessment of the repairs to the pool wall by a qualified structural engineer.

Although problematic from a funding perspective this situation provides Council with a unique opportunity to work closely with the Wellington community to develop a master plan for a new swimming complex that will cater for the community for at least the next 50 years. To enable the development of this master plan, and undertake the extensive community consultation required, it is proposed to call for Expressions of Interest from suitably qualified professionals. Applicants will be then be shortlisted and quotations sought.

At the same time, and to help inform the design of the Complex it is strongly recommended that a geotechnical investigation be carried out prior to any drafting of plans. The identification of any latent conditions that may exist on site may influence the complex design and can assist in the reduction of any variations of contract during the construction phase. As this pool has been losing a considerable volume of water for an unknown period of time it may be that the subgrade is saturated, and require further excavation and the import of additional base material.

To undertake the proposed strategy of comprehensive community consultation, master planning and geotechnical investigation it is estimated that an amount of \$60,000 will be required. To fund this project it's proposed to utilise the \$36,000 from the Internally Restricted Asset identified as "Wellington – Strategic Plan for Pools" with the remaining \$24,000 funded from the "Wellington – Asset Maintenance – Uncommitted" restricted asset.

Underpinning this project is the urgency of ensuring that the public's safety is not unduly compromised, the level of service for the Wellington community is not significantly reduced or at least managed, and the expenditure of Stronger Communities funds, if the submitted

grant is successful, within the define timetable. Funding from this grant stream must be fully expended and acquitted by December 2019.

It is unlikely that due to the closure of many businesses over the Christmas / New Year period it will be unlikely that Council will be able to engage a consultant to undertake the community consultation / master planning of the new complex prior to February 2017. However the timeframe of December 2019 for the expenditure and acquittal of the Stronger Communities funds is still considered to be achievable. This is on the basis that the project can be staged to allow these funds to be expended first and within the define timeframe.

Due to the expected construction timeframe of 10 – 12 months it is highly likely that there will be significant disruption to the accessibility of the pool. All reasonable attempts will be made to minimise the level of disruption, or provide alternatives if available.



## **REPORT: Economic Development Strategy Quarter One Report**

**AUTHOR: Director Corporate Development**

**REPORT DATE: 12 December 2016**

**TRIM REFERENCE: ID16/2307**

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### **EXECUTIVE SUMMARY**

Attached as **Appendix 1** is the first quarterly report for the 2016/2017 Economic Development Action Plan. This Action Plan reflects specific, relevant activities from the Wellington and Dubbo Chapters of Council's adopted Delivery Plan. The Plan also identifies broader work programs and services that will be developed, maintained and in some examples expanded to support economic development across the new council footprint.

### **FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

### **POLICY IMPLICATIONS**

There are no policy implications arising from this report.

### **RECOMMENDATION**

**That information contained within this report be noted.**

*Ken Rogers*

Director Corporate Development

## BACKGROUND

As resolved by Council at its meeting on 22 June 2016, the structure of Action Plan has been based on the 10 step framework and outcome areas of former Dubbo City Council Economic Development Strategy. This 12 month Action Plan will act as a bridging plan until a new, longer term Economic Development Strategy is identified for the newly amalgamated Council.

The 2016/2017 Economic Development Action Plan reflects committed activities in Council's adopted delivery plans. The Plan reflects specific projects that support the identified outcome areas. The Plan identifies the work programs that be will delivered to support, maintain and further develop related services and activities for the new LGA footprint. Progress of the Action Plan will be reported to Council quarterly in December 2016, March 2017, June 2017 and September 2017.

## REPORT

Highlights for the quarter include:

- Provided a responsive economic development service to 12 prospective investors.
- Played a key role in Value Management Workshop regarding the location of the new high level bridge.
- Developed opportunities paper regarding Wellington Correction Centre expansion, which included Industry workshops with over 60 Wellington government, community and business and service providers.
- Provided input to the Regional Economic Opportunities and Infrastructure Priorities Project.
- Implemented \$25,000 Great Western Plains visitor attraction TV campaign
- Commenced development of Agricultural Tour product development 'Regional Platters' in partnership with 9 LGAs.
- Supported Quality Inn to deliver a Newcastle radio promotion in partnership with Taronga Western Plains Zoo and Fly Pelican.
- The Rhino Adventure was relaunched with new signage, digital marketing activity and consumer giveaways.
- Completed Dubbo.com.au redevelopment including online bookings.
- Developed 'smile. it's Christmas' Dubbo retail and community campaign.
- Developed 'Jingle on the Bell' Wellington retail and community campaign.
- Execution of the John Holland Interface Agreement.
- Provided assistance to Orana Regional Development Australia visit to China to promote regional investment/ local food production.
- Development of myDubbo - an EFTPOS based gift card to encourage local spend.

## SUMMARY

The first quarterly progress report on the 2016/2017 LGA Economic Development Action Plan is presented for notation.

Appendices:

- 1 Attachment to Report - Economic Development Action Plan 2016/2017 as at 12 December 2016



available for further growth of the LGA.	contacts for construction phase of development scheduled to commence in December this year. Attended and promoted invitation to local suppliers to attend John Holland tender briefing for Dubbo Hospital Redevelopment Stage 3.		
Seek and support the development of joint infrastructure projects that support economic growth of the LGA.	Action dependent on first quarter planning, execution and outcomes	Corporate Development	Q1
Complete Wellington CBD Beautification project within grant funding budget and timeline.	Action dependent on first quarter planning execution and outcomes	Corporate Development	Q1
<b>1.3. Ensure adequate supply of available land for residential, commercial and industrial purposes that supports a diverse local and regional economy and promotes economic growth</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Liaise with the NSW Real Estate Institute (Orana), the Dubbo Chamber of Commerce and Industry Inc and development industry on locational demands and development types affecting the LGA. (2.4.3.1)	Frequent liaison undertaken through the Administrator's Development Forum every three months. Forum held 20 July 2016	Environmental Services	Q1
Maintain a comprehensive database of property market statistics and indicators from which to monitor the Dubbo market for residential and industrial development. (4.4.2.1)	Action dependent on first quarter planning, execution and outcomes	Corporate Development	Q1
Review and report on Council's property portfolio in respect of property development, acquisitions and disposals.(4.4.2.4)	Action dependent on first quarter planning execution and outcomes	Corporate Development	Q1
Not Applicable	Not applicable	Corporate Development	Q1
Monitor, review and adjust planning imperatives, where possible, to aim for an adequate 'supply versus demand' balance	Ongoing monitoring, adequate land available	Environmental Services	Q1

for residential, commercial and industrial land in the LGA.			
<b>1.4. Encourage sustainable development and environmentally friendly business practices which protect and maintain the local natural environment and existing infrastructure, facilities and amenity</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Undertake an annual review of the Economic Profile of the City. (2.4.1.2)	Provided ongoing support and referral assistance to Macquarie Homestay Development for the planning and operational phase of their development.	Corporate Development	Q1
Undertake an annual review of the Education for Sustainability Strategy. (2.1.3.1)	Review to be completed by November 2016	Environmental Services	Q1
Prepare and formulate the State of the Environment report in accordance with the requirements of the Local Government Act 1993. (2.1.2.5)	State of Environment Report completed November 2016	Environmental Services	Q1
Review the implementation of and monitor the Dubbo Environmental Management Plan with respect to all identified environmental sectors. (2.1.1.1)	No update to be provided by November 2016 due to the plan being under review	Environmental Services	Q1
Undertake an annual review of the Development Control Plan to ensure relevance and compatibility with changing needs and ecologically sustainable development principles. (2.2.3.5)	Review to be carried out by September 2017 as a component of the Amalgamation Harmonising Project.	Environmental Services	Q1
Facilitate and / or coordinate information flows (including events) designed to educate the community regarding the benefits of sustainable development.	Information and education is on-going.	Environmental Services	Q1
<b>1.5. Promote alternative energy sources and infrastructure</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>

Provide information and support for alternative energy / technology business opportunities in partnership with relevant industry sectors and State Government - to support initiatives that attract low carbon investment in LGA.	Information and support provided	Environmental Services	Q1
<b>1.6. Monitor the availability of infrastructure and facilities which may influence the ability to attract and retain businesses and population across the region</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Develop and commence implementation of an action plan to maximise the economic benefits for the LGA as a result of the Wellington Correctional Centre expansion project.	Facilitated and hosted four Industry workshops with over 60 Wellington government, community and business and service providers. Engaged Remplan economists to develop opportunities paper. Action plan due to Council in December.	Corporate Development	Q1
Liaise with industry representative bodies to gain feedback regarding emerging threats and opportunities in respect of the availability of infrastructure and facilities.	Business and masterplan details provided to NSW Department of Industry, for the Regional Economic Opportunities and Infrastructure Priorities Project.	Corporate Development	Q1
Implement a master plan for the Showground. (4.4.5.4)	Grant application under Stronger Community Fund submitted by Show Society for a portable amenities block. Discussions held with executive of Orana Equestrian Club regarding redevelopment of outdoor arena	Corporate Development	Q1
<b>1.7. Research critical infrastructure needs for key growth industries in the region and identify and prioritise immediate infrastructure deficiencies</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
In collaboration with business and industry bodies provide input and lobby for critical infrastructure needs for key growth industries in the region, and identify and prioritise immediate infrastructure deficiencies.	Business and masterplan details provided to NSW Department of Industry, for the Regional Economic Opportunities and Infrastructure Priorities Project.	Corporate Development	Q1

Identify Wellington capital works for inclusion in Council's Capital Work Prioritisation framework.	Action dependent on first quarter planning execution and outcomes	Corporate Development	Q1
<b>1.8. Develop criteria for determining the priority projects for infrastructure spending in the region giving consideration to those which will boost economic activity (such as jobs growth, developing external markets and productivity improvements)</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Maintain a list of strategic priority projects for infrastructure within the LGA.	Business and masterplan details provided to NSW Department of Industry, for the Regional Economic Opportunities and Infrastructure Priorities Project.	Corporate Development	Q1
<b>1.9. Pursue improvements to, and application of communication technology in the region and encourage all new developments to have advanced communications/technological infrastructure available such as the National Broadband.</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Ensure that opportunities for economic growth of the LGA, associated with communication technology are realised.	All opportunities, actions and digital communications are promoted through business events and topics within the training calendar.	Corporate Development	Q1
Investigate opportunities for the LGA to take advantage of technological opportunities associated with business and community.	Continuing to promote NBN and Councils Keswick Estate is developed with NBN in the residential premises.	Corporate Development	Q1
Investigate opportunities for the LGA to take advantage of technological opportunities associated with business and community.	Currently investigating options for vehicle charging stations in the city.	Environmental Services	Q1
<b>1.10. Promote the development of airport infrastructure at the Dubbo LGA Regional Airport as an opportunity for business expansion in the aviation related industry and to support other business/industry expansion/investment</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Support the continuation of the Royal Flying Doctor expansion, training and development plans.	Provided high level assistance to General Manager Marketing & Fundraising, Royal Flying Doctor Service. Insight into tourism in Dubbo, visitation trends and behaviours, event facility market opportunities and gap analysis were discussed, Destination Management Priorities highlighted, economic development contacts shared, research, statistics, data locations provided	Corporate Development	Q1
Continue to develop and promote the Dubbo City	RFDs and Council to undertake \$34.4 million capital works program, five carriers now servicing from Dubbo.	Corporate Development	Q1

Regional Airport as an opportunity for business expansion for aviation related industry.			
<b>1.1.1. Encourage and promote partnerships with State and Federal governments and agencies in respect of infrastructure needs of local businesses and for future investment in infrastructure (such as transport links, roads, broadband access and phone coverage)</b>			
Action	Progress	Accountable / Responsible	QTR
Review in collaboration with community, Council, business and industry bodies' critical infrastructure needs to be considered for funding under the Major Project Fund (as part of the Stronger Communities Fund)	Projects currently under construction provide the top 3 priorities for inclusion in Central West and Orana Regional plan	Corporate Development	Q1
Completion of the Dubbo Regional Livestock Markets facilities upgrade. (4.4.3.9)	Cattle facility upgrade in progress, completion expected by May 2017.	Corporate Development	Q1

## 2. Mining and Mining Services Expansion

<b>2.1. Provide support including networking on specific business development issues</b>			
Action	Progress	Accountable / Responsible	QTR
Promote business opportunities for, and provide support to, the mining industry, including implementation of the Mining Services Action Plan.	Maintained communication and feedback with METS NSW a supplier of innovative mining equipment, technology and services on potential follow up workshop in Dubbo. Maintained ongoing communication with General Manager of Alkane Resources and utilised opportunity to gain feedback on METS industry proposal.	Corporate Development	Q1
Promote business opportunities for, and provide support to, the mining industry, including implementation of the Mining Services Action Plan.	Mining infrastructure and services impact model developed	Environmental Services	Q1
<b>2.2. Ensure appropriate infrastructure investment and planning, including investment in both hard and soft infrastructure for business and the community</b>			
Action	Progress	Accountable / Responsible	QTR

Implement a Mining and Mining Services Strategy that identifies needs and opportunities likely to be associated with expansion in the region to ensure adequate land, services and facilities are available to support the industry.	Mining Services Action Plan being implemented.	Corporate Development	Q1
Not applicable	Not applicable	Corporate Development	Q1
<b>2.3. Promote Dubbo as the premier mining service centre</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Work closely with industry organisations to further highlight the LGA's key geographical positioning and to encourage mining sector business growth within the region.	Maintain regular meetings with Alkane and METS industry.	Corporate Development	Q1
<b>2.4. Ensure adequate land is available to support investment and to provide accommodation options</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Work closely with industry organisations to further highlight the LGA's key geographical positioning and to encourage mining sector business growth within the region.	Work on-going as required	Environmental Services	Q1
<b>2.5. Support micro-enterprise initiatives that support and service the mining sector and its employees</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Work closely with industry organisations and other stakeholders to further develop small business opportunities related to growth of the mining sector within the region.	Mining Services Action Plan being implemented.	Corporate Development	Q1

### 3. Tourism Destination Development

<b>3.1. Establish a tourism destination development strategy to enable market gaps and opportunities to be formally identified and provide relevant fact based information for future development/investment consideration</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Maintain audits and identify current gap and potential investment and development opportunities for the LGA.	Audits maintained through the Destination Management Working Group.	Corporate Development	Q1
Implement the Destination Management Plan (DMP) for the LGA.	Destination Management Working group meetings held. Projects being undertaken include Great Western Plains visitor attraction campaign development, Regional Platters trail development, Great Western Plains website and social media management.	Corporate Development	Q1
Develop a visitor's economy strategy for the LGA aligned to the Great Western Plains Destination Management Plan and the draft Wellington Destination Management Plan.	No action to date.	Corporate Development	Q1
<b>3.2. Encourage diversification through tourism product development based on the cultural, natural and built assets of the region</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Develop food, wine and agritourism products, providing an opportunity to link with neighbouring LGA's and tourism hubs	Agricultural Tour Development - 'Regional Platters' due in market early 2017. Development being funded via successful grant. Workshops to be held in early December in Gilgandra, Coonabarabran, Dubbo and Wellington. Workshops will equip famers and agribusiness with the skills and tools to present their unique story and tourism offering to a visitor market. Program will include production of a 'Regional Platters Guide'.	Corporate Development	Q1
Implementation of new website for Wellington Caves and booking system (W.DP)	Under development and 'new books' likely to be the adopted booking system	Corporate Development	Q1
Explore the develop an Aboriginal Cultural Strategy (W.DP)	No action to date	Community Services	Q1
Facilitate and support the development of new tourism related business ventures, and the expansion of existing tourism related business ventures.	Supported provided to tourism businesses in the period included Accommodation, winery, Royal Flying Doctor expansion project Provided assistance to Orana Regional Development Australia Chairman traveling to China to support tourism promotion.	Corporate Development	Q1



Complete capital projects at the Old Dubbo Gaol funded by the Cobbora Transition. (1.3.7.5)	Only external signage left to complete - scheduled to be completed March 2017	Community Services	Q1
<b>3.3. Support alliances between local operators such as the Taronga Western Plains Zoo, the Regional Tourism Organisation, Destination NSW, the indigenous community, local industry associations and other relevant government departments and peak tourism organisations</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Foster alliances between local operators (e.g. TWPZ, Regional Tourism, Destination NSW, Indigenous community, local industry associations and other relevant government departments and peak tourism organisations.	Supported local Operator with a Newcastle radio promotion. Collaborated with TWPZ to welcome official Chinese management delegation from Adecco in Shanghai for a follow-up familiarisation tour of Dubbo and TWPZ.	Corporate Development	Q1
Work on continuous improvement of local industry engagement and optimise business operations.	Regular meetings held with local operators, events industry and chambers of commerce. Specific support and engagement provided to Royal Flying Doctor Service, Dundullimal, Old Dubbo Gaol and Wellington Caves in the period.	Corporate Development	Q1
<b>3.4. Utilise the region's natural and cultural environment as tourist attractions in collaboration with tourism industry stakeholders to benefit from the \$24 Billion Australian Nature Tourism industry.</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Investigate and pursue opportunities for further industry growth.	Provided destination management information to interstate business looking to establish Aboriginal tourism product in Dubbo. Provided high level assistance to Orana Regional Development Australia. Chairman traveling to China including Chinese/English translations of suggested tourism itinerary and Tourism statistics.	Corporate Development	Q1
LGA Promotions Strategy and other associated programmes and strategies to include activities that support local promotion and community pride on being home of the TWPZ. (4.3.2.1)	Partnered with zoo to deliver a \$25,000 Dubbo + Great Western Plains summer visitor attraction TV campaign in November. The Rhino Adventure was relaunched for the September school holidays in partnership with Taronga Western Plains Zoo. The Rhino Adventure is being promoted digitally with visitors encouraged to stop, take a selfie with the rhino and upload it to social media with #therhinoadventure for their chance to win prizes. Supported local operator, Quality Inn to coordinate a TWPZ onsite broadcast from a Newcastle radio station.	Corporate Development	Q1
<b>3.5. Maintain and develop quality recreation infrastructure and public amenities which support tourism offerings (such as recreation areas, accommodation, cultural facilities, tourism information facilities, service areas, signage and tourist trails)</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>

Implement the Public Art Strategy. (2.6.2.2)	Implemented and scheduled for review in February 2017. Wellington are to be included in review	Community Services	Q1
Research and identify the value to the LGA of the 'Freedom Camper' /RV Travellers.	Wellington to be included on The Rhino Adventure trail rhino expected to be launched mid-December.	Corporate Development	Q1
Identify specific tourism infrastructure and amenities considered important to servicing a current or emerging tourism segment not currently available in the LGA.	'Hard' tourism infrastructure opportunities identified in Community Fund applications. Activity in regards to development of 'Soft infrastrure includes attending Aboriginal Tourism Conference with local operators in November. Development of Agri tourism product trail in development.	Corporate Development	Q1
<b>3.6. Utilise the LGA's assets to attract business tourism and major events to the region, and through collaboration attract high quality and high yield events</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
LGA Events Support Program implemented. (4.2.1.1)	Program currently underway with major event sponsorship program also developed.	Corporate Development	Q1
Support local initiatives to hold and attract high quality and high yield events.	Successful in its bid to host the 2017 Local Government Water Management Conference. Worked closely with organisers of Red Hot Summer Tour to help bring the event back to Dubbo in 2017.	Corporate Development	Q1
Develop a proactive local events industry and strengthen local event management capability.	Bi-monthly event network meetings held and included: funding channels open to events; guidelines and requirements around broadcast music and videos at events and elements of an Event Management Plan and why the Plan is critical to planning successful and safe events	Corporate Development	Q1
Position Great Western Plains as a destination for events leveraging from the destination appeal and brand.	Events listed in regional guide and in <a href="http://greatwesternplains.com.au">greatwesternplains.com.au</a>	Corporate Development	Q1
Capital Upgrade Program with cost estimates to modernise the Convention Centre component of the Dubbo Regional Theatre and Convention Centre to be included in the Capital Works Prioritisation Program with a view of seeking funding from both rates/general revenue and external sources. (1.3.1.7).	Capital works prioritization program completed. Included as item in the \$9million Stronger Communities Fund for possible funding. Grant Funding being pursued.	Community Services	Q1

Monitor commercial accommodation occupancy rates for trends. (4.2.2.6)	Occupancy rates maintained, and tourism market report distributed monthly.	Corporate Development	Q1
<b>3.7. Establish an identity for both Wellington and Dubbo that reflects the community's aspirations and provides a platform for marketing and promotion of the LGA whilst identifying the LGA's unique selling points and year round tourism offer</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Undertake activities to support Wellington's attraction of residents and major project relocations, including ongoing support for the Orana 'Love the Life we live' project.	Met with Department of Justice regarding recruitment activities for Correctional Centre expansions. Wellington Guide developed to support new resident attraction activities. Love the Life we live' membership maintained. Wellington information on 'Love the life we live' website updated.	Corporate Development	Q1
Implement Great Western Plains Phase 3 Marketing campaign.	Phase 3 of Great Western Plains campaign in development. 'Drive your way to a big adventure' will be in market from April, 2017. 'Fly your way to a big adventure' will be in market February, 2017.	Corporate Development	Q1
Ensure all key promotional activities reflect the LGA destination brands and support key brand messages. (4.3.1.1)	2016/2017 City Development Partnership Program was launched on 16 August with the unveiling of the suite of guides underpinning the City's destination marketing activities. 140 business are partners of the Program enabling the City to produce 134,000 Guide promoting Dubbo to the visitor, new resident and event markets. Dubbo.com.au redeveloped. Finalised design created for Transforce to positive destination marketing messages on its fleet vehicles	Corporate Development	Q1
Implement LGA Signage Strategy. (4.2.1.7)	Reskinned and installed refreshed Obley and Camp road Tourism Circuit signage. Entry signage updated with four Rhinos being repainted with designs from local students.	Corporate Development	Q1
Conduct an annual LGA promotions programme customer satisfaction survey.	Next industry survey due out in February 2017.	Corporate Development	Q1
Undertake a monthly rolling visitor satisfaction survey.(4.1.2.9)	Rolling survey being undertaken. YTD 100% satisfaction with quality of service at the Dubbo VIC and quality information at the Dubbo VIC.	Corporate Development	Q1
<b>3.8. Support and encourage cooperative marketing and product development initiatives</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Communicate with industry to provide information on co-operative campaign/promotional opportunities. (4.1.2.4)	City Development newsletters provided monthly. Attend Chamber of Commerce, Ignite, Destination Management meetings to discuss opportunities. Discuss opportunities with RDA Orana and Destination NSW as appropriate.	Corporate Development	Q1

Deliver two (2) major campaigns targeting key tourism markets annually. (4.1.2.6))	Dubbo + Great Western Plains summer visitor attraction TV campaign in market in November. 'Fly your way to a big adventure' campaign in development. 'Drive your way to a big adventure' campaign in development.	Corporate Development	Q1
Undertake monthly and quarterly reviews and updates of key information and promotional material. (4.2.2.4)	All material updated as required. Dubbo.com.au redeveloped in the quarter. New Wellington Guide due to be completed mid-December.	Corporate Development	Q1
Develop and implement a program for all permanent staff and Ambassadors of the Visitor Information Centre (VIC). (4.2.2.2)	Familiarisation undertaken at Dubbo and Wellington Visitors Information Centres, Macquarie Regional Library, Local B&B, Wellington Caves, Burrendong Sport & Rec Centre, Burrendong Holiday Park, and Burrendong Botanic Garden & Arboretum	Corporate Development	Q1
Review service levels and Capital Works Program to ensure that the VIC's maintains its Visitor Information Network Accreditation. (4.2.2.3)	Accreditation maintained.	Corporate Development	Q1
Support and encourage Dubbo CBD business owners under the Ignite Placemaking Program to collaborate with co-operative marketing and product development within the implementation of many of the 50 bright ideas through a two year funded program from Council.	Regular Ignite newsletter distribution to business owners / managers. Regular quarterly Ignite meetings with business owners / managers / stakeholders. Preliminary research into Wi-Fi supported pedestrian tracking systems. Analysis and investigation into parking provisions, ample parking signage and change in parking officer rotations. Submission for grant funding within the NSW Local Government Area (LGA) in the Murray-Darling Basin Energize Enterprise Fund. Round 3 of funding. Grant application presented for Ignite Skill Activation program & Ignite Light Activation Introduction of myDubbo retail stimulus program smile. it's Christmas' campaign	Corporate Development	Q1
Conduct local research and engage with Wellington business community to consider the interest and feasibility of a Wellington CBD Placemaking program, including co-operative marketing and product development for Wellington CBD economic development.	No action to date on placemaking program. Community consultation on the Correctional Centre expansion provided ideas and insights from the community regarding destination image / CBD opportunities.	Corporate Development	Q1
<b>3.9. Provide quality information to enhance visitor experiences and attract visitation through a broad spectrum of mediums whilst identifying and responding to Dubbo's key tourism market segments</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>

Provide a quality information service electronically.	Dubbo.com.au has been redeveloped	Corporate Development	Q1
Maintain a central information data base that is well maintained and made available to local stakeholders and prospective investors.	Database management and maintenance ongoing. Utilisation of ACT! for the LGA consolidated database management.	Corporate Development	Q1
Provide an effective LGA destination management information service that promotes the LGA and its various attractions and services. (4.2.2.1)	GWP Destination Management group provided high level assistance and feedback into consultant's development of "Destination Macquarie Marshes Action Plan".	Corporate Development	Q1
Develop regional LGA positioning paper in cooperation with Inland NSW and Destination Management for RV and caravanning services. (1.4.5.7)	Awaiting outcome of funding application to Murray Darling Fund.	Corporate Development	Q1
Development of the Ignite Placemaking Program Facebook site and website to provide a centralised social media information hub to communicate all Ignite activations to city visitors, residents, visiting family & friends & tourists and increase awareness about Ignite activities in the Dubbo CBD.	Development of the Ignite Placemaking Program Facebook site complete and ongoing with daily interaction with CBD businesses stakeholders, shoppers and owners. Development of Ignite website will be complete 2nd quarter & will provide a centralised social media information hub to communicate all Ignite activations to city visitors, residents, visiting family & friends & tourists and increase awareness about Ignite activities in the Dubbo CBD.	Corporate Development	Q1
<b>3.10. Not applicable</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Not applicable	Not applicable	Corporate Development	Q1
Not applicable	Not applicable	Corporate Development	Q1
Not applicable	Not applicable	Corporate Development	Q1

## 4. Transport & Distribution Expansion

### 4.1. Expand and strengthen Dubbo's role as a 'hub' for transportation and service operations

Action	Progress	Accountable / Responsible	QTR
Promote Dubbo as the 'hub' for transportation and service operations by ensuring appropriately zoned land and information via the Strategic Land Use and Infrastructure Strategies.	Appropriately zoned land and information via the strategic land use and infrastructure strategies provided.	Environmental Services	Q1
Promote Dubbo as the 'hub' for transportation and service operations by ensuring appropriately zoned land and information via the Strategic Land Use and Infrastructure Strategies.	Council has continued to support Dubbo's role as a transport hub. Road train access from both the Mitchell Highway (west) and the Newell Highway is now available directly into Boothenna Road now that the railway line has been relocated at Troy Junction.	Technical Services	Q1
Promote Dubbo as the 'hub' for transportation and service operations by ensuring appropriately zoned land and information via the Strategic Land Use and Infrastructure Strategies.	Ongoing	Corporate Development	Q1
Continue to gain support from NSW and Australian Governments and utilise the resources of the Australian Airport Association to ensure continued viable access to Kingsford Smith Airport for regional airlines. (3.1.18.1)	Ongoing. Badgery's Creed developments being monitored.	Corporate Development	Q1
Facilitate and support initiatives that will assist with positioning Dubbo as the 'hub' for transportation and service operations in Western NSW.	No action taken to date	Corporate Development	Q1
<b>4.3. Expand and promote Dubbo's role as a major road/rail interchange centre</b>			
Action	Progress	Accountable / Responsible	QTR

As a result of defined strategies and forward planning, establish and promote Dubbo as a major road and rail interchange, due to its strategic location.	On going	Corporate Development	Q1
As a result of defined strategies and forward planning, establish and promote Dubbo as a major road and rail interchange, due to its strategic location.	See above.	Technical Services	Q1
<b>4.4. Promote Dubbo as an air transport link for interstate business and travel</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Promote Dubbo as the 'hub' for domestic and business travel and air logistics operations.	Campaign with Fly Pelican/ Newcastle radio station and local operators supported in November. Jetgo campaign developed for February 2017 and Air Pelican in market in March 2017, as part of Great Western Plains visitor attraction activity.	Corporate Development	Q1
Maintain a watching brief on the developments with respect to the proposed Badgerys Creek airport. (3.1.18.10)	Watching brief and direction of NSW State Government	Corporate Development	Q1
<b>4.5. Plan/design efficient road and rail access to complement requirements of industrial and agricultural expansion</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Undertake regular liaison and initiate discussions with, government infrastructure providers – to pursue future infrastructure needs and funding requirements.	Regular meetings (6 monthly) are held with the RMS.	Technical Services	Q1
Implement the new Road/Rail Interface Agreements with Australian Rail Transport Corporation (ARTC) and the John Holland Group. (3.1.4.3)	Regular meetings (6 monthly) are held with the RMS.	Technical Services	Q1
Implement the new Road/Rail Interface Agreements with Australian Rail Transport Corporation (ARTC) and the John Holland Group. (3.1.4.3)	The John Holland Interface Agreement has been executed but not the ARTC Agreement. Council is still awaiting responses from ARTC to suggested modifications.	Technical Services	Q1



<b>4.6. Promote partnerships with and encourage NSW and Australian Governments, agencies and industry in respect of the transport infrastructure needs of local businesses and the need for future investment in infrastructure</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Facilitate meetings with relevant government agencies, stakeholders and developers to discuss partnerships in respect of the transport needs of local businesses.	Roads and Maritime Department surveyed the public in May/ June 2016 in respect of an additional bridge over the Macquarie River at Dubbo.	Environmental Services	Q1
Lobby for additional turning and overtaking lanes on the Mitchell and Newell Highways. (3.1.9.1)	There has been no active lobbying in the first quarter.	Technical Services	Q1
<b>4.7. Ensure adequate high quality land is available to support demand for transport and distribution developments</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
In conjunction with the annual review of the Dubbo Local Environmental Plan ensure adequate appropriately zoned land is available to support the transport and logistics industry.	Land monitors reviewed and adequate appropriated zoned land as available	Environmental Services	Q1

## **5. Agricultural Sustainability & Diversification**

<b>5.1. Maintain and develop Dubbo as the premier centre for regular commercial fat and store sheep and cattle sales and the indoor show and sales centre for stud cattle, sheep and horses in NSW</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Promote the Dubbo Regional Livestock Markets.	Dubbo Regional Livestock Markets continues to be promoted through website, press, flyer and video is being produced.	Corporate Development	Q1
Support and encourage a strong agricultural sector. Provide support for fundraising, promotional projects and grant applications within the sector. Planning proposals to support growth and development.	Application to Murray Darling Fund successful. Funds being used to develop regional agriculture tourism/tour product and information guide.	Corporate Development	Q1

Review and update Dubbo Regional Livestock Market Asset Management Plan.	Asset management plan reviewed.	Corporate Development	Q1
Develop and implement a detailed master plan for the Dubbo Show Ground to provide for further development and improvements to maintain and enhance Dubbo's position as a premier centre for indoor show and sales centre for stud cattle, sheep and horses in NSW. (4.4.5.4)	Master plan adopted	Corporate Development	Q1
Completed staged upgrade of the Cattle Management Facility (4.4.3.9)	Under construction, expected to be completed by May 2017.	Corporate Development	Q1
<b>5.2. Expand Dubbo as a major food processing centre</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Facilitate and support economic growth initiatives in food production within the Dubbo and Wellington LGA.	'Regional Platter' business diversification program being implemented. Guide due in market in February 2017.	Corporate Development	Q1
Facilitate and support business investment and attraction along with business retention and expansion initiatives that focus on the expansion of the LGA in food production.	Provided high level assistance to Orana Regional Development Australia Chairman traveling to China to promote regional investment/ local food production.	Corporate Development	Q1
Facilitate and support business investment and attraction along with business retention and expansion initiatives that focus on the expansion of the LGA in food production.	Support provided	Environmental Services	Q1
Promote Dubbo as the regional service centre for agriculture based manufacturing and supply.	"Regional Platters" program launched.	Corporate Development	Q1

<b>5.3. Position the LGA as a centre for agriculture based manufacturing and service centre</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Establish and promote the LGA as a centre for diverse sustainable farming practices.	Creation of Regional Platters showcasing farming currently in development.	Corporate Development	Q1
Explore opportunities for expanded agricultural and research development.	SproutX initiative and Jobs for NSW program prompted in City Development newsletter. Regional Platter program includes workshops to assist agricultural businesses identify opportunities for tourism/experience development.	Corporate Development	Q1
<b>5.4. Establish and promote the LGA as a centre for diverse sustainable farming practices</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Explore opportunities and undertake activities to support development of industry and related practices.	Regional Platter program being delivered in partnership with 9 LGAs.	Corporate Development	Q1
<b>5.5. Encourage the expansion of agricultural education and research and development</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Investigate opportunities for the LGA to take advantage of technological opportunities associated with business and community along with supporting the expansion of education, business and research opportunities.	Continuing to promote the NBN and Councils Keswick Estate is developed with NSW in the premises	Corporate Development	Q1
<b>5.6. Promote LGA as a cost effective and central location for food and product transport and distribution</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Facilitate and support business investment and attraction and business retention and expansion promotions that focus on the diversity of the LGA's agricultural base and	Provided assistance to Chinese Domain company and Australian based Beef Innovation with City and regional agricultural footage to support promotion of region and direct agricultural supply to China.	Corporate Development	Q1

opportunities for future investment.			
<b>5.7. Position the LGA as an ideal location for carbon trading/sequestration and offsets</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Facilitate discussions and develop materials that promote LGA as ideal location for carbon trading/sequestration and offsets.	Opportunities being monitored	Corporate Development	Q1
<b>5.8. Promote the diversity of the LGA's agriculture base and the opportunities available for agricultural investment at any scale</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Develop materials that promote diversity of Dubbo's and Wellington agriculture base.	Regional Platter program will result in development of a guide. Guide to be in market in February 2017.	Corporate Development	Q1

## 6. Regional Service Centre Development

<b>6.1. Improvements to and within the health services sector</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Continue to support the Western NSW Local Health Network to attract general and specialist medical practitioners to Dubbo including community health staff. (1.1.1.1)	Support provided	Community Services	Q1
Monitor the impact on Dubbo of the management/ operations of the Western NSW Local Health Network. (1.1.1.3)	No impact identified to date	Community Services	Q1
In conjunction with Sydney University and Charles Sturt University gain support from the Australian Government for health tertiary courses and	No action taken	Community Services	Q1

training courses and facilities in the City. (1.1.3.1)			
Strategically manage newly developed airline linkages along with potential development of increased flights and additional links.	Newcastle and Canberra are now being serviced from Dubbo	Corporate Development	Q1
<b>6.2. Improvements in education and amenity</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Hold an annual meeting with the Dubbo Office of the Department of Education to discuss primary and secondary education in the LGA (1.1.5.3)	Scheduled for May 2017	Community Services	Q1
Monitor Federal Budget outcomes in regards to education implications.	Monitoring on going	Community Services	Q1
<b>6.3. Streamlined approval and information process</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Monitor and continue to support a streamlined approvals process with a user friendly pathway to development.	Ongoing with the evolution of streamlined processes such as the pop up policy document.	Corporate Development	Q1
Implement the Fast Track approvals program that was developed out of the Road Test initiatives undertaken by Council as part of the CBD precinct plan.	Department of Planning and Environments project which is a web page for e-services is to be implemented in 2017 across NSW Local Government	Environmental Services	Q1
Provide a central point of contact for businesses to seek advice and information for investing in the LGA	Economic Development Officer acts as central point of contact. Council engaged an Economic Development Project Officer to support delivered of iconic and destination development projects across the LGA, with a focus on Wellington.	Corporate Development	Q1
<b>6.4. Promotion of a positive image through proactive public relations</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>

Positively promote Dubbo CBD through the Ignite Placemaking Program	99 enquiries have been facilitated in August - November 2016.	Corporate Development	Q1
Implement the Corporate Communications Program. (1.4.3.4)	Positive external media supported include: coordinated a targeted industry luncheon with businesses from Dubbo and Wellington, and a familiarisation in partnership with Dubbo Chamber of Commerce for the Editor of Country Style magazine. Large article achieved and follow up coverage likely. Provide itinerary, content, contacts and an interview for Caravan and Camping Australia Magazine who were filming a DVD for their readers.	Corporate Development	Q1
Promote the LGA positively to local and non-local audiences.	Supported updates on oranaregion.com.au, evocities.com.au, lovethelifewelive.com.au. Dubbo.com.au website has been redeveloped. Updated Dubbo City Investment DVD to include additional airline carriers, current statistics and development approvals and removal of former Council reference. CBD Banners were installed on 16 August in line with the unveiling of the suite of guides underpinning the 2016/17 City Development Partnership Program.	Corporate Development	Q1

## 7. Workforce & Skills Development

7.1. Improvements to and within the health services sector			
Action	Progress	Accountable / Responsible	QTR
In conjunction with Sydney University, Charles Sturt University and TAFE, gain support from the Australian Government for health tertiary courses and training courses and facilities in the LGA. (1.1.3.1)	No action to date	Community Services	Q1
Make representations to the NSW and Australian Governments to increase coordinated funding for programs to improve the education, health, employment and economic development opportunities of Aboriginal people. (1.2.5.1)	No action taken	Community Services	Q1
Support Indigenous Youth Development Programs. Liaise	No action taken	Community Services	Q1

with Wellington Local Aboriginal Land Council, local schools, TAFE and Interagency and Community Services Advisory Committee to support Indigenous Youth Development programs.			
Promote education and training opportunities to increase the capabilities of the community, staff and expertise allowing for general 'up-skilling' across the LGA.	Maintained and promoted Business Training and Events Calendar on investindubbo.com.au.	Corporate Development	Q1
<b>7.2. Understand the nature of demand and supply by engaging with local business and understanding skills and labour needs gaps and delivery of a regular skills and labour needs survey to track skilling and workforce requirements in the region and feeding this information back to education and training providers in the region</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Engage with local business to understand skills and labour needs gaps.	No action to date.	Corporate Development	Q1
Work in partnership with education providers and business programme to develop employment skills. Engage with development proponents to establish training opportunities. Work experience program / Identify training opportunities.	No action to date	Corporate Development	Q1
<b>7.3. Encourage the promotion and expansion of locally available tertiary education opportunities</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Encourage diversification of post-school education and training, and expansion of tertiary courses in the LGA.	Familiarisation undertaken at CSU Dubbo campus. Brief discussion regarding future opportunities held.	Corporate Development	Q1
Support relevant community groups and medical professionals who link medical students to training	Support provided	Community Services	Q1



opportunities in Wellington through Sydney University and Rural Far West.			
Encourage diversification of post-school education and training, and expansion of tertiary courses in the LGA.	Support provided	Community Services	Q1
<b>7.4. Deliver programs and initiatives that support the attraction of skilled professionals</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Provide support to businesses / agencies endeavouring to recruit skilled workers to the LGA. (1.1.6.1)	Attended Correctional Services Information Sessions and supported regional attraction efforts for the Centre expansion. Supported Medical Students through School Rural Health. 258 positions uploaded to the Dubbo-Jobs website. Dubbo jobs recorded 8,589 website visits. 8 employers registered to Dubbo-Jobs	Corporate Development	Q1
Develop and maintain information targeting new resident for the Dubbo and Wellington communities.	New resident Guide for Dubbo in Market. New resident Guide for Wellington is in production 0 to be in market mid-December. 'Love the Life you live' (new resident attraction website for Wellington) updated. Evocities (new resident attraction website for Dubbo) maintained.	Corporate Development	Q1
Undertake LGA Marketing activities (web, media, events, and sponsorships) support the attraction of skilled professionals. (4.1.2.5)	Ongoing via Evocities platform, MTB services and Evojobs.	Corporate Development	Q1

## 8. Advocacy and Leadership development

<b>8.1. Communication and engagement with industry, government and the community</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Promote industry collaboration and cooperation by holding and participating in number of collaborative forums and information sharing opportunities	Monthly City Development newsletters distributed. Ignite network meetings held. Accommodation network meetings held.	Corporate Development	Q1
Maintain organisational participation in the Small Business Friendly program	Participation in program maintained. Participation promoted on Council website.	Corporate Development	Q1

Gain support for infrastructure funding to support growth of industry sectors and improve the accessibility of the region in response to identified and prioritised needs.	Ongoing meetings and networking opportunities with NSW Trade and other departments.	Corporate Development	Q1
Undertake a community survey to determine community satisfaction levels of community engagement activities. (5.2.1.1)	Community engagement will be sought prior to project drive activities.	Corporate Development	Q1
Develop partnerships with NSW and Australian Governments to review and improve regulations and business incentives to facilitate economic growth and diversification.	Ongoing. Recently attended DNSW Aboriginal Workshop with two local producers.	Corporate Development	Q1
Produce annual documentation for the development and construction industries advising of legislative changes including Building Code of Australia (BCA) amendments and variations in Council's policies and requirements. (2.2.3.2)	Document to be provided and distributed if necessary by June 2017	Environmental Services	Q1
Support forums with real estate agents, development and building industries and Chamber of Commerce on planning and building issues. (2.4.3.3)	Combined with Administrator's Forum held 17 July 2017	Environmental Services	Q1
<b>8.2. Undertake activities to promote consolidated, united and representative action by business, industry, government and the broader community</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Develop a consolidated and united approach across the LGA, and within Council by understanding the needs of community and developing appropriate actions, to move the region forward.	On going	Corporate Development	Q1

Engage in forums with business, industry, government and broader community leaders in economic development discussions sharing best practice and strategies.	Maintained referral assistance/liason with Business Enterprise Centre to discuss assistance to new business looking for advice on establishing operational efficiencies	Corporate Development	Q1
Pursue opportunities for strategic alliances and/or resource sharing with neighbouring councils.	Ongoing through collaborative networks in particular EvoCities	Corporate Development	Q1

## 9. Business investment & Attraction

9.1. Development of marketing material required to promote Dubbo as a business location and to highlight the growth opportunities available			
Action	Progress	Accountable / Responsible	QTR
Promote the competitive advantages of the area and reasons to invest in the LGA in all relevant marketing materials and communicate available opportunities.	Invest in Dubbo DVD updated. Invest in Dubbo and Dubbo data centre updated and maintained.	Corporate Development	Q1
9.2. Develop and maintain LGA economic profile, prospectus and population projections.			
Action	Progress	Accountable / Responsible	QTR
Provide a responsive economic development service to prospective investors.	12 new prospectives facilitated in the quarter including a solar development, transport service, Aboriginal tourism development, hospitality services and retail.	Corporate Development	Q1
Undertake an annual review of the procedure for processing Development Applications. (2.2.9.1)	Major review to be undertaken by March 2017 as part of the organizational review resulting from the merger.	Environmental Services	Q1
Continue to implement the adopted Environmental Services Communications Strategy. (2.2.9.2)	Ongoing	Environmental Services	Q1
Undertake a biennial client survey to determine client	Survey programmed to be undertaken by November 2017 for 2016/2017	Environmental Services	Q1

satisfaction levels in respect of land use services. (2.2.9.3)			
Implement e-Services project plan to increase the extent of information available electronically. (2.2.9.7)	E-Certificates implementation on hold due to merger. Computer systems being developed for the merged Council to include e-Planning capability.	Environmental Services	Q1
Encourage business to network and engage with specific prospective investors to discuss the benefits of locating to the LGA.	Networking opportunities communicated and connections made for potential investors including real estate agents, land developers and local chambers.	Corporate Development	Q1
Positively promote Dubbo CBD through the Ignite Placemaking Program to investors	Submission for grant funding within the NSW Local Government Area (LGA) in the Murray-Darling Basin Energize Enterprise Fund. Round 3 of funding. Grant application presented for Ignite Skill Activation program & Ignite Light Activation Introduction of myDubbo - an EFTPOS based gift card which can be used to purchase goods and services in any participating local store in Dubbo. Engage with stakeholders to promote product and ensure leveragable success. The network of all businesses in Dubbo have the potential to cross sell your business in the sale of cards. Continue to develop the 'smile. It's Christmas' campaign - to attract business stimulus in the CBD, ensure the Dubbo CBD is vibrant, busy and attractive to Investors.	Corporate Development	Q1

## 10. Business Retention & Expansion

### 10.1. Execute a business expansion and retention program

Action	Progress	Accountable / Responsible	QTR
Support and promote local business development activities, such as development programmes, seminars and business awards. (4.1.3.4)	Sponsored Dubbo Chamber of Commerce Business Awards. Development opportunities promoted in monthly city development newsletters. Business Training and Events Calendar on investindubbo.com.au maintained.	Corporate Development	Q1
Communicate relevant business development funding opportunities to the LGA business community.	Funding opportunities promoted in Monthly City Development and quarterly economic development newsletters.	Corporate Development	Q1
Undertake research for a detailed fundamental outlook of the economic future of the LGA.	Opportunities paper for the Wellington Correctional Centre will provide insight to development of the new Economic Development Strategy in 2017. 60 people	Corporate Development	Q1

Examination of collaborative and independent strengths, weaknesses, opportunities and threats to determine true growth potential of the region.	attended workshops held in Wellington, and consultant Remplan will be provided economic analysis as part of the Opportunities paper.		
Provide a responsive economic development service to existing businesses.	30 existing businesses provided services including accommodation, medical retail, tourism, and agriculture	Corporate Development	Q1
Support events and seminars for local business to assist communication and promote collaborative opportunities and partnership development.	All appropriate events included in industry training calendar. Developed 'Jingle on the Bell' - Christmas in Wellington CBD program. Developed 'Smile its Christmas' Dubbo CBD program	Corporate Development	Q1
Undertake an annual review of the Urban Land Monitors. (2.4.1.1)	Review to be carried out by November 2016	Environmental Services	Q1
Develop and support business development opportunities through the Ignite Placemaking Program.	Submission for grant funding within the NSW Local Government Area (LGA) in the Murray-Darling Basin Energize Enterprise Fund. Round 3 of funding. Grant application presented for Ignite Skill Activation program & Ignite Light Activation Program.	Corporate Development	Q1
Ensure that commercial and industrial land use planning and regulations are streamlined to facilitate and promote business expansion and investment.	New employment land strategy under preparation to be completed by July 2017.	Environmental Services	Q1
<b>10.2. Undertake a local business skills development program</b>			
<b>Action</b>	<b>Progress</b>	<b>Accountable / Responsible</b>	<b>QTR</b>
Facilitate business support and training initiatives to the LGA business community to increase general business skills and improve general functionality and competitiveness of the Dubbo business community.	Maintained and promoted Business Training and Events Calendar on investindubbo.com.au. Opportunities promoted in monthly city development newsletters and at accommodation and event network meetings. Applied for funding from Murray Darling for Ignite and Your Dubbo business development program.	Corporate Development	Q1
Develop and support a local business skills development through the Ignite Placemaking Program.	Submission for grant funding within the NSW Local Government Area (LGA) in the Murray-Darling Basin Energize Enterprise Fund. Round 3 of funding. Grant application presented for Ignite Skill Activation program & Ignite Light Activation Program.	Corporate Development	Q1



# AGENDA

## COMMITTEE OF THE WHOLE COUNCIL

### 19 DECEMBER 2016

#### MEMBERSHIP:

Mr M Kneipp (Administrator).

The meeting is scheduled to commence at \_\_\_\_\_.

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**CW16/7      ORTHO-RECTIFIED AERIAL IMAGERY OVER DUBBO REGIONAL COUNCIL LOCAL GOVERNMENT AREA (ID16/2294)**

The Committee had before it the report dated 7 December 2016 from the GIS Officer regarding Ortho-Rectified Aerial Imagery Over Dubbo Regional Council Local Government Area.

*In accordance with the provisions of Section 9 (2A) of the Local Government Act 1993 the General Manager is of the opinion that consideration of this item is likely to take place when the meeting is closed to the public for the following reason: information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).*

**CW16/8      DELEGATION TO THE INTERIM GENERAL MANAGER THE ACCEPTANCE OF A TENDER FOR THE SUPPLY OF A UNIFIED COMMUNICATIONS SYSTEM (ID16/2295)**

The Committee had before it the report dated 7 December 2016 from the Manager Information Management regarding Delegation to the Interim General Manager the Acceptance of a Tender for the Supply of a Unified Communications System.

*In accordance with the provisions of Section 9 (2A) of the Local Government Act 1993 the General Manager is of the opinion that consideration of this item is likely to take place when the meeting is closed to the public for the following reason: information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).*

**CW16/9 CONSTRUCTION OF LANDFILL CAPPING AT WHYLANDRA WASTE AND RECYCLING CENTRE (ID16/2258)**

The Committee had before it the report dated 5 December 2016 from the Manager Works Services regarding Construction of Landfill Capping at Whylandra Waste and Recycling Centre.

*In accordance with the provisions of Section 9 (2A) of the Local Government Act 1993 the General Manager is of the opinion that consideration of this item is likely to take place when the meeting is closed to the public for the following reason: information that would, if disclosed, prejudice the commercial position of the person who supplied it (Section 10A(2)(d)(i)).*

**CW16/10 INTERIM GENERAL MANAGER'S PERFORMANCE APPRAISAL - 2015/2016 (ID16/2308)**

The Committee had before it the report dated 13 December 2016 from the Administrator regarding Interim General Manager's Performance Appraisal - 2015/2016.

*In accordance with the provisions of Section 9 (2A) of the Local Government Act 1993 the General Manager is of the opinion that consideration of this item is likely to take place when the meeting is closed to the public for the following reason: personnel matters concerning particular individuals (other than Councillors) (Section 10A(2)(a)).*